

MORCO 2 LIMITED
REPORT OF THE DIRECTORS

1. The directors submit their report and the audited financial statements for the year to 31 March 2002.

2. **REVIEW OF ACTIVITIES AND FUTURE DEVELOPMENTS**

The Company did not trade during the year. The directors will continue to review the future prospects of the company.

3. **RESULTS AND DIVIDEND**

The trading results for the year are as shown in the profit and loss account on page 4. The directors do not recommend a dividend in respect of the year (2001: Nil).

4. **DIRECTORS**

The directors of the Company who held office during the year and to date were:

I G Smith
J Morrison (Resigned 14.06.01)

In accordance with the Company's Articles of Association, none of its directors are required to retire.

5. **DIRECTORS' INTERESTS**

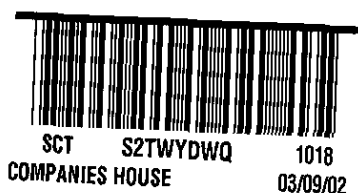
Mr I G Smith is a director of Morrison Construction Limited and his beneficial interests in the shares of all Group Companies are shown in that company's directors' report.

6. **DIRECTORS' RESPONSIBILITIES**

The directors are required by UK company law to prepare financial statements for each financial year that 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 of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



MORCO 2 LIMITED

REPORT OF THE DIRECTORS - 31 MARCH 2002 - CONTINUED

7. AUDITORS

In accordance with Section 379A of the Companies Act 1985, the company has passed an elective resolution dispensing with the need to hold annual general meetings or re-appoint its auditors annually. Accordingly our auditors, PricewaterhouseCoopers, will be deemed to be appointed auditors subsequent to the year end.

By Order of the Board



I G Smith
Director
16 July 2002

Registered in Scotland - No. - 197966

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MORCO 2 LIMITED**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and notes 1 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors report.

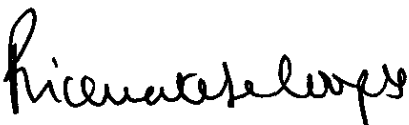
Basis of audit opinion

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 the company's affairs at 31 March 2002 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh

31 July 2002

MORCO 2 LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31 MARCH 2002

	<u>Notes</u>	Year to <u>31.3.02</u> £000's	Year to <u>31.3.01</u> £000's
TURNOVER	1(b)	-	-
Cost of Sales		-	-
		<hr/>	<hr/>
Gross Profit		-	-
Administrative Expenses		-	-
		<hr/>	<hr/>
OPERATING PROFIT	2	-	-
Interest		-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Taxation	3	-	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		-	-
		<hr/>	<hr/>
<u>STATEMENT OF RETAINED PROFITS</u>			
Balance at 31 March 2001		510	510
Retained profit for the period		-	-
		<hr/>	<hr/>
Balance at 31 March 2002		510	510
		<hr/>	<hr/>

All activities are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

MORCO 2 LIMITED
BALANCE SHEET
31 MARCH 2002

	<u>Notes</u>	<u>31.3.02</u> £000's	<u>31.3.01</u> £000's
CURRENT ASSETS			
Debtors	4	728	728
		<hr/>	<hr/>
		728	728
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	5	(218)	(218)
		<hr/>	<hr/>
NET ASSETS		510	510
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	6	-	-
Profit and loss account		510	510
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	7	510	510
		<hr/>	<hr/>


I G Smith

DIRECTOR

The Directors approved the financial statements on 16 July 2002.
The notes on pages 6 to 8 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The company has adopted FRS18 in the year but this did not require any change in accounting policy. A summary of the more important group accounting policies, which have been adopted, is set out below.

(a) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

(b) TURNOVER

Turnover represents the value of rental income received and property disposals where legal contracts have been completed during the year, wholly within the UK, excluding Value Added Tax.

(c) ACCOUNTING FOR PROFITS

No profit is included in the financial statements in connection with Property Developments unless a legally binding contract for the sale of the development has been entered into and completion has taken place before or shortly after the year end.

(d) CASHFLOW STATEMENT

The Company is a wholly owned subsidiary of awg plc and the cashflows of the company are included in the consolidated group cashflow statement of awg plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cashflow statement.

(e) RELATED PARTY TRANSACTIONS

The Company has taken advantage of an exemption within FRS8 which allows non-disclosure of transactions and balances with group companies which are eliminated on consolidation of the ultimate holding company accounts.

MORCO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 - CONTINUED

2. OPERATING PROFIT

Mr I Smith is employed by Morrison Construction Limited and his emoluments appear in that company's financial statements. The company has no other employees (2001:Nil).

Auditors remuneration is paid by and disclosed in the accounts of the parent company.

3. TAXATION

	Year to <u>31.3.02</u> £000's	Year to <u>31.3.01</u> £000's
The charge for taxation comprises:		
Corporation tax at 30%	-	-
	<hr/>	<hr/>

4. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.3.02</u> £000's	<u>31.3.01</u> £000's
Amounts owed by holding company and fellow subsidiary undertakings	728	728
	<hr/>	<hr/>

5. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.3.02</u> £000's	<u>31.3.01</u> £000's
Amounts owed to holding company and fellow subsidiary undertakings	218	218
	<hr/>	<hr/>

6. CALLED-UP SHARE CAPITAL

	<u>31.3.02</u> £	<u>31.3.01</u> £
Authorised 1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted and fully paid 1 Ordinary share of £1 each	1	1
	<hr/>	<hr/>

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.3.02</u>	<u>31.3.01</u>
	£000's	£000's
Profit for the financial year	-	-
Opening shareholders' funds	510	510
	<hr/>	<hr/>
Closing shareholder's funds	510	510
	<hr/>	<hr/>

8. CONTINGENT LIABILITIES

The Company has entered into various performance bonds and similar agreements in the normal course of business. In the opinion of the directors, no loss will arise in connection with these.

There exist cross guarantees under a group banking arrangement whereby certain group companies have guaranteed the liabilities of other group companies to their clearing banks.

9. HOLDING COMPANY

The Company's ultimate holding company and controlling party is awg plc, a company registered in England.

The Company's immediate holding company is Morrison Construction Limited, a company registered in Scotland.

Copies of awg plc consolidated financial statements can be obtained from the Company Secretary at awg plc, Anglian House, Ambury Road, Huntingdon, Cambs PE29 3NZ.