

**MORRISON CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS**

1. The directors submit their report and the audited financial statements for the year ended 31 March 2001. The basis of preparation of these financial statements is set out in more detail in Note 1 to the financial statements.

2. **PRINCIPAL ACTIVITIES**

The Group's main activities comprise building, civil engineering and utilities construction; and property, residential and infrastructure developments.

3. **REVIEW OF BUSINESS**

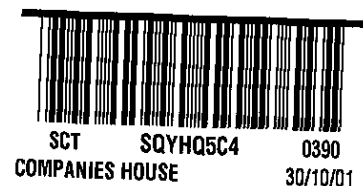
The trading results for the year are as shown in the profit and loss account on page 6. A dividend of NIL was paid during the year (2000: £5,000,000).

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

4. **DIRECTORS**

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

Sir Fraser Morrison	(Resigned 2.4.01)
D J Jeffs	
J M Martin	
C B Morrison	
G Morrison	(Resigned 29.5.01)
J Morrison	(Resigned 14.6.01)
R D Green	(Resigned 23.10.00)
S J McBrierty	(Resigned 14.11.00)
M J Winward	(Resigned 30.6.00)
R P Lawson	(Resigned 30.6.00)
D L Bull	(Appointed 30.6.00)
K Gillespie	(Appointed 30.6.00)
M Keith	(Appointed 30.6.00)
D I Logue	(Appointed 30.6.00)
J F McFadzean	(Appointed 30.6.00)
J McMurdo	(Appointed 30.6.00)
I A Robertson	(Appointed 29.11.00)
I G Smith	(Appointed 30.6.00)
K Tallant	(Appointed 30.6.00)
S J Gillen	(Appointed 2.4.01)
T J Pettifor	(Appointed 21.9.01)
J D Bevan	(Appointed 2.3.01)
R J Vickers	(Appointed 2.3.01)



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

5. **DIRECTORS' INTERESTS**

Mr G Morrison is a Director of the Company's ultimate parent company, awg plc, and the beneficial interests of Mr G Morrison and his family in the shares of all Group Companies are shown in that Company's Directors' Report. Sir Fraser Morrison and Mr J Morrison are directors of Alexander Morrison Limited and Mr K Tallant is a director of Morrison International Limited both fellow subsidiaries, and their interests in the shares of all Group companies are shown in the respective company

MORRISON CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS - 31 MARCH 2001 - CONTINUED

5. DIRECTORS' INTERESTS (Cont'd)

Directors' Report. The beneficial interests of the other directors of the company in the shares of Morrison Construction Group plc at the end of the financial period were as follows:-

	<u>Morrison Construction Group plc</u> <u>10p Ordinary Shares</u>	
	<u>31.3.01</u> <u>Number</u>	<u>31.3.00</u> <u>Number</u>
D J Jeffs	-	16,874
C B Morrison	-	1,000

Details of the interests of these other directors in the shares of Morrison Construction Group plc under the terms of its Long Term Share Incentive Scheme and its Approved Savings Related Share Option Scheme at 31 March 2001 were:-

	Shares granted under Long Term Share Incentive Scheme		Shares subject to option under 1997 SAYE Scheme		Shares subject to option under 1995 SAYE Scheme		Shares subject to option under Executive Share Option Scheme	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
D J Jeffs	-	34,103	-	1,592	-	7,891	-	-
C B Morrison	-	14,903	-	1,592	-	7,891	-	7,633

During the year, on the acquisition of Morrison plc by awg plc, both Mr D Jeffs and Mr C B Morrison exercised their options under the above SAYE and Executive Share Option Schemes. Shares also vested in them under the terms of the above Long Term Share Incentive Scheme. All the shares were subsequently acquired by awg plc.

The beneficial interests of the other directors of the company in the shares of awg plc at the end of the financial period were as follows:-

	<u>Awg plc</u>			
	<u>10p Ordinary Shares</u>		<u>£1 Loan Notes</u>	
	<u>31.3.01</u>	<u>31.3.00</u>	<u>31.3.01</u>	<u>31.3.00</u>
D J Jeffs	2,078	-	16,000	-
I G Smith	-	-	180,000	-

Details of the interests of the directors in the shares of awg plc under the terms of its Long Term Share Incentive Scheme were:-.

