Our *strategy* of
organic growth
combined with strategic acquisitions
has succeeded in delivering

RECORD PROFITS

Wilson Bowden plc

Annual Report and Accounts 2003

Contents

Front cover: The impressive five bedroom Dorset showhome at the exclusive Marden Mill development in Quemerford, Wiltshire.

Set in rural splendour surrounded by trees, streams and marshes, David Wilson Homes has worked with an environmentalist and a licensed ecologist to preserve the existing wildlife. The development comprises four and five bedroom detached homes, built to blend in sympathetically with the existing mill and attractive locale.

Back cover: Cumberland Place, Nottingham, 117,000 sq ft city centre office development located in Nottingham's prestigious 'professional quarter'. Occupiers include lawyers Freeth Cartwright and The Royal Bank of Scotland.

It gives me great pleasure to report that the Group achieved a PRE-TAX PROFIT of £225.4m* in 2003

D W Wilson
Chairman

2003 – A year of change and growth

In 2003 Wilson Bowden saw another year of record achievements with residential completions reaching 5,037 and turnover exceeding £1bn for the first time. The resulting profit before tax and goodwill amortisation of £2.1m, was £225.4m; the first time we have passed the £200m mark. This is our eighth successive year of record profits.

Our compound pre-tax profit growth over the past eight years exceeds 28% per annum and is an excellent demonstration of the growth in shareholder value delivered by successful implementation of our strategies for the business.

I am particularly pleased to be able to refer to that record in that it covers a period when the Company – and the housebuilding industry in general – has been confronted with significant changes in its operating environment in areas such as demographics, land supply, and planning, and has demonstrated flexibility and resourcefulness in dealing with them so successfully.

I am also delighted to report the progress we have had with our two major corporate acquisitions in 2003. Henry Boot Homes has been successfully integrated into our Northern and Midlands operations and has contributed significantly to our results. Ward Homes has now been reorganised and will continue trading under the Ward name in Kent and will, we anticipate, add to our 2004 performance.

Group results for 2003

Despite initial concerns over the market in the early months of the year, 2003 turned out to be another strong year for the Group and the housing market, while our commercial development activities continued to perform well despite the weaker trading conditions we have been experiencing for some time.

* Before goodwill amortisation of £2.1m

Castle Field in the picturesque village of Great Leighs has been designed to respond to planners' needs without compromising attention to detail. Render has been introduced to these four bedroom homes to complement traditional brick properties and add interest to the long terrace.

Designed to offer flexible accommodation for modern family living, the properties incorporate David Wilson Homes' unique 'open living' concept with features such as open plan kitchens and multi-purpose family areas.

Group turnover was £1,165.8m, up 18.5% on 2002's figure of £983.9m, with the resultant Group profit before tax up 24.9% at £223.3m (2002: £178.8m), after allowing for the costs of reorganising acquired businesses of £3.5m and goodwill amortisation of £2.1m. Group return on capital also improved in the year to 27.1% (2002: 26.2%). The resultant earnings per share was 165.5p – up 23.0% in the year (2002: 134.6p) which brought the eight year annual compound growth to 29.4%. Despite record cash outflows on land and corporate acquisitions during 2003, year end gearing remained relatively modest at 28.5% (2002: 18.1%) with net borrowings of £220.9m (2002: £117.4m).

Acquisition success

In April 2003, we acquired the housebuilding arm of Henry Boot PLC – Henry Boot Homes – at a purchase price of £46.5m (including the repayment of borrowings of £18.7m). I am pleased to say that this earnings enhancing acquisition has met our expectations under the David Wilson Homes banner with the sale of 526 units at an operating margin of 24.9% (before reorganisation costs and goodwill amortisation). We acquired a land bank of around 1,800 owned or controlled plots with the acquisition.

In November 2003, we acquired Ward Homes, which operates mainly in Kent, for £70.0m (including the repayment of borrowings of £45.3m). The land bank we acquired included 923 plots of immediate land and, in addition, a significant strategic land portfolio of over 1,000 plots, all of which should be capable of delivering margins not dissimilar to those of the existing David Wilson Homes business. We have retained the Ward Homes name and integrated the Kent business within our Eastern Division. Ward will continue trading from its Chatham head office where it is well positioned for the Thames Gateway expansion. While the acquisition was made specifically to augment the Eastern land bank and volumes for 2005 and beyond, the ongoing sales and income stream should provide an additional boost to our 2004 performance.

In the second half of 2003 we also purchased Frenchay Developments of Bristol for £23.9m. This company is the holding vehicle for a site of around 585 plots to the east of Bristol.

David Wilson Homes

With the market demonstrating surprising strength during 2003 – particularly on pricing – and with our success on the acquisition front, unit completions rose by 19.8% to 4,902 (2002: 4,091). Turnover, which includes £16.1m of serviced land sales at margins similar to those on our housing unit sales, rose by 24.6% to £1,018.4m (2002: £817.6m) as a result of the volume growth, a 2.3% increase in average unit selling prices, and the serviced land disposals. Selling prices per square foot rose by 10.8% during the year, but the impact of this was partly offset by the 7.6% reduction in the average size of unit sold which resulted from changes in our market mix.

Operating profit in David Wilson Homes, before reorganisation costs and goodwill amortisation, rose by 31.8% to £217.8m (2002: £165.2m) and the resultant operating margin was 21.4% (2002: 20.2%) – the highest for some 15 years.

Wilson Bowden Developments

Operating profit in Wilson Bowden Developments rose overall by an encouraging 7.6% to £27.0m (2002: £25.1m) during the year despite total turnover falling 11.4% to £147.4m (2002: £166.3m) as a result of market led changes in the mix of product.

Within those figures the Wilson Bowden City Homes apartment completions rose by 84.9% to 135 (2002: 73) and turnover, which includes £3.3m of associated retail space, rose to £27.3m

(2002: £9.4m). With operating margin also improving, from 14.9% to 15.8%, City Homes operating profit more than tripled to £4.3m (2002: £1.4m).

Due partly to changes in mix of project undertaken in 2003 and especially to the timing of contract completions, commercial development turnover showed a reduction to £120.1m (2002: £156.9m). Operating profit was £22.7m (2002: £23.7m) with margin improving to 18.9% (2002: 15.1%). Given the continuing subdued state of the commercial market this represents yet another robust performance by our commercial business.

Over the last eight years we have been able to

INCREASE THE DIVIDEND

by a compound rate of 16.0% per annum

Dividend
The Board has been conscious of the need to balance the provision of an appropriate return to investors by way of dividend and the desire to reinvest as much cash as possible into our future land bank.

Accordingly we will be recommending that the final dividend be increased by 24.4% to 25.5p per share (2002: 20.5p). This will bring the dividend for the full year to 33.0p per share (2002: 26.8p), an increase of 23.1%, and will maintain dividend cover at five times, the same level as last year. While this will raise the cash cost of the dividend from £25.1m to £31.0m we consider that this is an appropriate balance to strike.

Over the last eight years we have been able to increase the dividend at a compound rate of 16.0% per annum, thus confirming the success of our business strategy and financial management.

Balance sheet strength
One of the prime focuses of our business in recent years has been to manage the requirement to optimise our future land supply in all areas of the business in order to secure continuity of build and sales, while also considering the impact on our balance sheet and, in particular, our funding requirements. The shocking planning system we now have to contend with has meant that obtaining detailed planning permission takes months and years longer and hence the need to increase our land bank to maintain build continuity, crucial for any business, comes at an added cost.

At December 2003, our borrowings were £220.9m with gearing of 28.5% (2002: 18.1%). This represents an increase of £103.5m from the 2002 year end figure of £117.4m. Within that movement we have paid the final £84m of the Warrington land creditor to the MoD, made the initial £15.4m payment for Henry Boot Homes, paid £70.0m for the acquisition of Ward Homes, paid £23.9m for Frenchay Developments in Bristol, and spent £314.3m on other land acquisitions.

This amply demonstrates the strength of our balance sheet and funding arrangements, as well as confirming the flexibility so necessary in sourcing opportunities for the business.

Land and planning
2003 saw much additional public focus on the subjects of land and planning and I hope that the Barker Review of Housing Supply, commissioned jointly by the Chancellor and the Deputy Prime Minister, will have helped in sweeping away some of the misconceptions surrounding the industry. What we look for now are recommendations for positive action to deal with the many obstacles we face in ensuring continuity of supply of the basic raw material for our business – namely land – in order that we in turn can increase the supply of our finished product which is exactly what both we and government want.

To facilitate our expansion our own land bank grew during 2003 and now numbers over 19,600 plots. These are plots which we own or control, and the vast bulk of which have planning approval, either detailed or outline. This may sound a huge number, and indeed, when one considers the cash tied up in this investment is over £1bn, it is a very significant figure. What is less understood is why we need ever more substantial amounts of land and I am anxious to repeat that continuity of production is crucial to the business, and planning delays can be very damaging. Such delays are currently increasing, to our disadvantage – hence the need to increase our land bank to maintain continuity and the growth of our housing completions.

