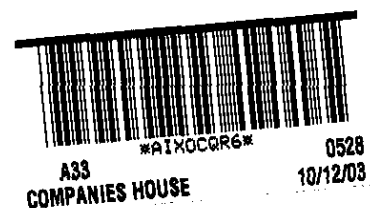


**ORCHARD
INCORPORATIONS (13S)
LIMITED**

REPORT AND ACCOUNTS

1 March 2003

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: Queensferry Secretaries Limited

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 1 March 2003.

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

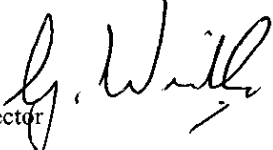
The directors' interests in the issued share capital of the company are as follows:-

	B shares	
	2003	2002
	<u>No.</u>	<u>No.</u>
A D M MacDonald	15	15
A P Doolan	30	30
J A M Orr	15	15

Auditors

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

For and on behalf of the board


Director

1 December 2003

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 financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements 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 financial statements 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 financial statements 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 financial statements 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 financial statements for the period ended 1 March 2003 which comprise the Balance Sheet, Accounting Policies and the related notes 1 to 4. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements 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 financial statements, 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 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.

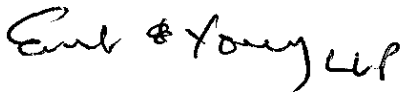
Basis of opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 1 March 2003 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

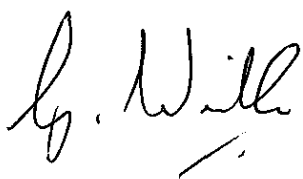
1 December

2003

BALANCE SHEET

1 March 2003

	Note	<u>2003</u>	<u>2002</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>100</u>	<u>100</u>
CAPITAL AND RESERVES			
Called up share capital	3	100	100
SHAREHOLDERS' FUNDS	4	<u>100</u>	<u>100</u>



Director

1 December 2003

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

	<u>2003</u>	<u>2002</u>
	£	£
At 2 March 2002	2,483,674	2,483,674
Additions	-	-
At 1 March 2003	<u>2,483,674</u>	<u>2,483,674</u>

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>	
	<u>2003</u>	<u>2002</u>
	£	£
'A' ordinary shares of £1 each	40	40
'B' ordinary shares of £1 each	60	60
	<u>100</u>	<u>100</u>

4 MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
	£	£
Equity shareholders' funds at 3 March 2002	100	100
Equity shareholders' funds at 1 March 2003	<u>100</u>	<u>100</u>