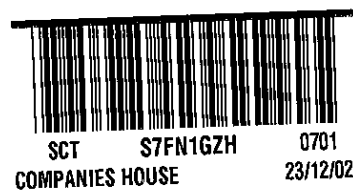


**ORCHARD
INCORPORATIONS (13S)
LIMITED**

REPORT AND ACCOUNTS

2 March 2002

Registered number SC 208806



DIRECTORS' REPORT

Directors: J A M Orr
A P Doolan
A D M MacDonald
G R L Windle
H R McNestry

Secretary: P A Orr Resigned 31 July 2001
Queensferry Secretaries Limited Appointed 31 July 2001

Registered office: Orchard Brae House
30 Queensferry Road
Edinburgh
EH4 2HG
Scotland

Accounts

The directors submit to the shareholders their report and accounts for the period ended 2 March 2002.

Principal activities

The company has not traded during the year. The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year and up to the date of this report are listed above.

Directors' interests

The directors' interests in the issued share capital of the company are as follows:-

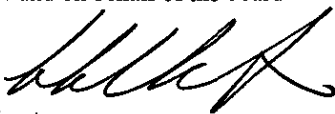
	B shares	
	2002 <u>No.</u>	2001 <u>No.</u>
A D M MacDonald	15	15
A P Doolan	30	30
J A M Orr	15	15

Auditors

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the company.

For and on behalf of the board


Director
18/Dec 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES **IN RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 3, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the accounts on pages 4 to 6 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed. The accounts have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS REPORT

to the members of Orchard Incorporations (13S) Limited

We have audited the company's accounts for the period ended 2 March 2002 which comprise the Balance Sheet, Accounting Policies and the related notes 1 to 4. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

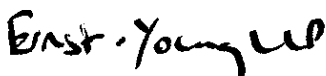
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 2 March 2002 and have been properly prepared in accordance with the Companies Act 1985.




Ernst & Young LLP
Registered Auditor
London

18 December 2002

BALANCE SHEET

2 March 2002

	Note	<u>2002</u>	<u>2001</u>
		£	£
FIXED ASSETS			
Investments - Morrison Street Hotel Limited Preference Shares	2	2,483,674	2,483,674
CREDITORS - amounts falling due after more than one year			
Morrison Street Hotel Limited		<u>(2,483,574)</u>	<u>(2,483,574)</u>
TOTAL ASSETS LESS LIABILITIES		<u><u>100</u></u>	<u><u>100</u></u>
CAPITAL AND RESERVES			
Called up share capital	3	<u>100</u>	<u>100</u>
SHAREHOLDERS' FUNDS	4	<u><u>100</u></u>	<u><u>100</u></u>


 Director
 18/Dec 2002

ACCOUNTING POLICIES

A. Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

NOTES TO THE ACCOUNTS

1 PROFIT AND LOSS ACCOUNT

The company has not traded during the year and therefore does not present a profit and loss account.

2 UNLISTED INVESTMENT

	2002	2001
	£	£
At 3 March 2001	2,483,674	-
Additions	-	2,483,674
At 2 March 2002	2,483,674	2,483,674

The investment is in a company registered in Scotland, which is also the main area of its operation.

3 SHARE CAPITAL

	<u>Authorised and fully paid</u>	
	2002	2001
	£	£
'A' ordinary shares of £1 each	40	40
'B' ordinary shares of £1 each	60	60
	100	100

4 MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Shareholders' funds at 4 March 2001 / 5 July 2000	100	-
Shares issued	-	100
Equity shareholders' funds at 2 March 2002	100	100