

Lovat Highland Estates Ltd

Report and Abbreviated Accounts

31 October 2003

 ERNST & YOUNG



Independent auditors' report

to Lovat Highland Estates Ltd pursuant to section 247B of the Companies Act 1985

We have examined the company's abbreviated accounts for the year ended 31 October 2003 which comprise the Balance Sheet and the related notes 1 to 4, which have been prepared in accordance with applicable United Kingdom law, together with the company's financial statements of the company for the year ended 31 October 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

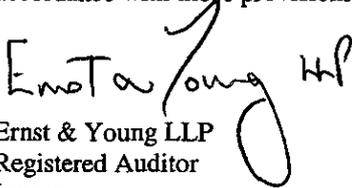
The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.


Ernst & Young LLP
Registered Auditor
Inverness

29/4 2004

Abbreviated balance sheet
at 31 October 2003

	Notes	2003 £	2002 £
Fixed assets	2		
Tangible assets		3,853,941	3,915,301
Investments		8,673,550	3,593,430
		<u>12,527,491</u>	<u>7,508,731</u>
Current assets			
Debtors		212,597	88,425
Cash at bank and in hand		78,860	111,218
		<u>291,457</u>	<u>199,643</u>
Creditors: amounts falling due within one year		7,500,300	5,208,636
Net current liabilities		<u>(7,208,843)</u>	<u>(5,008,993)</u>
Total assets less current liabilities		<u>5,318,648</u>	<u>2,499,738</u>
Capital and reserves			
Called-up equity share capital	3	150,000	150,000
Revaluation reserve		2,947,518	563,903
Profit and loss account		2,221,130	1,785,835
Shareholders' funds		<u>5,318,648</u>	<u>2,499,738</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on *22 April* 2004 and are signed on their behalf by:

Malcolm Fraser
.....
Mr M Fraser
Director

Iain D Shepherd
.....
Mr I D Shepherd
Director

Notes to the abbreviated accounts

at 31 October 2003

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Office equipment	-	3 years
Used motor vehicles	-	2 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Deferred taxation

Deferred taxation is fully provided for in respect of the taxation effect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Subsidiary undertaking

Subsidiary undertakings are entities over which the company exerts significant influence and in which it has a long term interest comprising an investment of more than 50% in the voting capital.

Investments

Subsidiary companies included within fixed asset investments are valued at the company's shareholding proportion of their net assets, with any surplus on revaluation being taken to a revaluation reserve.

Notes to the abbreviated accounts
at 31 October 2003

2. Fixed assets

	<i>Tangible Assets</i> £	<i>Investments</i> £	<i>Total</i> £
<i>Cost or valuation</i>			
At 1 November 2002	3,938,755	3,593,430	7,532,185
Additions	3,586	2,789,839	2,793,425
Disposals	(63,177)	-	(63,177)
Revaluation	-	2,290,281	2,290,281
At 31 October 2003	<u>3,879,164</u>	<u>8,673,550</u>	<u>12,552,714</u>
<i>Depreciation</i>			
At 1 November 2002	23,454	-	23,454
Charge for year	1,769	-	1,769
At 31 October 2003	<u>25,223</u>	<u>-</u>	<u>25,223</u>
<i>Net book value</i>			
At 31 October 2003	<u>3,853,941</u>	<u>8,673,550</u>	<u>12,527,491</u>
At 31 October 2002	<u>3,915,301</u>	<u>3,593,430</u>	<u>7,508,731</u>

No depreciation is charged on buildings as the directors are of the opinion that the amount of depreciation which would have had to be provided is not material.

The original cost of investments was £5,726,032.

Notes to the abbreviated accounts at 31 October 2003

2. Fixed assets (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Nature of business</i>	<i>Proportion of ordinary shares held</i>
Subsidiary undertakings				
F A Properties Limited	Scotland	Ordinary shares	Dormant	100%
Highlands & Islands Investments Limited	Scotland	Ordinary shares	Investment Company	100%
Associated undertakings				
Strategic Marketing Ventures Limited	Scotland	Ordinary shares	Marketing	32.5%
SLITCO Limited	Scotland	Ordinary shares	Investment company	49%

F A Properties Limited became dormant on 30 October 2001.

Strategic Marketing Ventures Limited went into liquidation on 23 December 2003.

During its latest financial period to 31 October 2003, Highlands & Islands Investments Limited made a profit after tax of £346,398, and at the end of that period the aggregate of its capital and reserves was £8,401,558. Lovat Highlands Estates Limited's attributable share of its net assets was £8,401,558 at that date.

During its latest financial period to 31 October 2003, SLITCO Limited made a loss, after tax, of £246,675 and at the end of that period the aggregate of its capital and reserves was £555,086. Lovat Highland Estates Limited's attributable share of its net assets was £271,992 at that date.

3. Share capital

		2003		Authorised 2002	
		£	£	£	£
Ordinary shares of £1 each		5,000,000		5,000,000	
		<i>Allotted, called up and fully paid</i>			
		2003		2002	
	<i>No.</i>	£	<i>No.</i>	£	
Ordinary shares of £1 each	150,000	150,000	150,000	150,000	

4. Ultimate parent company

In the directors' opinion the company's ultimate parent undertaking is Lovat Estates Trust.