

MORRISON FORTH (NEWHAVEN TWO) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001
COMPANY NO: SC 208821



MORRISON FORTH (NEWHAVEN TWO) LIMITED

DIRECTORS

Brian Leith
William Murray
Ewan MacKay
Terence Smith
Charles Hammond

SECRETARY

Jacqueline Fox

AUDITORS

KPMG LLP
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EG

BANKERS

Bank of Scotland
41 South Gyle Crescent
EDINBURGH
EH12 9BF

SOLICITORS

Fyfe Ireland
Orchard Brae House
30 Queensferry Road
EDINBURGH
EH4 7NS

REGISTERED OFFICE

Orchard Brae House
30 Queensferry Road
EDINBURGH
EH4 2HG

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MORRISON FORTH (NEWHAVEN TWO) LIMITED

REPORT OF THE DIRECTORS

YEAR ENDED 31 DECEMBER 2001

1 The directors submit their report and audited financial statements for the year ended 31 December 2001. The contents of this report and the format of the accounts have been prepared to comply with the provisions of the Companies Act 1985.

2 **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company was that of house construction. The directors intend to continue with this activity in the forthcoming year.

3 **RESULTS AND DIVIDEND**

The result for the year was Nil (2000 : £Nil). No dividend was paid or proposed within the year (2000 :£Nil).

4 **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year were:

Brian Leith	
Alistair Fleming	(resigned 5 February 2001)
William Murray	
Charles Hammond	(appointed 5 February 2001)
Ewan MacKay	
Terence Smith	
Anthony Donnelly	(resigned 22 January 2001)

In accordance with the Company's Articles of Association, none of the directors are required to retire. None of the directors who held office at the end of the period had any interest in the shares of the company.

5 **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- follow applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

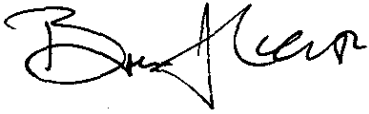
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**MORRISON FORTH (NEWHAVEN TWO) LIMITED
REPORT OF THE DIRECTORS
YEAR ENDED 31 DECEMBER 2001 (CONTINUED)**

6 AUDITORS

Our auditors, KPMG, transferred their business to a limited liability partnership, KPMG LLP on 3 May 2002. Accordingly KPMG resigned as auditors and the directors appointed KPMG LLP to fill the vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Brian Leith
Director

16 July 2002

Registered in Scotland No 208821

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORRISON FORTH (NEWHAVEN TWO) LIMITED

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 December 2001 and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

17 July 2002

MORRISON FORTH (NEWHAVEN TWO) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Turnover	-	-
Cost of Sales	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>-</u>	<u>-</u>
Taxation	-	-
PROFIT FOR THE FINANCIAL PERIOD	<u>-</u>	<u>-</u>

Other than the result for the year and the preceding year the company has no other recognised gains or losses.

MORRISON FORTH (NEWHAVEN TWO) LIMITED
BALANCE SHEET
As at 31 December 2001

	Notes	2001 £	2000 £
Current assets			
Stock	3	1,129,376	1,047,500
Debtors	4	2	2
		<u>1,129,378</u>	<u>1,047,502</u>
Creditors: amounts falling due within one year	5	(1,129,376)	(297,500)
Net Current Assets		<u>2</u>	<u>750,002</u>
Creditors: amounts falling due after more than one year	6	-	(750,000)
Total Net Assets		<u>2</u>	<u>2</u>
Capital and Reserves			
Called up share capital – ordinary	7	2	2
Reserves in year		-	-
Total Equity Shareholders' Funds		<u>2</u>	<u>2</u>

The notes on pages 6 to 8 form part of these financial statements.

The financial statements were approved by the Board of Directors on 16 July 2002 and were signed on its behalf by:



B LEITH
DIRECTOR



W MURRAY
DIRECTOR

MORRISON FORTH (NEWHAVEN TWO) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard (FRS) 1 (revised 1996) to prepare a cash flow statement as it is a small company by definition.

(b) STOCKS

Property Developments are valued at the lower of cost and net realisable value. Cost comprises direct expenditure and production overheads incurred in the normal course of the business less applicable payments on account. Net realisable value is the estimated selling price less all costs to be incurred. Provision is made for the foreseeable losses on contracts.

(c) TURNOVER

Turnover represents the value of property development activities, for properties where legal contracts have been completed during the year, wholly within the UK excluding value added tax.

(d) ACCOUNTING FOR PROFITS

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

2 AUDITORS REMUNERATION

	2001 £	2000 £
Auditors remuneration for the year	<u>1,000</u>	<u>1,500</u>

3 STOCK

	2001 £	2000 £
Development work in progress	<u>1,129,376</u>	<u>1,047,500</u>

4 DEBTORS

	2001 £	2000 £
Amounts due from shareholders	2	2
	<u>2</u>	<u>2</u>

MORRISON FORTH (NEWHAVEN TWO) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£	£
Accruals	1,131,376	297,500
	<u>1,131,376</u>	<u>297,500</u>

6 CREDITORS: AMOUNTS FALLING DUE OUTWITH ONE YEAR

	2001	2000
	£	£
Accruals	-	750,000
	<u>-</u>	<u>750,000</u>

7 SHARE CAPITAL

	2001	2000
	£	£
Authorised		
'A' Ordinary shares of £1 each	50	50
'B' Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>
 Allotted, Called Up and Unpaid		
'A' Ordinary shares of £1 each	1	1
'B' Ordinary shares of £1 each	1	1
	<u>2</u>	<u>2</u>

Both "A" and "B" shares have the same voting rights and rank pari passu as set out in the Memorandum and Articles of Association of the company.

MORRISON FORTH (NEWHAVEN TWO) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Opening shareholders' funds	2	-
Result for the period	-	-
Share capital issued during the period	-	2
Closing shareholders' funds	<u>2</u>	<u>2</u>

9 RELATED PARTY TRANSACTIONS

Forth Ports PLC and Morrison Homes Limited jointly control the company and both own 50% of the share capital.

Development costs of £88,376 (2000 : £1,046,000) for Morrison Homes Limited and £1,040,000 (Land purchase price) (2000 : £Nil) for Forth Ports PLC have been accrued as at 31 December 2001.