

MORRISON PROPERTY CARE LIMITED
REPORT OF THE DIRECTORS

1. The Company was incorporated on 29 June 2000 under the name Macrocom (636) Limited and changed its name to Morrison Property Care Limited on 10 November 2000.

The directors submit their report and the audited financial statements for the period from incorporation, 29 June 2000 to 31 March 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. **REVIEW OF ACTIVITIES**

The Company carries on the business of land and buildings maintenance. During the period the company acquired the direct labour organisation of North Lanarkshire Council and commenced trading on 22 January 2001.

3. **DIVIDEND**

The trading results for the period are as shown in the profit and loss account on page 4. The directors do not recommend a dividend in respect of the period.

4. **DIRECTORS**

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

J Livingstone	(Appointed 3.11.00)
P Brynes	(Appointed 3.11.00)
MacRoberts Corporate Services Limited	(Appointed 29.6.00; Resigned 3.11.00)
P J Clifton	(Appointed 19.12.01)
D W G Harley	(Appointed 19.12.01)
A T Eckford	(Appointed 9.11.01; Resigned 19.12.01)
T J Pettifor	(Appointed 18.10.01; Resigned 9.11.01)

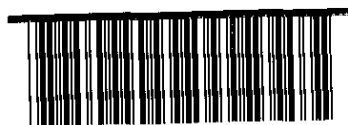
In accordance with the Company's Articles of Association, none of its directors are required to retire.

5. **DIRECTORS' INTERESTS**

The beneficial interests of the directors in the shares of the ultimate parent company, awg plc, at the date of their appointment and at the end of the financial period, were as follows:

		<u>awg plc Ordinary Shares of 10p</u>			
		<u>Shares subject to option under</u>		<u>Shares under Long Term</u>	
		<u>2001 SAYE Scheme</u>		<u>Incentive Share Scheme</u>	
		<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
		<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
P Brynes		2,884	-	6,538	-
J Livingstone		3,605	-	7,833	-

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



SCT SVIBF8PS 0400
COMPANIES HOUSE 28/02/02

SCT SV6VB8HO 0126
COMPANIES HOUSE 20/02/02

MORRISON PROPERTY CARE LIMITED
REPORT OF THE DIRECTORS - 31 MARCH 2001 - CONTINUED

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 year.

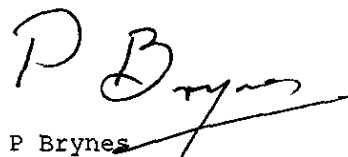
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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.

9. AUDITORS

The auditors, Pricewaterhouse Coopers, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board


P Brynes
Director
31 January 2002

Registered in Scotland - No. - 208636

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MORRISON PROPERTY CARE LIMITED**

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, 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.

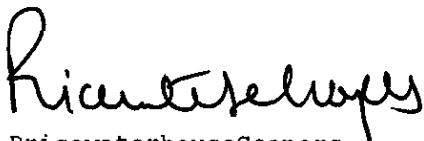
Basis of audit opinion

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 period from 29 June 2000 to 31 March 2001 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh

19 February 2002

MORRISON PROPERTY CARE LIMITED
 PROFIT AND LOSS ACCOUNT
 PERIOD ENDED 31 MARCH 2001

	<u>Notes</u>	Period from 29.06.00 to <u>31.3.01</u> £000's
TURNOVER	2(b)	5,087
Cost of Sales		(4,396)
Gross Profit		691
Administrative Expenses		(745)
OPERATING LOSS	3	(54)
Interest	4	5
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(49)
Taxation		-
RETAINED LOSS FOR THE YEAR		(49)
<u>STATEMENT OF RETAINED LOSSES</u>		
Opening balance		-
Retained loss for the period		(49)
Balance at 31 March 2001		(49)

All activities 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 PROPERTY CARE LIMITED
BALANCE SHEET
31 MARCH 2001

	<u>Notes</u>	<u>31.3.01</u> <u>£000's</u>
CURRENT ASSETS		
Stocks and Work in progress	5	1,537
Debtors	6	2,430
Cash at bank		3,202
		<hr/>
		7,169
CURRENT LIABILITIES		
Creditors - amounts falling due within one year	7	(7,217)
		<hr/>
NET LIABILITIES		(48)
		<hr/>
CAPITAL AND RESERVES		
Called-up share capital	8	1
Profit and loss account		(49)
		<hr/>
DEFICIT OF EQUITY SHAREHOLDERS' FUNDS	9	(48)
		<hr/>

P Brynes

P BRYNES

DIRECTOR

The Directors approved the financial statements on 31 January 2002.
The notes on pages 6 to 9 form part of these financial statements.

MORRISON PROPERTY CARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001

1. BASIS OF PREPARATION

The balance sheet on page 5 shows a deficiency of shareholders funds of £48,000 at 31 March 2001. The financial statements of the company have been prepared on a going concern basis which takes into account an undertaking by awg plc to provide such financial resources as the company may require to discharge its obligations.