The position is this. Of the 19,642 plots in our land bank, 425 are owned without planning and 1,245 are plots where we have paid a deposit and have a contract to buy the land conditional on planning. A further 5,482 plots have only outline planning, which means the land cannot be built upon until we receive the detailed approval from the local authorities concerned and so we are delayed from starting on site. There are then 324 plots where we have a "resolution to grant" detailed planning from local authorities, but are negotiating the planning conditions. This process involves negotiating the vast amounts we pay to local authorities for local facilities such as schools, roads, sewers, and environmental and leisure facilities which are a condition of planning approval. Finally, there are 174 plots where we have all the planning approvals but cannot go on site yet for environmental reasons such as badgers, newts, or other wildlife. That leaves 11,992 plots where we can get on and deliver housing, and at an expected future sales level of over 5,000 units per annum that is only just over two years forward supply. This in a business where the time taken to get planning permission on a newly acquired site is now a quite disgraceful 15 to 18 months.

For this reason we have spent much time and effort on bringing the facts to the attention of the Barker Review, the politicians and their advisors, and the media in general. We believe we have done our job in detailing the obstacles in the way of increasing housing supply – which come both from land supply, and from planning policy and process – and look forward to working in partnership with government, at national and local level, to eliminate the obstacles and increase output in an appropriate way.

Corporate social responsibility

As a company we are very much aware of the obligations we have to all our stakeholders, staff, the environment, and to society in general. We have once again been working hard in this area. I am particularly pleased to report that positive action throughout the business has resulted in a reduction in staff turnover to a level 10% below the sector average.

During 2003 we published our second separate environmental report, which was distributed with our Interim Statement in August. Since last year we have made significant progress by completing a full year's benchmarking exercise covering the Group's key environmental performance indicators. This enables us to monitor performance and set targets for improvement. We were particularly pleased that our score in the Business in the Environment annual Index of Corporate Environmental Engagement Survey improved substantially and that they commented that the improvement reflected "the significant amount of work that has been carried out within their (Wilson Bowden's) environmental programmes".

We are very much aware *of the obligations we have* to all our

STAKEHOLDERS

Further details of our environmental performance are given elsewhere in this report but we remain committed to improving yet again in the coming year.

During 2003 we also undertook to develop a corporate social responsibility programme based on an earlier study. That programme will be delivered during the coming months and will encompass the action we are taking, and will in future take, to understand and deal with stakeholders' concerns; the ways in which we can better address sustainability when dealing with planning issues and planners; our existing and future efforts in the area of waste management and efficient resource usage; the design work which is visible in our developments and which is aimed at producing innovative, attractive, and sustainable housing; and our commitment to transparent reporting on our activities to our stakeholders. These are topics whose importance is recognised and supported by our management.

Proactively managing health and safety is also a key element of our business. As part of our commitment, we have taken the step of bringing the day to day management of health and safety in-house, by employing our own health and safety managers and specialists who work as an integrated part of the business. Their work includes site visits, workplace inspections, training, and providing advice on statutory requirements and general safety matters.

We continue to develop and refine preventative measures to minimise the likelihood of accidents and incidents on site. Learning from our in-house

Eastlake Park, Milton Keynes (East 2)
Wilson Bowden Developments' prestigious office development off Junction 14 of the M1, Milton Keynes. The last remaining offices have now been leased to Omron Electronics Limited.

We have in place the land required to achieve

FURTHER VOLUME GROWTH

in 2004 and are well advanced with our plans for 2005

experts and sharing best practice is fundamental to the long-term health and safety of our employees.

Corporate governance
With the final output from the Higgs and Smith reports becoming available during 2003, we have been working to ensure that we will achieve compliance during 2004.

We have been addressing the roles, composition and terms of reference of all our Board committees and have also been assessing the implications of the latest governance standards for the Board itself.

We have put in hand action, which we believe will enable us to satisfy our obligations under the revised Combined Code.

The market and our prospects
While there is no doubt that the rate of sales price increase in the housing market is declining overall, there is still a wide discrepancy across the regions. In the south of the country we have been seeing smaller rates of increase, around the 2% to 3% mark, whereas in the north the rate of increase has in places topped 10%. I would expect the slowdown in increases to continue into 2004 as the pace in the north slackens. Accordingly I see 2004 bringing further price growth, albeit at a gradually slowing rate.

The demand for new houses continues strongly at the moment, although we wait to see how the market will react to current and future increases in interest rates. We go into 2004 with a record level of unit reservations, amounting to almost a quarter of our target sales for the year – our best ever start to a year. Numerically our forward orders are almost double last year's level, having benefited from the Henry Boot Homes and Ward Homes acquisitions.

We have in place the land required to achieve further volume growth in 2004, and are well advanced with our plans for 2005. Accordingly I see no reason why 2004 should not be a further year of profit growth for our residential businesses, although perhaps at a somewhat more modest rate and still very much dependent on economic events. Our strategy for the residential business as a whole remains one of growth in profitability through increased activity and, while we favour organic growth, we have shown ourselves willing to undertake acquisitions where there is a particularly good operational or strategic fit. We will continue this approach when appropriate opportunities present themselves. In addition 2004 will see the development of three new housing regions on the South Coast, in East Yorkshire, and in Birmingham, the further development of our fledgling retirement homes business, and further progress on our new City Homes projects at Sheffield, Leamington Spa, and Bishop's Stortford.

In our commercial business I would like to see the slight downward trend in profits arising from the market conditions of recent years, at least arrested and preferably reversed. Our recent development programme is capable of delivering this improvement in profits and, while I see no dramatic upturn in the commercial markets in 2004, I believe we should be capable of profit growth, particularly if the increased rate of enquiries being received by selling agents for industrial and office space in the first 8 weeks of the year crystallises into firm orders.

Our main aim in the commercial business is to return to consistent profit growth while at the same time, improving our use of capital and restricting the addition of further cash resources to the business. We believe we are capable of delivering that performance.

Management, staff and suppliers
Once again I am delighted to pay tribute to all those involved in our undoubted success. Without the efforts of all our management teams around the country, our staff in the regional offices and on the sites, and the suppliers and subcontractors who deliver the materials and the product, none of it would be possible. May I thank all of them – and their families – for their effort and commitment during 2003. I look forward to doing my part in working with them to make 2004 another year of success.

Finally, Wilson Bowden has been a public company for 17 years and throughout that time I have been loyally and ably served by Gerard Neiland in a Non-Executive capacity and Tony Greasley as a superb Managing Director of David Wilson Homes and latterly as a Non-Executive. They have both made an immense contribution, which is made the more valuable by their incredible experience of this industry and this business. On the appointment of suitable replacements, they will each in turn stand down during the summer such that the Company will have addressed the issue of the balance of the Board.

I extend not only my own personal and grateful thanks to Gerard and Tony but those of every director and manager in our business.

David Wilson
Chairman
25th February 2004

Corporate and financial highlights

- Turnover exceeded £1bn for the first time at £1,165.8m
- Record profit before tax of £223.3m, up by 24.9%
- EPS increased 23.0% to 165.5p per share
- Group ROCE rose to 27.1% from 26.2%
- Dividend increased by 23.1% to 33.0p per share
- Residential completions surpass 5,000 units
- Residential operating profit (before reorganisation costs and goodwill amortisation) increased by 33.0% to £221.6m with margins up to 21.3%
- Commercial margins improved to 18.8%, an increase of 3.7%

Year ended 31st December	2003	2002
Residential completions	5,037	4,164
Group turnover	£1,165.8m	£983.9m
Operating profit		
– Residential (before reorganisation costs and goodwill amortisation)	**£221.6m**	£166.6m
– Commercial	**£23.2m**	£23.7m
	£244.8m	£190.3m
Reorganisation costs and goodwill amortisation	**(£5.6m)**	–
Total operating profit	**£239.2m**	£190.3m
Interest payable and similar charges	**(£15.9m)**	(£11.5m)
Interest cover	**15.0x**	16.5x
Group profit before taxation and goodwill amortisation	**£225.4m**	£178.8m
Group profit before taxation	**£223.3m**	£178.8m
Earnings per share – basic	**165.5p**	134.6p
Earnings per share – diluted	**163.8p**	133.6p
Dividend per share	**33.0p**	26.8p
Shareholders' funds		
Total	**£775.6m**	£649.9m
Per equity share	**825.3p**	693.4p
Net borrowings	**£220.9m**	£117.4m

Wilson Bowden plc

is the parent of a

group of companies

engaged in

Residential and Commercial Property Development

THROUGHOUT MOST AREAS OF THE UNITED KINGDOM

OUR RESIDENTIAL DEVELOPMENT expertise ranges from apartments for town and city dwellers, through smaller traditional homes to five and six bedroom executive homes.

OUR COMMERCIAL PROPERTY DEVELOPMENT skills are in the creation of offices, industrial parks, retail and mixed use schemes.

THESE CORE ACTIVITIES are supported by our plant hire, mechanical services, engineering design and joinery divisions. The latter manufacturing prefabricated building components, together with bedroom and study furniture.

Wilson Bowden plc

David Wilson Homes

David Wilson Homes' ability to predict and cater for the changing needs of customers and to respond to the continued evolution of planning has reinforced its position as a leading and progressive housebuilder.

While David Wilson Homes' reputation has been built largely upon 4, 5 and 6 bedroom executive homes, in responding to changing population demographics and government planning policy the Company has, in recent years, successfully expanded its portfolio to include a larger proportion of apartments and smaller homes. For example, apartments now account for around 18% of total sales. Redevelopment of brownfield land has also been high on the Company's agenda, with 42% of land developed in 2003 from brownfield sites and around 60% of the current land bank being categorised as brownfield.

