

WATES LIMITED
Directors' report and financial statements
for the year ended
31st December 2003



WATES LIMITED
DIRECTORS AND ADVISORS

Directors	J. C. B. Houlton K. G. Baker
Secretary	J. C. B. Houlton
Auditors	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Bankers	HSBC Bank plc 8 Canada Square Canary Wharf London E14 5HQ
Registered Office and Business Head Office	Wates House Station Approach Leatherhead Surrey KT22 7SW
Telephone Website	01372 861000 www.wates.co.uk

WATES LIMITED
DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December 2003.

Principal activities and business review

The company holds investments and trading land.

Results and dividend

	£
Profit on ordinary activities before taxation	230,387
Taxation credit	<u>59,673</u>
Profit for the financial year	290,060

The directors do not propose the payment of a dividend for the year (2002 – £nil).

Directors and their interests

The directors throughout the year were:

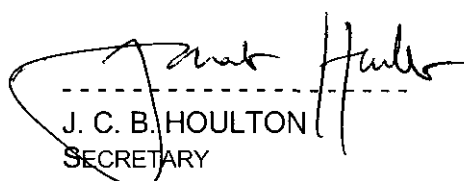
J. C. B. Houlton
K. G. Baker

The directors have no shareholding interests required to be reported under Section 234(3) of the Companies Act 1985.

Auditors

The former auditors Slater Maidment resigned under Section 392 of the Companies Act 1985 on 4th July 2003. KPMG LLP were appointed to fill the casual vacancy. In accordance with Section 348 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 25th June 2004 and signed on its behalf by:



J. C. B. HOULTON
SECRETARY

WATES LIMITED

STATEMENT OF 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 year. In preparing those financial statements the directors are required to:

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- iv) 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 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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WATES LIMITED**

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

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 3, the financial statements in accordance with applicable accounting 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We 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 affairs of the Company as at 31st December 2003 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON
Dated 25th June 2004

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

WATES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER 2003

	Notes	2003 £	2002 £
TURNOVER		379,937	671,000
Cost of sales		<u>(161,390)</u>	<u>(223,074)</u>
GROSS PROFIT		218,548	447,926
Rents receivable less expenses		10,819	3,556
Administrative expenses		<u>7,234</u>	<u>753</u>
OPERATING PROFIT	2	236,601	452,235
Interest receivable and similar income	3	1,686	1,613
Interest payable to group undertaking		<u>(7,900)</u>	<u>(26,043)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	230,387	427,805
Taxation		<u>59,673</u>	<u>(128,429)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>290,060</u>	<u>299,376</u>

The historical profit is the same as the reported profit. A statement of movements in reserves is set out in note 11.

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

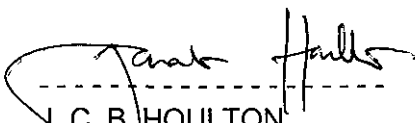
The Company has no recognised gains or losses other than the profit and loss for the above two financial years.

WATES LIMITED

BALANCE SHEET AT 31ST DECEMBER 2003

	Notes	£	2003 £	£	2002 £
FIXED ASSETS					
Tangible assets	5		-		19,000
Investments	6		5,000		5,000
			5,000		24,000
CURRENT ASSETS					
Stocks	7	266,043		304,833	
Due within one year		261,932		830,535	
Due more than one year		65,000		65,000	
Debtors	8	326,932		895,533	
Cash at bank and in hand		304,957		490	
			897,932		1,200,858
CREDITORS: amounts falling due within one year	9		338,775		950,761
NET CURRENT LIABILITIES			559,157		250,097
TOTAL ASSETS LESS CURRENT LIABILITIES			564,157		274,097
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		564,057		273,997
EQUITY SHAREHOLDERS' FUNDS	12		564,157		274,097

Approved by the Board of Directors on 25th June 2004 and signed on its behalf by:


 J. C. B. HOULTON
 DIRECTOR

WATES LIMITED
NOTES TO THE ACCOUNTS
31ST DECEMBER 2003

1. Accounting policies

i) Basis of accounting

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and in accordance with reporting requirements of the Companies Act 1985.

ii) Tangible fixed assets and depreciation

Depreciation is provided in equal annual installments over the estimated useful lives of assets so as to write off the cost less the estimated residual values as follows:

Freehold buildings	30 to 50 years
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Freehold land is not depreciated

iii) Investments

Unquoted investments are stated at cost less amounts written off down to net realisable value.

iv) Stocks and work in progress

Property stock, which represents all development land and work in progress, is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals.