2. 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 group accounting policies, which have been adopted, is set out below.

(a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(b) TURNOVER

Turnover represents the value of work executed and goods and services supplied by the company during the period, wholly within the UK, excluding Value Added Tax.

(c) WORK IN PROGRESS

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 the foreseeable losses on contracts.

(d) 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.

(e) PENSION SCHEME ARRANGEMENTS

The company's immediate parent company, Morrison Government Services Limited, operates a defined benefit pension plan for the company's employees. The assets of the plan are held in a separately administered fund. The provisional Company contributions rate recommended by the Scheme Actuary is 18.4% of pensionable salaries. Members' contributions are paid in addition. As the plan only commenced in January 2001, the company's contribution rate will be reviewed once the initial Plan valuation is carried out.

Some employees also have the choice of joining the Morrison Group Pension and Life Assurance plan, which is a defined benefit scheme. Details of this scheme appear in the financial statements of awg plc.

During the period the total pension cost to the company was £378,000 of which £249,000 was accrued at 31 March 2001.

(f) CASHFLOW STATEMENT

The Company is a 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.

MORRISON PROPERTY CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

(g) 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.

3. OPERATING LOSS

Directors' Remuneration:

The emoluments for Mr P Brynes and Mr J Livingstone are included in the financial statements of a fellow subsidiary company Morrison Construction Limited.

Employee information:

The average number of persons employed since the company commenced trading on 22 January 2001 was 689 which was split between salaried employees of 86 and manual employees of 603. The costs incurred in respect of employees were:

	Period from 29.06.00 to <u>31.03.01</u> £000's
Aggregate gross wages and salaries	2,623
Employers national insurance contributions	252
Employers pension contributions	378
	<hr/>
	3,253
	<hr/>

Auditors remuneration is dealt with in the accounts of the parent company.

4. INTEREST

	Period from 29.06.00 to <u>31.03.01</u> £000's
Bank interest received/ receivable	14
Group interest paid/ payable	(9)
	<hr/>
	5
	<hr/>

5. STOCKS AND WORK IN PROGRESS

	<u>31.3.01</u> £000's
Raw materials, spares and consumables	426
Work in progress	1,111
	<hr/>
	1,537
	<hr/>

MORRISON PROPERTY CARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001 - CONTINUED

6. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.3.01</u>
	£000's
Trade debtors	2,430
	<hr/>

7. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.3.01</u>
	£000's
Taxation and social security	837
Trade creditors	3,153
Accruals and deferred income	2,094
Amounts due to group companies	128
Loans due to group companies	1,005
	<hr/>
	7,217
	<hr/>

8. CALLED-UP SHARE CAPITAL

	<u>31.3.01</u>
	£
Authorised	
667 'A' Ordinary shares of £1 each	667
333 'B' Ordinary shares of £1 each	333
	<hr/>
	1,000
	<hr/>
Issued, called-up and fully paid	
667 'A' Ordinary shares of £1 each	667
333 'B' Ordinary shares of £1 each	333
	<hr/>
	1,000
	<hr/>

The company was incorporated on 29 June 2000 with a share capital of 2 £1 ordinary shares which were issued for cash of £2. During the period 2 ordinary shares of £1 were reclassified as 2 'A' ordinary shares of £1 each and a further 665 'A' ordinary shares were issued at par for £665, and 333 'B' ordinary shares of £1 were issued at par for £333.

The 'A' shares carry voting rights and the right to appoint the directors of the company. The 'B' shares do not carry voting rights. The 'A' and 'B' shares rank equally for the payment of dividends and the distribution of assets on the winding up of the company.

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.3.01</u>
	£000's
Loss for the financial period	(49)
Issue of share capital	1
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	(48)
	<hr/>

10. 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.

11. RELATED PARTY TRANSACTIONS

The company has a contract to provide North Lanarkshire Council ('NLC') with repair and maintenance services for a 10 year period. NLC are the holders of the company's 'B' ordinary shares. During the period, all of the company's turnover related to services provided to NLC, and the trade debtors at 31 March 2001 relate to NLC. The company leases property and vehicles from NLC over the term of the service contract at a notional annual rental of £2.

12. ACQUISITION

During the period the company purchased the trade and certain assets of the Direct Labour Organisation of North Lanarkshire Council for £1. The company also acquired stock and work in progress from NLC at a value of £1,737,000. The purchase has been accounted for as an acquisition. In the directors' opinion the purchase price of these assets equated to their fair value and therefore no fair value adjustments arise.

13. HOLDING COMPANY

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

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

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

Copies of the awg plc accounts can be obtained from the Company Secretary, awg plc, Anglian House, Ambury Road, Huntingdon, PE29 3NZ.