MORRISON CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS - 31 MARCH 2001 - CONTINUED

5. DIRECTORS' INTERESTS (Cont'd)

	Shares subject to option under 2001 SAYE Scheme		Shares subject to option under Long Term Incentive Share Scheme	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
D J Jeffs	2,069	-	14,920	-
C B Morrison	3,065	-	16,341	-
D L Bull	-	-	9,591	-
K Gillespie	3,605	-	8,525	-
M Keith	910	-	7,044	-
D I Logue	-	-	7,044	-
J F McFadzean	827	-	8,738	-
I G Smith	-	-	8,078	-
I A Robertson	3,605	-	19,182	-
J M Martin	3,926	-	6,394	-

The option price under the awg 2001 SAYE Scheme is 468p per share.

6. EMPLOYEE INVOLVEMENT

Acknowledging the right of our employees to be informed and made aware of matters which affect their work, the Group is firmly committed to a policy of communication, consultation and involvement. In all companies within the Group, arrangements have been established for the provision of information to all employees in the form of periodic Group magazines and other regularly documented announcements.

7. DISABLED PERSONS

It is the policy and practice of the Group to actively encourage and assist in the employment, training and career development of disabled persons wherever possible, having regard to the Group's activities requiring the employment of a large proportion of its employees on building and civil engineering sites. In the event of employees becoming disabled during their employment, the Group will make every effort to continue their employment and arrange appropriate training.

8. 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 period.

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 year ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

MORRISON CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS - 31 MARCH 2001 - CONTINUED

8. DIRECTORS' RESPONSIBILITIES (Cont'd)

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the UK Companies Act. They are also responsible for taking reasonable steps to safeguard the assets of the company and the Group and for preventing and detecting fraud and other irregularities.

9. AUDITORS

In accordance with Section 379a of the Companies Act 1985, the Company has passed an Elective Resolution dispensing with the need to hold an Annual General Meeting 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



J M Martin
Director
12 October 2001

Registered in Scotland - No. - 55775

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MORRISON CONSTRUCTION LIMITED**

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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.

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



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
12 October 2001

MORRISON CONSTRUCTION LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2001

	<u>Notes</u>	Year to <u>31.3.01</u> £000's	Year to <u>31.3.00</u> £000's
TURNOVER:	1(b)	499,601	417,095
Cost of Sales		(487,951)	(381,306)
Gross Profit		<u>11,650</u>	<u>35,789</u>
Selling and distribution costs		(202)	(275)
Administrative expenses		(22,918)	(21,590)
OPERATING (LOSS)/PROFIT	2	<u>(11,470)</u>	<u>13,924</u>
Interest	5	(94)	731
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(11,564)</u>	<u>14,655</u>
Income from fixed asset investments		450	800
Taxation	6	2,810	(4,497)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(8,304)</u>	<u>10,958</u>
Dividends paid		-	(5,000)
RETAINED (LOSS)/PROFIT		<u>(8,304)</u>	<u>5,958</u>

All activities, in both years, are continuing. There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

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

MORRISON CONSTRUCTION LIMITED
BALANCE SHEET
31 MARCH 2001

	<u>Notes</u>	<u>31.3.01</u> £000's	<u>31.3.00</u> £000's
FIXED ASSETS			
Tangible assets	8	11,417	9,439
Investments	9	5,955	2,432
		<hr/>	<hr/>
		17,372	11,871
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks and work in progress	10	49,773	31,794
Debtors	11	199,218	147,857
Cash at bank and in hand		-	35,900
		<hr/>	<hr/>
		248,991	215,551
CURRENT LIABILITIES			
Amounts falling due within one year	12	(240,519)	(193,274)
		<hr/>	<hr/>
NET CURRENT ASSETS		8,472	22,277
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,844	34,148
CREDITORS			
Provisions for liabilities and charges	13	-	-
		<hr/>	<hr/>
NET ASSETS		25,844	34,148
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up Share capital	14	1	1
Share premium account	15	105	105
Reserves	15	25,738	34,042
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	16	25,844	34,148
		<hr/>	<hr/>



J M MARTIN
DIRECTOR

The Directors approved the financial statements on 12 October 2001.
The notes on pages 8 to 18 form part of these financial statements.

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 20001

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been consistently applied is set out below.

(a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

The company is exempt from preparing consolidated accounts since its accounts and those of its subsidiary undertakings are included in the consolidated accounts of awg plc.

(b) TURNOVER

Turnover represents the value of work executed and goods and services supplied by the company during the period and excludes Value Added Tax.

(c) ACCOUNTING FOR PROFITS

(i) Construction

Profits on short-term contracts are included in the financial statements upon substantial completion of those contracts. Profits on long-term contracts are included in the financial statements when the outcome of a contract can be assessed with reasonable certainty and are determined by reference to an internal valuation of measured work carried out less related costs of production. Provision is made in full for foreseeable losses.

