

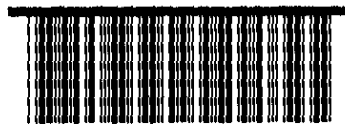
Orrmac (No: 500) Limited

Report and Accounts

31 December 2002

Registration No: SC134373

 **ERNST & YOUNG**



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Directors' report

The directors submit their report and the audited accounts for the year ended 31 December 2002.

Results and dividends

The profit for the year, after tax, amounted to £35,222 (2001: profit £136,958). The directors do not recommend payment of any dividend, with the profit being taken to reserves.

Principal activity and review of the business

The company owns and operates three hotels. On 31 March 2002 the company acquired the trade and assets of Bridge of Orchy Hotel from MacDonald Orr Corporate Finance Limited, a related company.

Directors and their interests

The directors throughout the year ended 31 December 2002 and their interests in the share capital of the company were as follows:

	31 December 2002	31 December 2001
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

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

19 March 2004

Independent auditors' report

to the members of Orrmac (No: 500) Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 14. 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 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.

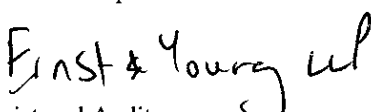
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Edinburgh

19 March 2004

Profit and loss account

for the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
Turnover	2	1,510,038	964,900
Cost of sales		372,135	261,556
Gross profit		1,137,903	703,344
Operating overheads			
Staff costs	4	500,941	387,981
Depreciation		104,296	88,504
Other operating overheads		483,516	346,192
Operating profit/(loss)	3	49,150	(119,333)
Interest receivable	5	3,287	33,466
Interest payable	5	(10,222)	(31,998)
Exceptional credit in relation to interest accrued in past years		-	254,823
Profit on ordinary activities before taxation		42,215	136,958
Taxation	6	6,993	-
Profit for the year		35,222	136,958

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

Balance sheet

at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	7	2,620,746	1,644,767
Current assets			
Stocks		30,861	23,063
Debtors	8	529,163	117,996
Cash at bank and in hand		5,563	4,340
		565,587	145,399
Creditors: amounts falling due within one year	9	1,754,281	393,336
Net current (liabilities)/assets		(1,188,694)	(247,937)
Total assets less current liabilities		1,432,052	1,396,830
Creditors: amounts falling due after more than one year			
Loans	10	100,000	100,000
		1,332,052	1,296,830
Capital and reserves			
Called up share capital	11	2,000,100	2,000,100
Profit and loss account	12	(668,048)	(703,270)
	12	1,332,052	1,296,830

ERNST & YOUNG

Alex Lewis Director
19 March 2004

Notes to the accounts

at 31 December 2002

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	- 20%
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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in a obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Operating leases

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

2. Turnover

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

3. Operating profit/(loss)

This is stated after charging:

	2002	2001
	£	£
Directors' remuneration	-	-
Auditors' remuneration	6,500	6,500

Notes to the accounts

at 31 December 2002

4. Staff costs

	2002	2001
	£	£
Wages and salaries	467,125	367,249
Social security costs	33,816	20,732
	<u>500,941</u>	<u>387,981</u>

The average monthly number of employees was as follows:

	No	No
Hotel management and staff	<u>43</u>	<u>28</u>

5. Interest

	2002	2001
	£	£
a) Interest receivable		
Bank deposits	<u>3,287</u>	<u>33,466</u>
b) Interest payable		
Bank interest	9,730	31,121
Hire purchase – interest	<u>492</u>	<u>877</u>
	<u>10,222</u>	<u>31,998</u>

6. Taxation

	2002	2001
	£	£
UK Corporation Tax	300	-
Adjustment in respect of prior year	<u>6,693</u>	<u>-</u>
	<u>6,993</u>	<u>-</u>

Factors affecting the tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

Profit on ordinary activities before tax	<u>42,215</u>	<u>136,958</u>
Profit on ordinary activities multiplied by standard rate of corporation Tax of 30%	12,665	41,087
Tax losses carried forward	(12,365)	(41,087)
Adjustment in respect of prior year	<u>6,693</u>	<u>-</u>
	<u>6,993</u>	<u>-</u>

Notes to the accounts

at 31 December 2002

7. Tangible fixed assets

	<i>Freehold property</i>	<i>Furniture fittings & equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost	£	£	£	£
At 31 December 2001	1,475,600	380,883	41,720	1,898,203
Additions	158,963	47,399	8,495	214,857
Transfer from related company	799,041	96,523	12,052	907,616
Disposals	-	-	-	-
At 31 December 2002	2,433,604	524,805	62,267	3,020,676
Depreciation				
At 31 December 2001	11,694	223,421	18,321	253,436
Charge for the year	12,273	84,768	7,255	104,296
Transfer from related company	3,265	30,005	8,928	42,198
Disposals	-	-	-	-
At 31 December 2002	27,232	338,194	34,504	399,930
Net book value				
At 31 December 2002	2,406,372	186,611	27,763	2,620,746
At 31 December 2001	1,463,906	157,462	23,399	1,644,767

8. Debtors

	2002 £	2001 £
Trade debtors	11,814	15,816
Amounts due by related parties	444,658	37,586
Prepayments	19,532	13,746
Other debtors	53,159	50,848
	529,163	117,996

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdrafts (secured - see note 10)	1,140,232	204,267
Amounts due to related parties	288,578	18,797
Trade creditors	77,142	7,843
Other taxes and social security costs	29,133	2,984
Other creditors	23,712	27,610
Accruals	195,184	128,460
Hire purchase creditor	-	3,375
Taxation	300	-
	1,754,281	393,336

Notes to the accounts

at 31 December 2002

10. Loans

	2002	2001
	£	£
Loan from related party	100,000	100,000

The bank overdrafts 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.

11. Share capital

	2002	2001
	£	£
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

12. Reconciliation of movement in shareholders' funds

	Share capital	Profit and loss account	Total
	£	£	£
At 31 December 2000	2,000,100	(840,228)	1,159,872
Profit for the year	-	136,958	136,958
At 31 December 2001	2,000,100	(703,270)	1,296,830
Profit for the year	-	35,222	35,222
At 31 December 2002	2,000,100	(668,048)	1,332,052

13. 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 2002 the potential liability amounted to approximately £799,000.

Notes to the accounts

at 31 December 2002

14. Related party transactions

The related parties disclosed in Notes 8 and 9 are as follows:

	<i>Note 8</i>		<i>Note 9</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Nursing Home Management Limited	77,274	37,586	-	-
Standard Property Investment Limited	49,935	-	-	-
MacDonald Orr Corporate Finance Limited	302,949	-	-	18,797
MacDonald Orr Limited	-	-	288,578	-
Queen Street Investments Limited	14,500	-	-	-
	<u>444,658</u>	<u>37,586</u>	<u>288,578</u>	<u>18,797</u>

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

The related party in Note 10 is Queen Street Investments, a company controlled by Mr A D M MacDonald and Mr J A M Orr.