The Company plays a leading role in innovative housing design, as evidenced by the Eco House, where a partnership with The University of Nottingham's School of the Built Environment has produced a leading edge building where new technology and techniques are trialled under real life conditions. The next phase of the project will explore how people use and live in their homes. Two "LIFE" concept houses are under construction to enable the Company to explore a variety of elements, from the design and fabric of the home to how lifestyle dictates the use of our homes.

2003 saw the expansion of the Company through the acquisition of Henry Boot Homes Limited, which has been successfully integrated into the David Wilson Homes regional structure. Ward Homes Group Limited was also acquired during the year and, following reorganisation, continues to trade in Kent under the Ward Homes banner.

The Company's plans for organic growth include the recent launch of the Retirement Homes division and the creation of three new regions: the South Coast; East Yorkshire; and Birmingham.

The Company operates as four geographical divisions and has developments throughout England, Wales and Scotland.

Looking to the future, the Company currently has an extensive land bank of around 17,250 plots owned or controlled with planning.

As a member of the Housing Forum, the Company is addressing industry issues, including its submission to the Barker review into land supply. Skills shortages are being countered through the Company's long-established apprenticeship scheme. David Wilson Homes' acknowledged expertise, its skilled staff and established business partnerships, coupled with progressive design and an eye to the future, combine to sustain an unrivalled reputation in the sector.

Wilson Bowden Developments

Wilson Bowden Developments is the Group's commercial property development business, focused on developments in the retail, leisure, office and industrial sectors together with mixed use schemes. The Company's output is developed for immediate onward sale to occupiers or investors and as such it does not presently hold a property investment portfolio.

Wilson Bowden Developments' in-house construction operation manages over 50% of the Company's building activities. This allows greater attention to be paid to customer requirements as well as providing additional flexibility. The Company operates on the land bank principle and has extensive land holdings for future development in various parts of the country.

As it is financed by its parent company, Wilson Bowden Developments has the ability to act independently and to quickly secure opportunities. Its network of four offices ensures good contact with development agencies and a thorough understanding of regional planning requirements.

The Company is closely involved in one of the largest regeneration schemes in Europe, the redevelopment of the former Ravenscraig steelworks in Lanarkshire. A key scheme for the Company, the project sees Wilson Bowden Developments working with Corus plc and Scottish Enterprise Lanarkshire to create 1 million square feet of retail and leisure facilities in a town centre, 3,500 new homes and 2 million square feet of industrial and business space.

Wilson Bowden Developments is also involved in joint venture projects with other developers, local authorities and landowners. The Company is acknowledged as being a leader in the successful remediation and development of brownfield sites.

Wilson Bowden City Homes is a division of Wilson Bowden Developments and combines the Group's homebuilding flair with the commercial property development and construction skills of Wilson Bowden Developments. The City Homes division specialises in mixed use schemes that address the increasing demands of both customers and planners for city centre living and apartment homes. Current schemes include apartments in the heart of Nottingham and Manchester city centres; and a landmark waterside apartment scheme, Admiral's Quay, at Ocean Village, Southampton.

Great care has been taken at Castle Field to comply with Essex design guidelines and PPG3 requirements whilst still ensuring the development is in keeping with the village feel of Great Leighs.

Many of the houses have mock sash windows and canopies over doors and properties sitting alongside existing older homes feature timber windows and exposed rafters to blend in with their surroundings.

Our businesses provide a
balanced market spread
and remain focused on our

FUNDAMENTAL VALUES

◆

QUALITY
of the product

◆

The Group's
VERSATILITY

◆

DYNAMIC
nature of the business

◆

and our
PROGRESSIVE
responses to
our stakeholders

Wilson Bowden plc is one of the UK's leading housebuilders and property developers. The Group has two distinct, but complementary, businesses. David Wilson Homes is responsible for building homes across almost 40 counties in the UK. Wilson Bowden Developments specialises in commercial property development in the retail, leisure, office and industrial sectors. Wilson Bowden Developments' mixed use division, Wilson Bowden City Homes combines the Group's homebuilding flair with commercial property development and construction skills, to provide city centre living and mixed use schemes.

The Group has built its reputation and success on four fundamental values: the quality of its product; the versatility of its structure; the dynamic nature of its business; and the progressive response to its stakeholders.

The careful, balanced diversification of the Group's products, together with a broad geographic spread, continues to deliver consistent growth.

As part of an on-going partnership, Laurence Llewelyn-Bowen has designed two stunning interior design concepts for selected showhomes across the country. Pictured here, the showhome at Morrells Green in Takeley unveils the Mediterranean scheme in the dining, family, kitchen area.

For the Wilson Bowden Group QUALITY of the product is not an elusive goal, it is a very tangible part of everything we do

David Wilson Homes is not a conventional housing developer. We are a Company that builds homes; homes that form sustainable communities for the future. This subtle, but significant, difference lies at the root of our consistent success over nearly forty years and is central to the way the Company operates. We take the same approach whether we are building large executive homes, upon which much of our reputation has been established, or designing the apartments and townhouses of our greatly expanded property portfolio.

Throughout each stage of the construction process runs a constant thread; the belief that the end result will be someone's home with all the practical and emotional issues which that represents. It is a home, not a plot number.

The process starts with the right location. We work hard to find sites that will satisfy people's needs to be close to workplaces, schools, amenities and communities. Next, we focus on developing an attractive setting, one of the key differences that sets us apart from other homebuilders. Our in-house team of architects, landscape designers and environmentalists create designs, plot layouts and landscape treatments in sympathy with the local style and ecological balance.

We pay particular attention to both practical and aesthetic details. Our designers and craftsmen work together to fashion a quality of home that, in this era of mass production, represents something individual. Finally, we place great emphasis on the use of traditional skills. Clever use of architectural detailing, such as brickwork courses and stonework mouldings, captures the imagination of our home buyers.

The Company's integrated approach to the building process enables us to keep close control over quality. Our in-house departments provide services as varied as engineering, plumbing, bespoke joinery, plant hire and carpet fitting. As a further check on quality, we employ an independent quality assurance team to inspect homes on site and report directly to the Group Customer Services Director.

"David Wilson Homes share my passion for great design. Together we're creating some exciting and inspirational rooms."

Laurence Llewellyn-Bowen

A four bedroom Braemar and a Campbell home at Forest Grove, set in the much sought after Stanford in the Vale. Properties at Forest Grove are rather special as they have been specifically designed to blend in seamlessly with the local vernacular.

The brand new community offers a relaxing environment for those who want to escape the cares of city life, combining an idyllic semi rural location with ease of access to the main commuter routes of the M40 and M4.

Quality of the product

We don't build housing estates; we create communities of individual homes.

Detail is everything – whether it's the pitch of a roof gable, the stone moulding around a window, the steps to the front door, the curve of a drive, or the colour of the brickwork. Details matter. They are what make our houses subtly, but distinctly, different. Individual homes that stand out from the crowd.

Our house styles are constantly updated, blending the best of traditional design with the cream of contemporary styling, ensuring a varied and vibrant street scene. The result is an attractive, welcoming community.

Our continued, steady growth and development is as much to do with the breadth as well as the depth of our skills. Being able to call upon a bank of in-house expertise – from surveyors to bespoke joiners – allows us to react swiftly to new opportunities as well as to undertake complex schemes with confidence and with a tight control on costs.

With that structure in place, we were able to take two companies with outstanding credentials – Wilson Bowden Developments and David Wilson Homes – and combine their expertise to create a new, extremely versatile company. As a result, Wilson Bowden City Homes is helping to reshape Britain's urban landscape. Our success in urban regeneration schemes has come out of our background in commercial property development; from high quality business parks to mixed retail and leisure schemes.

One example of this is the Wilson Bowden City Homes development at Admiral's Quay in Southampton. When completed, this pioneering mixed use development will include a wide range of prestige shops, inviting bars and an eclectic mix of restaurants in addition to extensive office and commercial space.

Set within easy reach of the recently renewed and regenerated city centre, the development is close to the many sophisticated shops at the West Quay, Marlands and Bargate centres. This is an excellent example of how our versatile skills can come together and develop something really unique. The bustle of boats, the quayside, places to unwind, all combine to make life at Admiral's Quay an ideal backdrop for work and living.

THE STRUCTURE
OF THE GROUP
is an expression of our

VERSATILITY,

combining homebuilding, commercial property development and mixed use development with our acknowledged strengths in construction, land procurement, planning and engineering design

Admiral's Quay, Ocean Village, Southampton
Where the city meets the ocean: Admiral's Quay is a landmark development of prestigious leisure outlets and over 400 luxury apartments all set on Southampton's lively Ocean Village marina.

SETTING CHALLENGING GOALS and our determination to exceed them is just one example of how Wilson Bowden responds in a

DYNAMIC

way to market forces, customer's demands, planning requirements and an ever changing economic environment

We have set ourselves some challenging goals; both at a Group level and at an operational level. These include delivering increased shareholder value, organic growth, and the identification of strategic acquisitions. But we are also aware of the challenges we face, and the demands placed upon us, by the markets in which we operate.

The Group, and especially Wilson Bowden Developments, has built a reputation for successfully developing complicated sites that present difficult issues relating to contamination, planning, highways, pre-site assembly and the environment. Our markets are also changing, with different expectations for work, home and leisure.

But as well as demographics, lifestyles are changing. The recent massive investment programmes in urban regeneration have made city centres not only viable but also vibrant places to live. Increasing numbers of young professionals and 'empty nesters' now prefer city living to the suburbs, attracted by the proximity to shops, restaurants and the entertainment scene as well as the buzz of the streetlife.