(ii) Property Developments

Profit is included in the financial statements in connection with property developments when a legally binding contract for the sale of the development has been entered into and legal completion has taken place before or shortly after the year end. Where legally binding contracts exist, profits on the construction and refurbishment elements of the development are determined on the same basis as for construction. Other profits arising from developments are included in the financial statements only when legal completion of the sale of the development has been effected.

(iii) Claims

In establishing turnover and profit, credit is taken for claims only when agreed in writing by the client by the end of the accounting period. Having taken such claims to income adequate provision is made whenever ultimate payment becomes doubtful.

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) TANGIBLE FIXED ASSETS AND DEPRECIATION

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write down the cost of fixed assets to estimated residual value on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose and which are consistent with those of last year, are:

Plant and Machinery	12.5% to 33.3%
Motor Vehicles	16.7% to 33.3%
Furniture, Fixtures and Fittings	15% to 50%

Depreciation is provided on freehold buildings over their useful lives to a maximum of fifty years. Leasehold properties are amortised over fifty years or the life of the lease whichever is the shorter.

Provisions are made where necessary to reflect any impairment in value.

(e) LEASED ASSETS

Where assets are financed under leasing arrangements that give rights approximating to ownership (finance leases) the amount representing the outright purchase of such assets is capitalised and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the group's depreciation policy. Net finance charges, calculated on the sum of the digits method, are included in interest costs.

For assets financed under operating leases, the lease rentals are charged to the profit and loss account as incurred.

(f) STOCK AND WORK IN PROGRESS

Stocks, stores and work in progress, including short-term contracts in progress, are valued at the lower of cost and net realisable value. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances. Cost comprises direct expenditure and production overheads incurred in the normal course of business. Net realisable value is the estimated selling price less all costs to be incurred. Provision is made for obsolescent, slow-moving and defective stocks.

(g) PENSION SCHEME ARRANGEMENTS

Pension arrangements for the majority of the company's UK staff employees are at the defined benefit type through the Morrison Pension & Life Assurance Plan. Details of the Plan appear in the financial statements of awg plc.

(h) DEFERRED TAXATION

Provision is made for deferred taxation under the liability method at the rate of tax ruling for the years in which the liabilities to taxation are expected to arise except to the extent that there is reasonable probability that any tax reduction will continue for the foreseeable future.

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(i) CASHFLOW

The Group 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.

(j) FOREIGN CURRENCIES

The financial statements of overseas enterprises are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of opening net assets are taken to reserves. Their profits are converted at the average rate of exchange for the year. The impact of exchange rate movements on other assets and liabilities flow through the profit and loss account.

(k) 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.

2. TURNOVER AND PROFIT BEFORE INTEREST

(a) Class of business:

	<u>Year to 31.3.01</u>		<u>Year to 31.3.00</u>	
	<u>Turnover</u>	<u>Profit</u>	<u>Turnover</u>	<u>Profit</u>
	£000's	£000's	£000's	£000's
Infrastructure Developments	1,515	(774)	8,729	2,207
Construction	317,107	(15,487)	278,867	6,989
Asset Management	180,979	4,697	129,499	5,459
	<u>499,601</u>	<u>(11,564)</u>	<u>417,095</u>	<u>14,655</u>

(b) Operating Profit is stated after charging:

	<u>Year to</u>	<u>Year to</u>
	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
Depreciation for the year:		
Tangible owned fixed assets	3,172	2,965
Tangible fixed assets held under finance leases	31	78
Operating leases: Land and buildings	197	1,037
Plant and machinery	6,221	4,853
Auditors' remuneration	90	90

Remuneration of the auditors for provision of non audit services to the group in the year was NIL (2000 - £45,000).

3. DIRECTORS' EMOLUMENTS

Aggregate emoluments of directors of the company:

	Year to <u>31.3.01</u>	Year to <u>31.3.00</u>
	£	£
For management services	893,752	353,881
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the highest paid Director of the Company is as follows:-

	Year to <u>31.3.01</u>	Year to <u>31.3.00</u>
	£	£
Highest Paid Director	191,514	129,850
	<u> </u>	<u> </u>

The highest paid director is a member of a defined benefit pension scheme and the amount of his accrued annual pension under that scheme at the end of the financial year was £19,353 (2000: £13,738).

