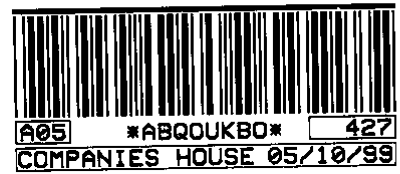


**Registered Number:**  
**1085036**



**WATES CITY PROPERTY MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1998**

## **WATES CITY PROPERTY MANAGEMENT LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their annual report and the audited accounts for the year ended 31 December 1998.

#### **PRINCIPAL ACTIVITY**

The principal activities of the Company are the management of property development projects and the management of investment properties in the City of London.

#### **RESULTS AND DIVIDENDS**

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend for the year (1997: £Nil).

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The directors who served during the year were:

P C R Wates                      (Chairman)  
G A Burton  
T P Byrne  
R Clutton  
J D Nettleton  
T J Williams

No director had any interest in the shares of the Company or of any fellow subsidiary undertaking. The directors' interests in the share capital of the Company's ultimate parent undertaking, Wates City of London Properties plc, were:

	<b>Ordinary Shares</b>		<b>Share Options</b>	
	<b>At 01.01.98</b>	<b>At 31.12.98</b>	<b>At 01.01.98</b>	<b>At 31.12.98</b>
G A Burton	506	674	113,085	88,241
T P Byrne	-	-	-	13,816
T J Williams	33,842	24,842	16,562	34,259

The interests of Mr P C R Wates, Mr R Clutton and Mr J D Nettleton are disclosed in the accounts of the Company's ultimate parent undertaking.

**WATES CITY PROPERTY MANAGEMENT LIMITED**

**REPORT OF THE DIRECTORS**

**AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to be 'Michael A Wilson', written over a horizontal line.

**Michael A Wilson**  
*Secretary*

Level 21, City Tower  
40 Basinghall Street  
LONDON EC2V 5DE

3 March 1999

## **WATES CITY PROPERTY MANAGEMENT LIMITED**

### **DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS**

The directors are required to prepare financial statements which 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 for the year.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
WATES CITY PROPERTY MANAGEMENT LIMITED**

We have audited the financial statements on pages 5 to 10.

**Respective Responsibilities of Directors and Auditors**

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

London

3 March 1999

**WATES CITY PROPERTY MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

	<b>Note</b>	<b>1998 £</b>	<b>1997 £</b>
Development fees		-	-
Development expenditure		(37,336)	(8,998)
Increase / decrease in work-in-progress		43,211	883
<b>GROSS PROFIT</b>		<b>5,875</b>	<b>(8,115)</b>
Management fees and other income		462,917	438,274
Administrative expenses	2, 3	(97,279)	(89,988)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>371,513</b>	<b>340,171</b>
Taxation	4	(113,348)	(109,686)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>258,165</b>	<b>230,485</b>
Dividends		-	-
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>258,165</b>	<b>230,485</b>
Balance brought forward		(2,520,316)	(2,750,801)
<b>BALANCE CARRIED FORWARD</b>		<b>(2,262,151)</b>	<b>(2,520,316)</b>

**Notes:**

- (a) The results in the Company profit and loss account relate to continuing operations.
- (b) The Company has no recognised gains or losses other than the profit for the financial year. Accordingly, a statement of total recognised gains and losses has not been prepared.

**WATES CITY PROPERTY MANAGEMENT LIMITED**

**BALANCE SHEET AT 31 DECEMBER 1998**

	<b>Note</b>	<b>1998 £</b>	<b>1997 £</b>
<b>CURRENT ASSETS</b>			
Project management work-in-progress	5	339,118	295,906
Debtors	6	44,362	47,345
		<u>383,480</u>	<u>343,251</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
	7	(2,645,431)	(2,863,367)
		<u>(2,261,951)</u>	<u>(2,520,116)</u>
<b>NET LIABILITIES</b>			
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	8	200	200
Profit and loss account		(2,262,151)	(2,520,316)
		<u>(2,261,951)</u>	<u>(2,520,116)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	9	<u>(2,261,951)</u>	<u>(2,520,116)</u>

The accounts were approved by the Board of Directors on 3 March 1999 and signed on its behalf by:

*J. D. Nettleton*  
**J D Nettleton**  
 Director

# **WATES CITY PROPERTY MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS**

### **1 ACCOUNTING POLICIES**

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the Company's accounts.