Aware of this trend the Group has shifted its extensive land bank acquisition towards brownfield sites. We are now involved in imaginative conversions or appropriate new-build schemes in a number of major town and city centres.

A potential major site for the Group, still in its infancy, is the former steelworks at Ravenscraig in Scotland, one of Europe's largest brownfield regeneration projects. Over the next twenty years, a community of 3,500 homes will be built alongside leisure and retail facilities.

Alongside changing lifestyles is a growing awareness of the repercussions of these changes on the environment. Our customers, as well as pressure groups and government, demand a more responsible approach to building and development. Their impact, and the process of their construction, on the environment is a responsibility our Company takes seriously.

Increasingly, much of our development work is engaged in identifying materials and methods of construction which will balance the commercial needs of the Company's stakeholders with the demand for 'smarter' buildings and the needs of the environment. Build efficiency, waste reduction, prefabrication and alternative materials are tested and evaluated. Those that can make a positive difference are then adopted and incorporated into our building programmes.

The Water Gardens, Harlow
This 415,000 sq ft retail and leisure extension to the town centre also includes a new 70,000 sq ft civic centre for Harlow Council. The project was forward sold to Resolution Property Plc for approximately £70 million.

PROGRESSIVE RESPONSES

and meeting the expectations of all our stakeholders – customers, employees, investors and communities with which the Group interacts ARE FUNDAMENTAL TO OUR SUCCESS

We do not work in isolation. Our growth and success relies upon engaging everyone – whether staff, customers, suppliers, investors or local communities – in the development of our business. Our goal is to satisfy their needs.

At the heart of the Group lies the Wilson Way, an approach which relies upon people seeking to deliver their best at each stage of the business, be they land buyers, bricklayers, sales staff or one of the many other skilled and experienced employees who make up the Wilson team. It is a way of working – whether it is a long-standing relationship with a supplier or a new partner helping us with technological development – that, combined with a fair and responsible way of doing business, generates a common ambition to add value to the whole.

Training is intrinsic to the Group's response to the industry-wide skills shortage. We have always looked to the long term, as evidenced by our long established apprenticeship scheme, which currently provides training for 138 apprentices and trainees. We offer over sixty internal training courses, including a group-wide programme of management training, and support the Investors in People programme. Our investment pays dividends. Our staff turnover is one of the lowest in the industry.

We build strong links with local communities. With all our housing schemes, the Group's planners work closely with Councils and local groups to identify appropriate sustainable solutions. As a result, our homes are being built on a wide range of both brownfield and greenfield sites. In 2003, 43% of the Group's sales were generated by homes built on previously used land. In addition, our developments can lead to improvements in local services such as the provision of additional public transport, the building of a new school or other amenities and the alleviation of traffic congestion.

As far as possible, we preserve buildings of architectural importance or open spaces and other features of value to the community. Buildings can be converted into elegant apartments. In other cases, chapels have been restored and re-consecrated by the diocese and sports facilities have been provided for designated common areas. Hand-in-hand with this approach, we are committed to minimising the environmental impact of our operations and to ensuring developments are sustainable.

In response to society's demands for more affordable housing, we have a dedicated Partnership Homes operation. This offers a range of housetypes, including apartments, which meet the Government's PPG3 – Housing, Housing Corporation and Registered Social Landlord requirements.

The breathtaking Quorn Mill development in the village of Quorn, Leicestershire. In the foreground is the historic mill, originally built by Wright and Sons in the 1880's to house machinery for the production of narrow fabric. This has been sensitively refurbished into three ground floor two bedroom apartments and four duplex two bedroom apartments. Original features which have been retained include exposed brick work on internal walls and iron columns, whilst the exterior has been carefully restored to its original condition. Also visible are the three bedroom Mill View townhouses, set in the grounds of the old mill.

Environmental performance

Objectives and targets

The following table, which is an excerpt from our Environmental Report, provides details of the objectives and targets that we have developed over the past year. The full report is available on our website: www.wilsonbowden.plc.uk

Objectives (2003 – 2007)	Target (2003 – 2004)
A – Awareness & communication	
Increase communication of the environmental strategy and commitments.	a) Develop a documented environmental strategy. b) Communicate that strategy internally. c) Include details of the environmental objectives and targets on the intranet site and the in-house staff magazine. d) Provide environmental training on both in-house objectives and targets, as well as best practice tools for 50% of designers and planners. e) Continue to deliver the "Working to Protect the Environment" training course to ensure 100% of Construction Directors and Site Managers have attended. f) Establish a list of stakeholder groups. g) Identify key organisations from the stakeholder list and develop a strategy and key messages for two-way communication. h) Implement that strategy of two-way communication with at least 10% of identified stakeholders.
B – Management of impacts	
All businesses to implement an Environmental Management System.	a) Develop an appropriate Group environmental management system by the end of 2004. b) Each business to implement key elements of that environmental management system by the end of 2004.
C – Land use	
Improve efficiency in the use of land.	a) Increase the percentage of development from brownfield land when compared to the 2002 baseline. b) Meet or exceed government guidance on housing densities.
D – Natural environment	
Actively manage the landscape and ecological impacts of Wilson Bowden activities.	a) Develop and implement a landscape policy. b) Develop and implement a biodiversity policy. c) Develop and implement operational procedures to minimise pollution.
E – Supply chain	
Improve our understanding and control of our supply chain impact.	a) Investigate the benefits from using green specification guides. b) Develop a strategy for managing supply chain environmental impacts by 2004. c) Work with our top 30 suppliers to implement key elements of the strategy by 2004. d) Work with 5 suppliers to investigate reducing the mileage travelled by their products.
F – Design	
Improve the positive design impacts associated with Wilson Bowden's activities.	a) Review existing design guidance and practices throughout the Group. b) Develop a design guidance note incorporating current best practice. c) Communicate the guidance and commence its implementation. d) Undertake and achieve an EcoHomes good/very good rating for appropriate affordable housing projects.
G – Waste	
Seek to minimise waste generated by activities at Wilson Bowden offices and sites.	a) Develop and communicate internally a consistent methodology for capturing waste data. b) Undertake sample audits of sites and where practical implement the recommendations. c) Issue guidance on waste management at sites. d) Provide 80% of on-site staff with waste management training. e) Reduce waste disposed to landfill by 15% based on 2002 baseline figures. f) Undertake sample audits of offices and where practical implement the recommendations. g) Gather information on the recycling activities of all permanent offices.
H – Energy	
Develop and implement an Energy Reduction Programme across Wilson Bowden.	a) Engage with power generation companies with renewable energy portfolios and produce a feasibility report to evaluate the possibility of procuring electricity from renewable sources. b) Develop an energy awareness programme and deliver to a minimum of 50% of staff. c) Reduce energy consumption by 5% from 2002 baseline figures for all permanent office locations. d) Establish a process for capturing construction site energy consumption data.
I – Water	
Develop and implement a Water Reduction Programme across Wilson Bowden.	a) Develop a water reduction awareness programme and deliver to a minimum of 50% of staff. b) Reduce water consumption by 5% from 2002 baseline figures for all permanent office locations. c) Establish a process for capturing project related water consumption.
J – Transport	
Reduce the negative impacts associated with company transport.	a) Develop and implement a pilot Green Transport Plan. b) Investigate ways of establishing the carbon dioxide emissions from the company fleet.

Design and build

In order to facilitate quicker build programmes and enhance our ability to work to closer tolerances, the Company is actively embracing Modern Methods of Construction as advanced in the Government's Communities Plan. This ranges from the use of timber frame technology through to the use of pre-fabricated building components. To this end our purpose built joinery facility, commissioned in 2001, is now playing an important role in the provision of bespoke components. This not only reduces on-site material wastage, but also reduces CO2 emissions in the construction and transportation process.

Of particular note is the Company's continued collaboration with the University of Nottingham's School of the Built Environment. The Eco House, located on the University campus, is now entering its third year as a test bed for new technology under real life conditions. During 2002 this pioneering work was acknowledged when it was awarded Best House of the Future at the prestigious Brittania National Housebuilder Design Awards. Our relationship with the University has been further strengthened with senior academics now advising on other leading edge concept projects currently under development by the Group.

Supply chain management

- Reducing packaging and the recycling of that which is used.
- Reducing CO2 emissions by reviewing delivery practices to site.
- Recycling of waste products by manufacturers.
- The use of raw materials from renewable resources.
- Waste minimisation.
- Reduction of energy usage within the manufacturing process.

Environmental protection

As part of the environmental performance benchmarking exercise undertaken during 2002 we have measured gas, electricity and water consumption at our permanent offices. In compiling these statistics we have used meter readings, wherever possible, but where these are not available data from the relevant invoices has been used. The results of the consumption figures aggregated for the Group were:

- Gas 2,402,789 Kwh
- Electricity 2,510,734 Kwh
- Water 8,650,000 litres

Other factors recorded during 2002 related to the natural environment and built heritage. The aggregated results for these indicators across the Group were as follows:

- Trees planted 74,228
- Trees preserved 4,422
- Shrubs planted 295,192
- Hedgerows preserved 8,936 linear metres
- Open space created - formal 55.07 acres
- Open space created - informal 33.34 acres
- Buildings converted 23
- Buildings converted - floor area 230,813 sq ft

Case Study

Castle Donington – Leicestershire

An initial environmental assessment of this former power station site revealed a number of established badger colonies in residence.