Mr G Morrison is a director of the ultimate parent company awg plc and his emoluments are shown in the financial statements of that Company. K Tallant is also a director of Morrison International Limited; Sir Fraser Morrison, J Morrison and R D Green were also directors of Alexander Morrison Limited; in each case their emoluments are included in the financial statements of those companies. All the directors are members of the contributory Morrison Pension & Life Assurance plan and as such are accruing benefits under a defined benefit scheme.

4. EMPLOYEE INFORMATION

The average number of persons employed by the company, including directors, during the year is as follows:

	Year to <u>31.3.01</u> Number	Year to <u>31.3.00</u> Number
By activity:		
Construction	1,551	1,410
Asset Management	1,887	1,288
	<hr/>	<hr/>
	3,438	2,698
	<hr/>	<hr/>

	Year to <u>31.3.01</u> £000's	Year to <u>31.3.00</u> £000's
The costs incurred in respect of employees were:		
Aggregate gross wages and salaries	80,375	60,177
Employer's national insurance contributions	7,468	5,170
Employer's pension contributions	2,683	1,928
	<hr/>	<hr/>
Total direct cost of employment	90,526	67,815
	<hr/>	<hr/>

5. INTEREST

	Year to <u>31.3.01</u> £000's	Year to <u>31.3.00</u> £000's
Bank interest received/receivable	405	234
Group interest paid/payable	(439)	545
Bank interest paid/payable	(60)	(48)
	<hr/>	<hr/>
	(94)	731
	<hr/>	<hr/>

6. TAXATION

	Year to <u>31.3.01</u> £000's	Year to <u>31.3.00</u> £000's
The (charge)/credit for taxation comprises:		
Current year:		
Corporation tax at 30%	2,838	(4,479)
Adjustments for prior year:		
Corporation Tax	28	(18)
	<hr/>	<hr/>
	2,810	(4,497)
	<hr/>	<hr/>

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

7. DIVIDENDS

No dividend was paid during the year (2000: £5,000,000; £5,000 per share)

8. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Leasehold Properties Long Lease	Short Lease	Plant & Machinery	Total
	£000's	£000's	£000's	£000's	£000's
COST					
At 1 April 2000	35	383	214	17,583	18,215
Additions	20	-	78	5,395	5,493
Disposals	(8)	-	(16)	(2,195)	(2,219)
Inter group transfers	-	-	-	57	57
Reclassification	-	(73)	73	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	47	310	349	20,840	21,546
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
At 1 April 2000	24	152	89	8,511	8,776
Charge for the year	12	58	23	3,110	3,203
Disposals	(8)	-	(16)	(1,842)	(1,866)
Inter group transfers	-	-	-	16	16
Reclassification	-	(60)	60	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	28	150	156	9,795	10,129
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 31 March 2001	19	160	193	11,045	11,417
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 31 March 2000	11	231	125	9,072	9,439
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Leased assets with a net book value of £34,000 (2000: £78,000) are included in the above figures for plant and machinery.

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

9. INVESTMENTS

	Associates and Joint <u>Ventures</u> £000's	<u>Unlisted</u> £000's	Subsidiary <u>Companies</u> £000's	<u>Total</u> £000's
COST OR VALUATION				
As at 31 March 2000	-	2,036	396	2,432
Additions	-	3,385	1	3,386
Inter group transfers	54	83	-	137
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2001	54	5,504	397	5,955
	<hr/>	<hr/>	<hr/>	<hr/>

(a) INTERESTS IN GROUP UNDERTAKINGS

The Directors consider that to give full particulars of all subsidiary and associated undertakings would lead to a statement of excessive length. The following information relates to the main trading subsidiaries:

	Description of Shares held	Proportion of Nominal Value of Issued Shares held %
MORRISON INTERNATIONAL CONSTRUCTION LIMITED	Ordinary £1 shares	100
MORRISON INTERNATIONAL DEVELOPMENTS LIMITED	Ordinary £1 shares	100

Both companies are registered in Great Britain.

The principal business activities of these subsidiaries are:

- (i) Morrison International Construction Limited - Building and Civil Engineering contracting.
- (ii) Morrison International Developments Limited - Construction and the development of land and buildings.

(b) JOINT VENTURES

The following information relates to the main joint ventures:

<u>Name of Undertaking</u>	<u>Description of Shares held</u>	<u>Proportion of nominal value of ordinary shares held</u>	<u>Accounting Year End</u>
Morrison ServiceTeam Limited	Ordinary shares of £1	50%	31 March
Morrison Edison Investments Limited	Ordinary shares of £1	50%	31 March

MORRISON CONSTRUCTION

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

9. INVESTMENTS (cont)

Morrison Edison Investments Limited holds investments in certain PFI projects in which the group has participated. Morrison ServiceTeam Limited carries out local authority repairs and maintenance.

