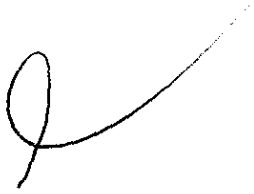
ORRMAC (NO: 500) LIMITED

Report and Accounts

31 December 2000

Registration No: SC134373

ERNST & YOUNG



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COMPANIES HOUSE 31/10/01

DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The loss for the year, before and after tax, amounted to £98,325 (1999: £25,347). The directors do not recommend payment of any dividend, with the loss being taken to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company owns and operates two hotels.

DIRECTORS AND THEIR INTERESTS

The directors throughout the year ended 31 December 2000 and their interests in the share capital of the company were as follows:

	31 December 2000	*31 December 1999*
A D M MacDonald	1,000,050	1,000,050
J A M Orr	1,000,050	1,000,050

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

Director 30/10/01

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REPORT OF THE AUDITORS
to the shareholders of Orrmac (No: 500) Limited

We have audited the accounts on pages 4 to 9, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

31 October 2001

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	840,495	800,995
Cost of sales		241,853	211,571
GROSS PROFIT		598,642	589,424
OPERATING OVERHEADS			
Staff costs	4	290,478	261,794
Depreciation	6	46,598	36,100
Other operating overheads		332,447	234,489
OPERATING (LOSS)/PROFIT	3	(70,881)	57,041
Loss on sale of fixed assets		(2,713)	-
Interest receivable	5	14,829	151
Interest payable	5	(39,560)	(31,845)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(98,325)	25,347
Taxation		-	-
(LOSS)/PROFIT FOR THE YEAR	11	(98,325)	25,347

There are no recognised gains or losses for the financial period other than those shown in the profit and loss account.

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BALANCE SHEET
at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	6	1,651,147	1,632,708
CURRENT ASSETS			
Stocks		25,262	25,235
Debtors	7	153,263	746,396
Cash at bank and in hand		744,061	163,584
		922,586	935,215
CREDITORS: amounts falling due within one year	8	775,511	671,376
NET CURRENT ASSETS		147,075	263,839
TOTAL ASSETS LESS CURRENT LIABILITIES		1,798,222	1,896,547
CREDITORS: amounts falling due after more than one year			
Loans	9	638,350	638,350
		1,159,872	1,258,197
CAPITAL AND RESERVES			
Called up share capital	10	2,000,100	2,000,100
Profit and loss account	11	(840,228)	(741,903)
	11	1,159,872	1,258,197

Director

30/10/01.

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NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES

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

Depreciation
Depreciation is provided on all tangible fixed assets to write down the cost of each asset to its estimated residual value by annual instalments using rates as follows:

Freehold property	- 2%
Furniture, fittings and equipment	- 10%
Motor vehicles	- 25%

Stocks
Stocks, which comprise consumable goods for resale, are stated at the lower of cost and net realisable value. Cost represents purchase cost on a first-in, first-out basis.

Deferred taxation
Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Operating leases
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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2. TURNOVER

Turnover, which is stated net of VAT, represents sales of goods and services to third parties within the United Kingdom.

3. OPERATING (LOSS)/PROFIT

This is stated after charging:

	2000	*1999*
	£	£
Directors' remuneration	-	-
Auditors' remuneration	4,800	4,500

4. STAFF COSTS

	2000	*1999*
	£	£
Wages and salaries	275,077	246,949
Social security costs	15,401	14,845
	290,478	261,794

The average monthly number of employees was as follows:

	No	*No*
Hotel management and staff	28	28

5. INTEREST

	2000	*1999*
	£	£
a) Interest receivable		
Bank deposits	14,829	151
b) Interest payable		
Bank interest	39,121	31,845
Hire purchase – interest	439	-
	39,560	31,845

6. TANGIBLE FIXED ASSETS

	Freehold property	*Furniture fittings & equipment*	*Motor vehicles*	*Total*
Cost	£	£	£	£
At 1 January 2000	1,429,485	311,344	15,800	1,756,629
Additions	19,047	21,098	33,455	73,600
Disposals	-	-	(14,150)	(14,150)
At 31 December 2000	1,448,532	332,442	35,105	1,816,079
Depreciation				
At 1 January 2000	-	116,884	7,037	123,921
Charge for the year	5,794	34,362	6,442	46,598
Disposals	-	-	(5,587)	(5,587)
At 31 December 2000	5,794	151,246	7,892	164,932
Net book value				
At 31 December 2000	1,442,738	181,196	27,213	1,651,147
At 31 December 1999	1,429,485	194,460	8,763	1,632,708

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7. DEBTORS

	2000	1999
	£	£
Trade debtors	13,695	24,906
Amounts due by related parties	81,629	693,775
Prepayments	13,386	13,215
Other debtors	44,553	14,500
	153,263	746,396

8. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank overdrafts (secured - see note 9)	10,086	10,086
Amounts due to related parties	366,031	217,797
Trade creditors	28,477	26,002
Other taxes and social security costs	10,620	2,865
Other creditors	178,100	139,279
Accruals	172,072	275,347
Hire purchase creditor	10,125	-
	775,511	671,376

9. LOANS

	2000	1999
	£	£
Bank loans	538,350	538,350
Loan from related party	100,000	100,000
	638,350	638,350

The bank loans and overdraft are secured by means of a bond and floating charge over the company's assets.

The directors of the company have granted a deed of indemnity to the bank in connection with certain borrowing facilities and have entered into a guarantee with the company under which they have undertaken to provide such funds as may be required to enable the company to fulfil its obligations in respect of loan and overdraft facilities.

10. SHARE CAPITAL

	2000	1999
	£	£
Authorised - Ordinary Shares of £1 each	2,001,000	2,001,000
Allotted, called up and fully paid - Ordinary Shares of £1 each	2,000,100	2,000,100

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NOTES TO THE ACCOUNTS
at 31 December 2000

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	*Profit and loss account*	*Total*
	£	£	£
At 31 December 1998	2,000,100	(767,250)	1,232,850
Profit for the year	-	25,347	25,347
At 31 December 1999	2,000,100	(741,903)	1,258,197
Loss for the year	-	(98,325)	(98,325)
At 31 December 2000	2,000,100	(840,228)	1,159,872

12. CONTINGENT LIABILITIES

A cross guarantee to the company's bankers was granted on 31 May 1996 by the company in respect of three related companies. At 31 December 2000 the potential liability amounted to approximately £675,000.

13. RELATED PARTY TRANSACTIONS

The related parties disclosed in Notes 7 and 8 are as follows:

	Note 7		*Note 8*	
	2000	*1999*	*2000*	*1999*
	£	£	£	£
Hathersage Nursing Home Limited	9,167	-	-	61,363
Nursing Home Management Limited (formerly Edinburgh Assets Limited)	59,287	680,600	-	-
Standard Property Investment Limited	13,175	13,175	-	-
MacDonald Orr Corporate Finance Limited	-	-	79,604	-
MacDonald Orr Limited	-	-	286,427	156,434
	81,629	693,775	366,031	217,797

All these companies are controlled by Mr A D M MacDonald and Mr J A M Orr.

The related party in Note 9 is Queen Street Investments, a company controlled by Mr A D M MacDonald and Mr J A M Orr.

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