However, the entire site is large enough to accommodate existing wildlife and future development. As a result, over a two year period, the badgers were monitored by a specialist consultant who then devised a relocation strategy. In consultation with English Nature disused setts were closed and a new one constructed. The first badger colony has now taken up residence and the process will be repeated on a second colony.

Training and communication

Every new employee to the Company attends either a Group or Divisional Induction Day, during which they are made aware of the Company's structure and how they fit into it. As part of these sessions new staff are told about the Company's Environmental Policy and its commitment to managing the business in an environmentally responsible manner.

During last year the Company successfully introduced a course entitled "Working to Protect the Environment". All Construction Directors and Site Managers in David Wilson Homes have now attended this one day session and the course will now be rolled out to Wilson Bowden City Homes and Wilson Bowden Developments. In addition, consideration is being given to extending it to the Group's Development Surveyors and Project Managers.

Waste minimisation

Last year's benchmarking exercise recorded the following in relation to site related waste:

- Retained on site remediated 6,613m3
- Retained on site inert 417,293m3
- Off-site disposal inert 370,133m3
- Off-site disposal active 62,990m3

As previously noted, we are increasingly utilising off-site prefabricated items in the construction process in order to help reduce on-site wastage and energy usage. Indeed during 2002, around 53% of all material, by value, used in the construction process was manufactured off-site.

Land and planning

As part of the land buying process we have a sophisticated system of evaluating sites. This work is carried out at the operational companies' regional offices and incorporates an environmental appraisal of each site. The final sign-off procedure takes place at our Head Office where a comprehensive portfolio of information is presented to the senior management team. In addition, once work has started on site a post-audit is undertaken to test the validity of the original evaluation.

For the third year running we have undertaken a sustainability audit of our available building land. This information is then used in the proactive management of the Group's landholdings. It has been complemented by upgrading, and providing training on, our computerised land and planning monitor database, which provides comprehensive details on each site under our control.

This has been a RECORD YEAR for sales, sales growth and operating profits

I Robertson CA FCMI
Group Chief Executive

DAVID WILSON HOMES
completions for the year rose by 19.8% to 4,902

2003 – A year of growth
The year 2003 was an exciting one for David Wilson Homes with success in delivering organic growth coupled with the impact of three corporate acquisitions.

The outcome of all this has been a year of record unit sales and of record sales growth, a further improvement in margins, record operating profits, and significant improvements in our land holdings.

Results for 2003
Sales volumes

2003 saw a slow start to sales in January, a slight recovery, and then a slowdown due to the impact of the conflict in Iraq. Accordingly we came into early summer with some concerns over the strength of the market. These turned out to be needless with the strongest summer sales performance in living memory, followed by a buoyant autumn season, the after effects of which carried on through to the end of the year.

The development at Woodvine offers a variety of properties, all designed to maximise use of space.

Woodvine is the creation of a new community in Mawsley, Northamptonshire, and once complete will include a village green, doctor's surgery, cricket and football pitches and a new school.

We achieved our organic growth target of a 6% to 7% increase in unit sales, but this was further boosted by 526 completions from Henry Boot Homes in our nine months of ownership, and 36 from Ward Homes since their acquisition in mid November. Accordingly our completions for the year rose by 19.8% to 4,902 (2002: 4,091).

We have pointed out before that one of the effects of planning regulations demanding ever greater densities of development is a reduction in the average square feet per unit sold. As a result, the unit volume figures alone do not provide an accurate picture of sales volume growth. In 2003 our average square footage per unit fell by 7.6% from 1,357 square feet per unit to 1,254 square feet. Our total square footage sold in 2003 was 6,146,000 compared to 5,551,000 in 2002 – an increase of 10.7%, and a more accurate reflection of overall activity.

TURNOVER INCREASED
by 24.6%
to £1,018.4m

Selling prices

Selling price per unit rose by 2.3% overall to £204,500 (2002: £199,900) but this figure was affected by the lower average selling prices in Henry Boot Homes. Without the acquisitions the selling price per unit in David Wilson Homes would have been £209,700, an increase of 4.9%.

Average selling price per square foot rose by 10.8% overall during the year but the impact of this rise was partly offset by a 7.6% reduction in the average square footage per unit sold.

Turnover

Turnover increased by 24.6% in the year to £1,018.4m (2002: £817.6m). The increase was due to the combined effects of the 19.8% increase in completions, the 2.3% increase in average selling price per unit, and £16.1m of serviced land sales.

Operating profit and margin

Operating profit, before reorganisation costs and goodwill amortisation of £5.6m, for 2003 rose by 31.8% to £217.8m (2002: £165.2m) and the associated operating margin improved by a further 1.2% to 21.4% for the year (2002: 20.2%).

Operating profit was impacted not only by the organic volume growth, but by the acquisition activity, and by the serviced land sales, which achieved margins similar to those of our sales of housing units.

The overall 1.2% increase in operating margin was the result of four separate influences. House price inflation at 10.8% added 7.8% to margins and acquisitions a further 0.2%. This was offset by the 9.3% increase in build costs which reduced margins by 4.5%, and the increased cost of land which reduced margins by 2.3%.

Margins in Henry Boot Homes at the time of acquisition were around 13.4%. During our nine months of ownership the margin achieved was 24.9% (before reorganisation costs and goodwill amortisation). This was achieved by a combination of sales price upgrades, marketing and site layout improvements, build cost efficiencies, and overhead savings.

Ward Homes were already achieving margins similar to David Wilson Homes at the time of acquisition.

Second half performance

The market in the second half of the year was particularly strong and, further boosted by our acquisitions, and by the weighting of our site openings towards the second half year, our results reflected that market strength.

Three-storey, three bedroom Carleton homes at The Firs development in Uppingham. The homes feature well-planned and versatile living 'zones' which cater perfectly for modern day living, featuring a family room/bedroom, study/living area, utility room and separate shower room on the ground floor, lounge with dining area and kitchen/breakfast room on the first floor, plus two double bedrooms, one with en suite bathroom, on the second floor.

Close attention to detail has been paid at the development to ensure it is in keeping with the surrounding Rutland environment, providing a mix of house designs and attractive street scene styles. Offering apartments, three bedroom townhouses and five bedroom family homes, it is also a development that caters for a wide range of purchasers.

Completions rose by 29.7% in the second half, to 2,940 (2002 second half: 2,266). This compares with 7.5% increase achieved in the first half. With the continuing fall in average size of unit, combined with the diluting effect of Henry Boot Homes showing through in the second half, average selling prices fell slightly to £204,100 compared with the £205,000 achieved in the first half of the year and £204,400 achieved in the second half of last year. As a result of all these movements second half turnover rose by 29.6% to £600.1m compared to 2002's £463.1m. Turnover in the first half of 2003 rose by 18.0%.

Operating profit (before reorganisation costs and goodwill amortisation of £3.1m) for the half year was £129.2m (2002: £95.4m). This was an increase of 35.4% against the second half of last year, and followed a first half rise of 26.9%.

The resulting operating margin in the second half of 2003 increased to 21.5% compared with 20.6% in the second half of last year and 21.2% in the first half of 2003.

Acquisitions

We undertook three corporate acquisitions in 2003 – Henry Boot Homes, Frenchay Developments, and Ward Homes. All three were driven by the requirement to ensure continuity of future land supplies sufficient to meet our corporate growth targets.

Frenchay Developments is not an operating company but is simply the vehicle for holding a substantial parcel of land containing 585 plots just outside Bristol. We will be looking to develop this site as speedily as possible over the coming years.

Henry Boot Homes was bought in April 2003 with a land bank of 1,800 owned or controlled plots, and sales of around 650 units per annum, at margins well below those of David Wilson Homes. The acquisition price, however, reflected an opportunity to buy the land bank at margins in excess of those normally achieved in the open market. Henry Boot Homes was operating from five regional offices, mainly in the north and midlands of England. We quickly integrated the business by closing the five offices, reducing the staffing numbers, integrating the systems, and taking the business into our own regional offices. The cost of the reorganisation was £2.0m and this has been reflected in our Group results for 2003. The reorganisation is complete and ongoing margins in the business are now at a level comparable with those of David Wilson Homes.

Ward Homes in Kent brought with it a land bank of 923 plots plus 1,020 plots under option when it was acquired in mid November. Sales were around 400 units per annum, with margins similar to David Wilson Homes. Our prime rationale for the acquisition was to boost our land holdings in the south-east to help deliver our growth targets for 2005 and beyond. That remains the case but the ongoing sales and income stream will, of course, provide a boost to our 2004 performance as well. After that the Ward sales volumes will be subsumed within our existing targets for David Wilson Homes. Since the acquisition we have closed the small North Thames office and integrated its operations into our own Hemel Hempstead operation and have undertaken to continue the Ward operation and name in Kent from their existing office at Chatham which is ideally situated for the Thames Gateway. The reorganisation costs amounted to £1.5m and these are also reflected in our Group results for 2003.

Future expansion

The bottom line of our strategy for delivering shareholder value remains that of growing the volume of completions delivered by the business, Our strategy for delivering

SHAREHOLDER VALUE

remains growing the volume of completions while optimising the operating margin

while optimising the operating margin. In order to ensure we are in a position to achieve that we have put in place the plots necessary for our targeted 2004 expansion and are well on with the land procurement for 2005. In addition to seeking to buy sites on the open market we will, as in 2003, take advantage of appropriate corporate acquisition opportunities.