10. STOCKS AND WORK IN PROGRESS

	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
Raw materials, spares and consumables	2,727	2,608
Work in progress	30,800	25,944
Long term contract work in progress	16,246	3,242
	<hr/>	<hr/>
	49,773	31,794
	<hr/>	<hr/>

Long term contract work in progress is stated net of payments on account of £181,653,000 (2000: £99,801,000).

11. DEBTORS

	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
Amounts falling due within one year:		
Amounts recoverable on contracts	59,205	38,408
Trade debtors	14,688	4,698
Amounts owed by holding company and fellow subsidiary undertakings	98,587	80,463
Amounts due by associates and joint ventures	5,902	10,699
Loans due by associates and joint ventures	104	89
Other debtors	17,855	10,728
Prepayments and accrued income	512	707
	<hr/>	<hr/>
	196,853	145,792
Amounts due after more than one year:		
Loans due by associates and joint ventures	2,365	2,065
	<hr/>	<hr/>
	199,218	147,857
	<hr/>	<hr/>

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
Bank overdraft	2,689	-
Payments received on account	13,183	17,210
Trade creditors	101,231	87,079
Amounts owed to holding company and fellow subsidiary undertakings	73,818	63,419
Other creditors	18,586	8,177
Corporation tax	-	4,671
Other taxation and social security	5,382	3,818
Accruals and deferred income	23,275	8,900
Amounts due to joint ventures	2,355	-
	<u>240,519</u>	<u>193,274</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION:

The potential liabilities to/(assets arising from) deferred taxation and the amounts provided in the financial statements in accordance with the Group's policy are set out below:

(a) GROUP	Amount Provided		Amount Unprovided	
	<u>31.3.01</u>	<u>31.3.00</u>	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's	£000's	£000's
Tax effect of timing differences:				
Excess of tax allowances over depreciation	260	-	-	218
Other	(260)	-	(58)	(30)
	<u>-</u>	<u>-</u>	<u>(58)</u>	<u>188</u>

14. CALLED-UP SHARE CAPITAL

	<u>31.3.01</u>	<u>31.3.00</u>
	£	£
Authorised, allotted, called-up and fully paid:		
1,000 Ordinary shares of £1 each	1,000	1,000

15. RESERVES

	<u>Share Premium Account</u>	<u>Profit and Loss Account</u>
	£000's	£000's
At 1 April 2000	105	34,042
Retained loss for the year	-	(8,304)
Exchange difference	-	-
	<u>105</u>	<u>25,738</u>
At 31 March 2001		

MORRISON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
(Loss)/profit for the financial year	(8,304)	10,958
Dividends	-	(5,000)
	<hr/>	<hr/>
	(8,304)	5,958
Opening shareholders' funds	34,148	28,190
	<hr/>	<hr/>
Closing shareholders' funds	25,844	34,148
	<hr/>	<hr/>

17. CAPITAL COMMITMENTS

	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's
Authorised by the Directors and contracted	577	536
	<hr/>	<hr/>

18. FINANCIAL COMMITMENTS

The annual commitment under non-cancellable operating leases was as follows:

	<u>Buildings</u>		<u>Plant & Equipment</u>	
	<u>31.3.01</u>	<u>31.3.00</u>	<u>31.3.01</u>	<u>31.3.00</u>
	£000's	£000's	£000's	£000's
Leases expiring:				
Within one year	95	29	615	1,754
Within two to five years	121	679	5,763	4,703
Thereafter	273	457	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	489	1,165	6,378	6,457
	<hr/>	<hr/>	<hr/>	<hr/>

MORRISON CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED****19. RELATED PARTY TRANSACTIONS**

The Company's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:-

	31.3.01 <u>£000's</u>	31.3.00 <u>£000's</u>
Sales to joint ventures on normal trading terms	48,073	51,319
Sales to associates on normal trading terms	9,191	1,580
Amounts due by associates	1,261	865
Amounts due by joint ventures	4,641	9,834
Loans due by joint ventures	2,469	2,154
Amounts owed to joint ventures	2,355	-
Construction Services to A F Morrison from Morrison Construction Limited on normal trading terms	-	10

Details of the Company's principal associates and joint ventures are included in note 9.

20. CONTINGENT LIABILITIES

There are contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into in the normal course of business.

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.

21. HOLDING COMPANY

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

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

On 22 September 2000, the company's parent company Morrison plc was acquired by Anglian Water plc.