Where a property is being developed, cost includes cost of acquisition and development to date, including direct attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account. Net realisable value for appropriate development sites comprises the estimated net proceeds receivable from development.

v) Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

WATES LIMITED

31ST DECEMBER 2003

NOTES TO THE ACCOUNTS (CONTINUED)

2	Operating profit	2003 £	2002 £
	This is arrived at after charging:		
	Auditors remuneration – audit	2,000	1,750
	– non audit	<u>–</u>	<u>288</u>
3.	Interest receivable and similar income	2003 £	2002 £
	Interest receivable: other	<u>1,686</u>	<u>1,613</u>
4.	Taxation		
	a) <u>Analysis of the charge/(credit) in the year</u>		
	Current tax	2003 £	2002 £
	UK corporation tax on the profits/(losses) for the year at 30%	<u>69,116</u>	<u>128,429</u>
	Adjustment in respect of prior years	<u>(128,789)</u>	<u>–</u>
	Total tax (credit) / charge on profit on ordinary activities	<u>(59,673)</u>	<u>128,429</u>
	b) <u>Factors affecting the tax charge/(credit) for the year</u>		
	The current charge for taxation shown is lower than the standard rate of Corporation tax in the UK (30%). The differences are explained below:		
		2003 £	2002 £
	Profit on ordinary activities before taxation	<u>230,387</u>	<u>427,805</u>
	Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	<u>69,116</u>	<u>128,429</u>
	Effects of:		
	Adjustment to tax in respect of previous years	<u>(128,789)</u>	<u>–</u>
	Current tax (credit)/charge for the year	<u>(59,673)</u>	<u>128,429</u>

WATES LIMITED
31ST DECEMBER 2003
NOTES TO THE ACCOUNTS (CONTINUED)

5. Tangible fixed assets	Freehold land and buildings £	
Cost:		
At 1st January 2002 and 1st January 2003		<u>78,326</u>
Disposal		<u>(78,326)</u>
Depreciation:		
At 1st January 2002 and 1st January 2003		<u>59,326</u>
Disposal		<u>(59,326)</u>
Net book amounts:		
At 31st December 2003		<u>-</u>
At 31st December 2002		<u>19,000</u>
Freehold land at cost of £19,000 was not depreciated.		
6. Investments		
Investments comprise unquoted investments of £5,000 (2002-£5,000).		
7. Stocks	2003 £	2002 £
Development land	266,043	266,043
Ground rents	<u>-</u>	<u>38,790</u>
	<u>266,043</u>	<u>304,833</u>
8. Debtors	2003 £	2002 £
Amounts falling due within one year:		
Amounts owed by group undertakings	63,956	671,106
Group taxation relief	-	6,641
Other debtors	197,976	135,432
Prepayments and accrued income	<u>-</u>	<u>17,356</u>
	261,932	830,535
Amounts falling due after more than one year:		
Other debtors	<u>65,000</u>	<u>65,000</u>
	<u>326,932</u>	<u>895,535</u>

WATES LIMITED

31ST DECEMBER 2003

NOTES TO THE ACCOUNTS (CONTINUED)

9.	Creditors: amounts falling due within one year	2003 £	2002 £
	Amounts owed to group undertakings	240,000	571,303
	Other taxes and social security costs	4,912	8,528
	Bank overdraft	-	6,068
	Group taxation relief	93,777	128,429
	Other creditors	86	11,392
	Accruals and deferred income	<u>-</u>	<u>225,041</u>
		<u>338,775</u>	<u>950,761</u>
10.	Called up share capital	2003 and 2002	
	Authorised: 1,000 Ordinary shares of £1 each		<u>£1,000</u>
	Allotted and fully paid: 100 Ordinary shares of £1 each		<u>£100</u>
11.	Profit and loss account	2003 £	2002 £
	At 1st January	273,997	(25,379)
	Profit for the financial year	<u>290,060</u>	<u>299,376</u>
	Retained profit at 31st December	<u>564,057</u>	<u>273,997</u>
12.	Reconciliation of movements in shareholders' funds	2003 £	2002 £
	Shareholders' funds/deficit at 1st January	274,097	(25,279)
	Profit for the financial year	<u>290,060</u>	<u>299,376</u>
	Shareholders' funds at 31st December	<u>564,157</u>	<u>274,097</u>
13.	Contingent liabilities		
	The company has entered into indemnities, with other group undertakings, to third parties in respect of performance bonds granted on behalf of a fellow subsidiary undertaking.		
14.	Related party transactions		
	Funds have been advanced to companies in which Wates family directors have shareholding interests. At the year end, amounts due by those companies were £nil (2002-£84,000). The company is not required to report details of group transactions because it is a subsidiary undertaking included in the consolidated accounts of Wates Group Limited.		
15.	Ultimate parent company		
	The Company's immediate and ultimate parent company is Wates Group Limited.		