2004 will also see the creation of three new operating regions in David Wilson Homes as well as the continued growth of our fledgling retirement homes business. With the existing Yorkshire region reaching capacity at around 700 units per annum following the Henry Boot acquisition, we will be splitting the region in two based on an east/west divide. This will provide the resource for further expansion of sites in Yorkshire. In addition we are establishing a south coast based region to take advantage of opportunities there which, for reasons of travel times, are difficult to pick up from our existing offices in Horsham and Hungerford. Finally we are setting up a new region in the West Midlands, based in Birmingham, to concentrate primarily on apartments in that city. This is a market which we have not previously taken full advantage of.

Our retirement homes business is based in Bristol and takes advantage of the experience gained from our previous venture in this market at Henleaze in Bristol. We have identified several opportunities to obtain sites which will grow this business and see it as yet another strand of the flexible approach we have to expanding our activities. We expect retirement homes to grow in importance over the next few years as the number of outlets increases. We believe this can be achieved without detriment to our margins or returns on capital.

Land bank

Our land bank in David Wilson Homes grew by 2,284 plots during 2003 to 18,492 plots, mainly as a result of our corporate acquisitions. The makeup of the landbank is as follows:

Land bank	31st December 2003	31st December 2002
Plots owned with detailed planning	11,267	8,560
Plots owned with detailed planning but with unresolved environmental issues	174	108
Plots owned with "resolution to grant" only	324	52
Plots owned with outline planning	4,837	5,441
Plots under contract with outline planning	645	1,245
Total plots with planning	17,247	15,406
Plots, deposit paid, conditional on planning	1,245	802
Total plots owned or controlled	18,492	16,208
Strategic land (acres)	11,397	11,587

This equates to around 3.8 years land (2002: 4.0 years) although it must be noted that the only plots which can be built on as of 31st December are the 11,441 with detailed planning and from that 174 should be excluded because of issues requiring resolution post planning such as wildlife, the environment and archaeology.

The attractive four bedroom Chelmsley home at Castleton Park in Church Gresley, Derbyshire. A well-planned and flexible interior provides a mix of different living zones, including an informal breakfast/family room and more formal lounge area, creating a perfect home for spending family time together and apart.

The development caters for the first time buyer, young professional couple, and growing families, and is well situated with all amenities close by.

Land costs continue to rise, mainly as a result of the scarcity of availability of land. The Chairman has commented in detail in his statement on the Barker Review and no more needs to be said here except to emphasise the enormous financial resource which has to be devoted to maintaining this length of land bank in order to provide assurance of continuity of build – and thereby growth – in the business.

Build costs and methods

The Barker Review also focused attention on the costs of build and the methodology used in the industry – particularly what is termed "modern methods of construction". We believe we are making considerable strides in developing "modern methods" albeit we have strong views on the need for cost effectiveness in this process.

"MODERN METHODS of construction" have been trialled and are in use across the business

As far as costs are concerned we saw increases in the cost of build of around 9% in 2003 – not significantly different from the rate experienced in 2001 and 2002.

While the skills shortage is still a factor to be reckoned with – and which has long since spread to finishing trades – there were signs in 2003 of a return to the industry of some who have left in the past, undoubtedly attracted by current rates of remuneration. In addition there has been a visible improvement in the uptake of skills courses at many colleges, some of which now have waiting lists. These changes have, in some parts of the country, slightly reduced the upward pressure on pay rates and this we welcome. We attach great importance to training and believe that, in proportion to our size, we lead the industry on training effort and spend.

Material costs going through cost of sales in 2003 were affected by the full impact of the previous year's changes in building regulations and by such items as changes in insulation requirements. In addition the increasing use of prefabricated frames, while still a relatively low proportion of our output, added to our costs as this methodology still carries a 10% to 15% cost premium.

The industry has attracted its critics during 2003 in terms of an alleged lack of innovation, and unwillingness to take on new construction methods. One might query whether our customers are as keen on "modern methods" as are our critics. Despite the allegations we have a strong story to tell, with new construction materials trialled and in use across the business, from TGI joists to plastic piping; with our own joinery producing prefabricated doorsets and fitted furniture packs; and with construction techniques and materials used in the experimental Eco House we built at Nottingham University now finding their way into practical application. Our new "LIFE" experimental concept housing is now in construction and we are hoping this will enable us to play an active part in the debate over how people wish to live in future and what they expect from their home in 2004 and beyond.

We do not believe that we have been slow to deal with the potential for innovation in our

An exclusive development located in north London. Manor Gardens comprises 14 homes including two, four bedroom semi-detached houses and 12 apartments.

Scalebor Square
A real focal point for the flagship Scalebor Park development in Burley in Wharfedale is Scalebor Square which resembles an Edwardian style courtyard with a central communal square surrounded by trees.

147 homes are to be built with a mix of two bedroom apartment properties, three and five bedroom three storey townhouses and five and six bedroom traditional homes, some boasting views across Burley Moors.

Scalebor Park was previously an exclusive private hospital built in 1902. Much of the development has been restored with a tree lined drive leading up to the original clock tower, which has been converted into 6 two bedroom apartments, and the original left wing of the hospital has also been converted into 20 luxury two bedroom apartments.

construction, just as we feel strongly that the examples of our sites and houses in evidence throughout this report show huge regard for progress in design as well.

2003 has been another successful year for award entries. We secured a record number of NHBC Pride in the Job Awards, a number of Greenleaf Standards, regional success with the Zurich Customer First Awards and a prestigious Silver Standard under Building for Life initiative for our Scalebor Park development at Burley in Wharfedale, Yorkshire.

Prospects

We look forward to 2004, and beyond, with confidence in our capability to deliver excellently designed product, at first rate quality, in increased volumes on an increased number of sites, while the market remains strong.

As described above, we have the sites and plots available and expect to be operating from 15% more sites than in 2003. We came into 2004 with reservations amounting to almost one quarter of our sales target for the year – our highest ever level and, with that backdrop, see no reason not to anticipate a further year of growth in completions.

Planning pressures, and in particular the increased densities required on sites by PPG3, will continue the downward trend in average size of unit sold and this will, as in 2003, lower the average selling price achieved. The other side of this coin is, of course, that we have the opportunity to develop a greater square footage of habitable space on each site and we intend to take full advantage of this. It is worth noting as an example that, whereas before PPG3 we developed around 13,000 square feet to the acre – a relatively high figure for the industry – our average on new sites is now around 18,000 square feet. We will be looking to improve that even further in the future. Accordingly, while the average size of house reduces, our completions numbers actually benefit from the trend to greater densities. Notwithstanding this change, we shall not be relinquishing our reputation as a quality builder.

We believe that margins during 2004 could be somewhere near their current level, even with the slightly lower levels of price inflation which 2004 should bring. Whether that trend can be continued into 2005, where we may see cost increases outweighing the rate of selling price increases for the first time in some years remains to be seen.

If we are able to deliver the volume growth targeted for the coming year, albeit at lower square footages per unit, and achieve margins as outlined above, then with the additional boost which Ward Homes will bring to our 2004 performance, we believe we are justified in anticipating another year of profit growth ahead for David Wilson Homes.

Wilson Bowden Developments
has grown profitability while acquiring sites to deliver future growth in the commercial and mixed use *residential sectors*

For Wilson Bowden Developments 2003 saw a continuation of the quieter conditions in the commercial market which have prevailed since late 2001, the impact of which have been more than offset by the continuing growth of the Wilson Bowden City Homes mixed use business.

The result has been a year in which the business overall has been able to grow profitability while acquiring sites to deliver future growth in both the commercial and mixed use residential sectors.

Overall divisional results for 2003
Operating profit on Wilson Bowden Developments' total activity grew by 7.6% during 2003 to £27.0m (2002: £25.1m) on turnover of £147.4m (2002: £166.3m). Operating margin overall rose by 3.2% to 18.3%. The significant changes in mix which lie behind these figures are discussed in the sector reports which follow.

Commercial development
Sector activity

During the year 884,000 square feet of development was completed (2002: 1,201,000) from 50 projects, as follows:

Square footage	2003		2002	
Retail/leisure	272,000	31%	186,000	15%
Office	223,000	25%	188,000	16%
Industrial	389,000	44%	827,000	69%
Total commercial	884,000	100%	1,201,000	100%

As the table shows we saw a 46% upturn in activity in the retail/leisure sector arising from the partial completion of the 289,000 square foot first phase of the Harlow town centre extension plus other smaller projects in Rugby, Northampton, Southampton, Nottingham and Wakefield.

Willow Farm, Castle Donington
Willow Farm continues to strengthen its position as one of the most popular industrial/warehouse locations in the East Midlands, with recent lettings to TNT Logistics UK Limited and the pictured unit 10a to Cattles plc.

An improved mix of projects

INCREASED THE RETURN ON AVERAGE CAPITAL EMPLOYED

for our commercial activities

We also saw a 19% increase in square footage in the office sector with major completions at Nottingham Business Park – 21,100 square feet for Medical Solutions; Ruddington Fields near Nottingham – 16,300 square feet for Cheeky Monkey; Cleckheaton – 15,700 square feet for WHSmith; East Lake, Milton Keynes – 20,700 square feet for Omron; and Cheadle Hulme, Cheshire – 32,700 square feet for Bovis Homes, as well as 16 other completions around the country.

Conversely, we saw a significant – albeit anticipated – reduction in industrial completions, although that remains our largest sector. The larger completions included 104,100 square feet for Autoglass at Interlink Park near Leicester; 60,700 square feet for Centresoft at Nexus Point in Birmingham; 52,300 square feet for TNT at Willow Farm, Castle Donington; and 33,200 square feet for Sportswift Properties in Wakefield. There were some 17 other completions, or partial completions.

