

MORRISON FORTH (NEWHAVEN TWO) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002
COMPANY NO: SC208821



MORRISON FORTH (NEWHAVEN TWO) LIMITED

DIRECTORS

Ewan Mackay
Iain Logue
Steven Allenby
Charles Hammond
William Murray
Terence Smith

SECRETARY

David Turner

AUDITORS

KPMG LLP
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EG

BANKERS

Bank of Scotland
41 South Gyle Crescent
Edinburgh EH12 9BF

SOLICITORS

Macroberts
152 Bath Street
Glasgow G2 4TB

REGISTERED OFFICE

12 Atholl Crescent
Edinburgh
Midlothian
EH3 8HA

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**MORRISON FORTH (NEWHAVEN TWO) LIMITED
REPORT OF THE DIRECTORS**

YEAR ENDED 31 DECEMBER 2002

1 The directors submit their report and audited financial statements for the year ended to 31 December 2002. 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 a profit after tax of £NIL (2001: £NIL). No dividend was paid or proposed within the year.

4 **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year were:

Ewan Mackay
Iain Logue (Appointed 21/10/02)
Steven Allenby (Appointed 16/10/02)
Charles Hammond
William Murray
Terence Smith
Brian Leith (Resigned 30/09/02)

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 year 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;
- state whether applicable accounting standards have been followed, 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 2002 CONTINUED**

6 AUDITORS

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

A handwritten signature in black ink, appearing to be 'Ewan Mackay', written in a cursive style.

Ewan Mackay
Director

22 July 2003

Registered in Scotland No SC208821

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

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

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 auditor's 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

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 as at 31 December 2002 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

22 July 2003

MORRISON FORTH (NEWHAVEN TWO) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2002

	2002	2001
	£	£
Turnover	-	-
Cost of Sales	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-	-
Taxation	3 -	-
PROFIT FOR THE FINANCIAL PERIOD	-	-

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

MORRISON FORTH (NEWHAVEN TWO) LIMITED
BALANCE SHEET
As at 31 December 2002

	Notes	2002 £	2001 £
Current assets			
Stock	4	2,410,044	1,129,376
Debtors	5	2	2
		<u>2,410,046</u>	<u>1,129,378</u>
Creditors: amounts falling due within one year	6	(1,410,044)	(1,129,376)
Net Current Assets		<u>1,000,002</u>	<u>2</u>
Creditors: amounts falling due after more than one year	7	1,000,000	-
Total Net Assets		<u><u>2</u></u>	<u><u>2</u></u>
Capital and Reserves	8		
Retained Profits		-	-
Called up share capital – ordinary		2	2
Total Equity Shareholders' Funds		<u><u>2</u></u>	<u><u>2</u></u>

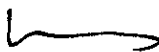
The notes on pages 6 to 8 form part of these financial statements.

The financial statements were approved by the Board of Directors on
by:

22 July, 2003 and were signed on its behalf



EWAN MACKAY
DIRECTOR



WILLIAM MURRAY
DIRECTOR

MORRISON FORTH (NEWHAVEN TWO) LIMITED
YEAR ENDED 31 DECEMBER 2002

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.

(e) DEFERRED TAXATION

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 AUDITORS REMUNERATION

	2002	2001
	£	£
Auditors remuneration for the year	<u>1,500</u>	<u>1,000</u>

3 TAXATION

	2002	2001
	£	£
Corporation tax at 30%	<u>-</u>	<u>-</u>

The current tax charge for the period is the same as (2001: the same as) the standard rate of corporation tax in the UK (30%, 2001: 30%).

MORRISON FORTH (NEWHAVEN TWO) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002 - CONTINUED

4 STOCK

	2002 £	2001 £
Development work in progress	<u>2,410,044</u>	<u>1,129,376</u>

Work in progress includes interest amounting to £NIL (2001: £NIL).
Auditors remuneration of £4,000 (2001: £2,500) has been capitalised into work in progress.

5 DEBTORS

	2002 £	2001 £
Other Debtors	-	-
Amounts due from shareholders	2	2
	<u>2</u>	<u>2</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank Loan (see Note 7)	-	-
Accruals	1,410,044	1,131,376
	<u>1,410,044</u>	<u>1,131,376</u>

7 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Bank Loan	-	-
Accruals	1,000,000	-
	<u>1,000,000</u>	<u>-</u>

Analysis of debt:	2002 £	2001 £
Debt can be analysed as falling due:	-	-
In one year or less, or on demand	1,410,044	1,131,376
Between one and two years	-	-
Between two and five years	1,000,000	-
In five years or more	-	-
	<u>2,410,044</u>	<u>1,131,376</u>

MORRISON FORTH (NEWHAVEN TWO) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002 – CONTINUED

8 SHARE CAPITAL

	2002 £	2001 £
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.

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS’ FUNDS

	2002 £	2001 £
Opening shareholder’s funds	2	2
Result for the period	-	-
Share capital issued during the year	-	-
Closing shareholders’ funds	<u>2</u>	<u>2</u>

10 RELATED PARTY TRANSACTIONS

Forth Ports PLC and AWG Residential Ltd jointly control the company, and both own 50% of the share capital.

Development costs of £1,040,000 (2001 £1,040,000) for Forth Ports PLC, and £1,367,044 (2001 £88,376) for AWG Residential Ltd have been accrued as at 31 December 2002.

At the year end, the balances owing to Forth Ports PLC, and AWG Residential Ltd were £1,040,000 & £1,367,044 (2001 £1,040,000 & £88,376) respectively.