#### **(a) Basis of accounting**

The accounts have been prepared under the historic cost convention and in accordance with applicable accounting standards and with the Companies Act 1985.

Separate disclosure of related party transactions has not been provided as the consolidated financial statements in which the Company is included are publicly available.

#### **(b) Deferred taxation**

Deferred taxation is provided under the liability method in respect of timing differences in the recognition of income and expenditure for accounting and taxation purposes.

#### **(c) Project management work-in-progress**

Project management work in progress is included at the lower of cost and estimated net realisable value.

#### **(d) Basis of financial information**

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate, as the ultimate parent undertaking, Wates City of London Properties plc, has indicated that it intends to provide such funds as are necessary for the Company to continue to operate for the foreseeable future.

### **2 ADMINISTRATIVE EXPENSES**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Administrative expenses include:		
Directors' emoluments (including pension contributions)	104,706	90,555
Auditors' remuneration	-	-
	<hr/>	<hr/>

The auditors' remuneration was borne by the parent undertaking.



## **WATES CITY PROPERTY MANAGEMENT LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **3 STAFF NUMBERS AND COSTS**

During the year the Company employed an average of 7 staff (1997: 8), 5 (1997: 6) of whom were employed directly at properties managed by the Company and their costs recharged to tenants. The aggregate payroll costs of these persons were as follows:

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Wages and salaries	204,063	197,975
Social security costs	24,468	19,919
Other pension costs	25,241	24,591
	<hr/>	<hr/>
	253,772	242,485
	<hr/>	<hr/>

#### **4 TAXATION**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Taxation based on the profit for the year:		
Corporation tax at 31% (1997: 31.5%)	113,348	109,686
	<hr/>	<hr/>

#### **5 PROJECT MANAGEMENT WORK-IN-PROGRESS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Development costs	339,118	295,906
	<hr/>	<hr/>

#### **6 DEBTORS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Other debtors	44,362	46,339
Prepayments and accrued income	-	1,006
	<hr/>	<hr/>
	44,362	47,345
	<hr/>	<hr/>

# **WATES CITY PROPERTY MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS**

### **7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Amounts owed to parent undertaking	2,026,477	2,223,381
Corporation tax	223,034	225,265
Other creditors	357,283	360,934
Accruals and deferred income	38,637	53,787
	<u>2,645,431</u>	<u>2,863,367</u>

### **8 SHARE CAPITAL**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Authorised:		
Ordinary shares of £1 each	200	200
Unclassified shares of £1 each	800	800
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

Ordinary shares of £1 each	<u>200</u>	<u>200</u>
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### **9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	258,165	230,485
Dividends	-	-
	<u>258,165</u>	<u>230,485</u>
Net increase to shareholders' funds	258,165	230,485
Opening shareholders' funds	(2,520,116)	(2,750,601)
	<u>(2,261,951)</u>	<u>(2,520,116)</u>

## **WATES CITY PROPERTY MANAGEMENT LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **10 CONTINGENT LIABILITIES**

The Company is a guarantor of any obligation incurred by its parent undertaking under a £150 million multiple maturity credit facility and has given a fixed charge over the property asset to the lender. At 31 December 1998 the amount drawn down was £107.450 million (1997: £85.0 million).

#### **11 ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking is Wates City of London Properties plc. It is registered in England and Wales and copies of its accounts can be obtained from the following address: City Tower, 40 Basinghall Street, London EC2V 5DE.