Results for the year

The commercial activities outlined above delivered £120.1m of turnover (2002: £156.9m) with the downturn in industrial activity the main reason for the reduction. The resultant operating profit was £22.7m (2002: £23.7m) with operating margin well up on last year at 18.9% (2002: 15.1%) as a result of improved profitability in the office and industrial sectors. The improvement in the mix of projects also produces an improvement in the return on average capital employed on our commercial activities which climbed to 20.7% in 2003 (2002: 20.0%).

While the total commercial profit has declined slightly in 2003, the results show improved margins and a continuing increase in return on capital. Taken in the round, and against the backdrop of market conditions in the sector, this is a strong result for the commercial division.

Wilson Bowden City Homes

Activity

City Homes, which specialises in more complex residential structures, predominantly involving mixed use schemes, had three sites on sale during 2003 at Nottingham Lace Market, Southampton Ocean Village, and Manchester Castlegate, although much of the product only became available during the second half year on the latter two sites.

Our Leamington Spa site passed over its final planning hurdles and is now in early stages of build, with reservations being taken for completion in late 2004 or early 2005. At Sheffield a new 100 unit block is under construction for completion in early 2005, and we have already taken reservations on over 80% of the units. At Norwich we are still addressing planning issues and the site should be ready for build in the first half of this year.

We have a further site available for possible future residential development at Atlantic Quay Glasgow, and have recently acquired a major mixed use retail and residential redevelopment site in Bishop's Stortford, which will include 150 City Homes units. At our Meridian site near Leicester we anticipate achieving planning for apartment development during 2004. We have recently been appointed the preferred developer for the regeneration project in central Bolton, which includes 250,000 square feet of retail and business development and 150 City Homes apartments. We are also pursuing several further opportunities for future developments across the UK.

Results for the year

City Homes completed the sales of 135 units during the year (2002: 73) which, given the impact of timing of build availability, represents a strong second half performance with 90 completions.

Turnover was £27.3m (2002: £9.4m) and included £24.0m of pure residential plus £3.3m for 12,000 square feet of associated retail development. Average selling prices were £177,800 (2002: £128,800). The increase is due to the completions of larger and more expensive units at Southampton, and should rise further in 2004 when Block F at Southampton is completed and the remainder of the Castlegate development in Manchester comes on stream.

Operating profit for the year was £4.3m (2002: £1.4m) and operating margin moved ahead to 15.8% (2002: 14.9%). The residential and commercial margins were almost identical.

The year's results represent a considerable advance in the performance of City Homes and auger well for the future profitability and growth of the business.

Prospects

Commercial

There has been an increase in optimism and confidence in the industrial sector and this is showing in improvements in yield for industrial buildings. With this improvement, the portfolio of sites we have assembled and the projects under way, we will be looking to reverse the downward trend in commercial profitability while seeking to maintain the excellent returns on capital being achieved. While success in this aim is very much at the mercy of the markets we believe that the programme of development we have under way gives us every chance of achieving it.

We will also be changing slightly the balance of the business in 2004 with a greater concentration on sourcing smaller, more speedily delivered sites in order to become less dependent on the timing fluctuations which large projects bring.

Castlegate Apartments, Manchester
Contemporary living close to a renewed and rejuvenated Manchester city centre. Castlegate offers a canal side oasis just minutes from all the action. This prestigious development, which will be completed in March 2004, provides 84 exclusive contemporary apartments individually styled to the highest of specifications.

That is not to say we can do without such flagship projects, and 2004 could potentially see the first major income from the former power station site at Castle Donington, which is capable of up to 2,000,000 square feet of distribution and industrial development, as well as the start of a B&Q development in Castleford. We will also see significant input to the results from Design and Build contracts under way at Junction 28 on the M1, near Mansfield, for 170,000 square feet of distribution and warehousing space for UDG, and at Riverside in Sheffield for 100,000 square feet of offices for solicitors, Irwin Mitchell. We will also hopefully see lettings and investment sales at Cumberland Place in Nottingham and Atlantic Quay in Glasgow.

Finally, we have a strong investment plan in place to deliver future sites and while we have already successfully acquired the mixed use site at Bishop's Stortford which will bring income in 2005, we have the resource available and allocated for the acquisition of further project opportunities during the coming year.

City Homes
With the potential for an increase in active site numbers to 6 during 2004 – although Norwich is unlikely to deliver completions until 2005 – we are confident of achieving yet another step forward in City Homes' sales volumes during 2004 as long as the apartment market remains stable. This market includes the investment and buy-to-let markets and at present we see no sign of weakening of demand, although there are undoubtedly limits on pricing and unit size imposed by the economics of this sector, together with construction cost increases imposed by government led design changes waiting round the corner. Accordingly we plan to be able to deliver a substantial increase in turnover and a similar rise in operating profits if trading conditions remain favourable.

Looking further into the future while we would anticipate further growth in City Homes' volumes and profitability, the rate at which this is achieved will be dependent on the timing of delivery of the sizeable mixed use schemes which are the source of our sites and a significant proportion of our volumes. This is not a market where one can guarantee a smooth rate of growth and we will not be chasing annual volume targets per se, but rather looking for the sites which can deliver the optimum profitability with minimum capital tie-up while also delivering growth over time. If this causes year to year fluctuations in growth rate then that is a price we are prepared to pay to achieve quality of earnings and good returns on capital.

Ian Robertson
Group Chief Executive
25th February 2004

Financial review

The Group again achieved excellent results in 2003 and against all the key measures of financial performance and balance sheet strength the Group continues to perform outstandingly. The table below shows the growth achieved in completions, turnover and operating profit by the Group in 2003.

Unit completions	Residential 2003	Residential Inc/(dec)	Commercial 2003	Commercial Inc/(dec)	Group total 2003	Group total Inc/(dec)
David Wilson Homes	4,902	19.8%	–	–	4,902	19.8%
Wilson Bowden Developments	135	84.9%	–	–	135	84.9%
Total Group	5,037	21.0%	–	–	5,037	21.0%
Turnover						
David Wilson Homes	£1,018.4m	24.6%	–	–	£1,018.4m	24.6%
Wilson Bowden Developments	£24.0m	155.3%	£123.4m	(21.4%)	£147.4m	(11.4%)
Total Group	£1,042.4m	26.0%	£123.4m	(21.4%)	£1,165.8m	18.5%
Operating profit*						
David Wilson Homes	£217.8m	31.8%	–	–	£217.8m	31.8%
Wilson Bowden Developments	£3.8m	171.4%	£23.2m	(2.1%)	£27.0m	7.6%
Total Group	£221.6m	33.0%	£23.2m	(2.1%)	£244.8m	28.6%

* Operating profit is stated before reorganisation costs and goodwill amortisation of £5.6m

Turnover and operating profit
In the segmental analysis of Group turnover and operating profit shown above, and in note 1 on page 58, the residential activity includes the results of David Wilson Homes along with the residential element of Wilson Bowden City Homes. The commercial property segment includes the property development activities of both Wilson Bowden Developments and Wilson Bowden City Homes.

In 2003, our residential businesses increased their completions by 21.0% to 5,037 units compared with 4,164 in 2002. Residential turnover was up by 26.0% at £1,042.4m (2002: £827.0m), with the Henry Boot Homes and Ward Homes acquisitions contributing 11.1% of this increase. City Homes more than doubled its residential turnover to £24.0m (2002: £9.4m).

Turnover from commercial property development declined as anticipated to £123.4m (2002: £156.9m), due to the change in mix arising from a reduction in completions of industrial units.

Group operating profit, before reorganisation costs and goodwill amortisation of £5.6m, increased by 28.6% to £244.8m, with our residential businesses increasing profits by 33.0% to £221.6m (2002: £166.6m). The Henry Boot Homes acquisition on 17th April 2003 and Ward Homes acquisition on 14th November 2003, contributed £21.5m of this increase, whilst City Homes increased its residential operating profits from £1.4m to £3.8m.

Operating profits from commercial property development were similar to 2002 at £23.2m (2002: £23.7m).

The redundancy, office closure and related costs arising from integrating the Henry Boot Homes and Ward Homes acquisitions into our housing businesses amounted to £3.5m in 2003 and no further costs are expected. The goodwill arising on these acquisitions amounting in total to £20.5m is being amortised over four years in line with the period which the acquired land bank is expected to be utilised. The goodwill amortisation in 2003 amounted to £2.1m and further details of the calculation are set out in note 12 on pages 61 to 63.

Note 12 also sets out details of the acquisition of Frenchay Developments whose principal asset is land held for development. Frenchay Developments has a contingent corporation tax exposure, which will crystallise as the plots are developed and sold. This exposure was reflected in a reduction in the acquisition price and, in accordance with UK accounting standards, this discount gives rise to negative goodwill of £6.9m, which will be amortised pro-rata to the completions from the site.

Group profit before tax
Group profit before tax increased by 24.9% to £223.3m (2002: £178.8m) after goodwill amortisation and reorganisation costs. In the last eight years the Group has increased profit before tax at a compound rate of 28.7% per annum. This increase in pre-tax profits is reflected in our earnings per share which increased by 23.0% to 165.5 pence per share (2002: 134.6p).

Taxation
The effective tax rate for the year is 30.5%. No corporation tax relief is available for the

amortisation of goodwill arising on the acquisitions during the year and this is the most significant factor contributing to the effective tax rate exceeding the basic corporation tax rate of 30%.

In the last eight years the Group has

INCREASED PROFIT BEFORE TAX

at a compound rate of 28.7% per annum

Dividend

The proposed final dividend of 25.5 pence per share, taken together with the interim dividend of 7.5 pence, results in total dividends for 2003 of 33.0 pence per share (2002: 26.8p). This is an increase of 23.1% over the previous year. Our dividends have increased at a compound growth rate over eight years of 16.0% per annum. The total dividend for the year is covered five times.

Capital employed

The capital employed in the Group has increased during the year by £229.2m to £996.5m (2002: £767.3m). Our residential businesses accounted for £884.6m of the capital employed, an increase of £214.5m. The capital employed in our commercial activities increased by £14.7m to £111.9m.

The net increase in capital employed reflects the following movements:

- Land holdings, which increased by £144.6m to £1,010.8m following a net investment of £408.0m in new sites, including the corporate acquisitions.
- Land creditors, which fell by £94.5m to £144.5m, due mainly to the settlement of the £84.0m creditor for the Chapelford site at Warrington, on which contracts were exchanged in 2002 but not legally completed until 2003. We continue to actively pursue opportunities to manage funding requirements by buying land on deferred terms.
- Stocks and work in progress increased by £97.1m to £376.2m as a consequence of the increase in the number of sites under development and the stock of part-exchange houses increasing to a more typical £46.5m, compared with the low level of £27.0m in 2002.
- Operating creditors increased by £107.2m to £270.6m mainly reflecting the increased scale of the Group's operations.
- An increase of £13.0m in debtors, due mainly to the timing of partial completions on our commercial property developments, an increase of £10.6m in our corporation tax liabilities, and other small changes which taken together, result in a net increase of £0.2m in capital employed.

Group return on capital employed further improved to 27.1% compared with 26.2% in 2002, with the residential businesses achieving ROCE (before reorganisation costs and goodwill amortisation) of 28.7% (2002: 27.4%) and commercial property 20.7% (2002: 20.0%).

Overall the Group balance sheet remains extremely strong with shareholders' funds of £775.6m, equivalent to 825.3 pence per share – an increase of 19.0% on 2002.

Cash flow and financing

Borrowings increased by £103.5m after the payment of the £84m Warrington land creditor outstanding at the end of 2002 referred to above. The overall position represents an excellent performance given our investment in new sites and land for the future, including the acquisition of Henry Boot Homes, Frenchay Developments and Ward Homes. After taking into account £33.3m of deferred purchase consideration the net cash outflow from acquisitions was £109.2m.

As shown in the table below, these three acquisitions added £127.5m to net tangible assets, principally development land and work in progress.

Assets acquired at fair value	Total £m
Land	105.4
Stock and work in progress	43.0
Total land and work in progress	148.4
Fixed assets	2.2
Net debtors, investments and creditors	(17.4)
Corporation tax	(5.7)
Net tangible assets acquired	127.5
Goodwill	13.6
Discounting of deferred cash consideration	1.4
Total net consideration	**142.5**
Deferred purchase consideration	(33.3)
Net cash outflow	**109.2**

The Group cash inflow from operations before the net movement in land was £233.7m (2002: £228.6m) and after adding back land charged to cost of sales we had a total operating inflow of £497.1m (2002: £462.9m). The cost of acquiring land, excluding the Henry Boot Homes, Ward Homes and Frenchay Developments sites referred to above, amounted to £302.6m, and taken together with the reduction in land creditors referred to above resulted in a net cash inflow from operations of £100.0m (2002: £117.3m).

The outflows in respect of net interest – £14.1m (2002: £11.3m), tax – £63.2m (2002: £49.3m) and dividends – £26.2m (2002: £21.6m) totalled £103.5m (2002: £82.2m).

After the inflow of £7.7m from capital expenditure and financial investment (2002: outflow £16.3m) and the receipt of £1.5m (2002: £0.1m) from the issue of shares under the Company's share incentive schemes the Group overall had a net cash outflow for the year of £103.5m (2002: inflow £18.9m).

Year end debt was £220.9m (2002: £117.4m) resulting in gearing of 28.5% compared with 18.1% in 2002. Average borrowings during the year were £307.1m (2002: £158.0m).

We have continued our policy of maintaining committed facilities in excess of our peak borrowing requirements. At the end of the year we had £580m of facilities of which £537m were committed term facilities. We have taken steps since the year end to increase our committed bilateral facilities by a further £95m.

Overall the Group balance sheet remains extremely strong with

SHAREHOLDERS' FUNDS OF £775.6M

We have excellent relationships with our growing group of banks, all of whom have provided support to the Group in a variety of ways over the last twelve months. In addition we undertook a very successful US private placement for US$100.0m last autumn, which was more than twice oversubscribed. Our intention is to maintain an appropriate balance between conventional bank borrowing and accessing the UK and US longer term fixed rate debt markets, in order to meet the financing requirements of our expanding businesses.

Interest rates

We continue to monitor trends in interest rates and endeavour to secure an appropriate mix of fixed and floating rate debt relative to our anticipated financing requirements. Our US$100.0m loan note private placement in September 2003 was switched into fixed rate sterling debt of £62.0m at an average interest rate of 5.6%. Of this debt £43.4m has a ten year maturity and the remainder matures after twelve years. Taken with our existing UK private placements we currently have £142.0m of fixed rate debt, with a spread of maturities between 2009 and 2015 at an average interest rate of 6.5%.

Internal controls and compliance

Our statement on internal controls is set out in detail in the Corporate Governance report on pages 43 and 44. However, it is worthwhile stating that we continue to focus responsibility for risk management and the operation of effective internal controls, on the management within our operating units. This process is reinforced by our divisional finance and surveying specialists who play a key role in the ongoing review of these processes.

The Group has long been aware of the risks associated with the sectors in which it operates and has in place the management systems necessary to address these risks, particularly in relation to operational, commercial and market risks, along with environmental and health and safety issues. We have highly developed processes in all these areas, which are subject to regular review and change as necessary, to manage these risks within our businesses.

We have also strengthened the Group's internal audit function with the addition of an auditor with an estimating background, as well as personnel with auditing and financial skills. The central surveying team in David Wilson Homes continues to fulfil its role in setting standards and policy, whilst overseeing and reviewing the work of the regional surveyors.

The Company Secretary has overall responsibility for compliance and assurance and regularly reports directly to the Group Chairman on these matters.

International financial reporting standards

Our IFRS conversion project is underway and with the relevant accounting standards now largely finalised we expect to conclude our impact assessment shortly, at which point we will have a clearer view of the effect. Based on our preliminary work we do not anticipate any material effect on our earnings as a result of IFRS.

Information Technology

We remain committed to developing and simplifying our systems to enhance the contribution by information technology to managing all aspects of our business, including product design; build efficiency and quality; cost estimating and control; and administration. The focus is on delivering relevant and effective information, which adds value to our business processes.

Graham Brown
Group Finance Director
25th February 2004

Environmental review

The photograph shows Annina McDonnell examining a newt collection point at our Amber Park distribution site, just off Junction 28 of the M1 Motorway. Our environmental assessment of the site revealed a nearby colony of Great Crested Newts and so fencing was erected to ensure they did not stray onto the development during construction and any already there could be collected for relocation under a DEFRA licence. The completed development will include a newt breeding pond and existing landscaping will be enhanced to improve the overall newt habitat.

As a result of the Group's extensive activities it has developed considerable expertise in all aspects of the development process from sourcing land through to obtaining planning consent on both brownfield and greenfield sites, as well as building innovative and sustainable schemes. Throughout its operations, the Group recognises the importance of environmental responsibility to its stakeholders and continues to integrate environmental considerations into decision making at every level of the organisation.

Environmental management

The Group's Environmental Committee structure was reviewed during 2003 to ensure it could meet future demands. Whilst the structure was considered appropriate, the membership, both at Group and constituent operational sub-committee level, was strengthened.

The main policy decisions continue to be determined by the Group Committee which has also taken on board responsibility for the Group's Corporate Social Responsibility initiative. Below that there remain sub-committees representing David Wilson Homes, Wilson Bowden Developments and Wilson Bowden City Homes. These are tasked with co-ordinating initiatives at operational level and providing feedback. Sitting alongside these sub-committees is an Innovations Committee, which is responsible for reviewing and trialling new materials, products and building techniques.

Environmental performance

The Group is committed to the continued improvement of its environmental performance and the minimisation of the impact of its operations. Accordingly, objectives and targets were set during 2003. The former address the broad areas of environmental significance for the Group and although reviewed annually, will remain in place until 2007. This will allow the environmental strategy to become fully embedded within the organisation. In addition, specific targets have been set for the period to 2004 when they will be reassessed and where appropriate, upgraded for a further two years. To facilitate this process specific performance indicators have been set to allow consistent measurement and monitoring across the Group of the identified environmental risk factors.

Environmental protection

The Group continues to work with planners, politicians, investors and many other stakeholders, to ensure our developments are sustainable and respect the environment.

Our development sites are subjected to an environmental assessment prior to any construction taking place. This allows solutions to any environmental issues to be incorporated into the masterplanning process. Indeed, we take great care to ensure each scheme preserves as much of the existing environment, whether it relates to fauna and flora, existing buildings with heritage value, important open spaces, or other features of value to the local community.

The Group's risk management procedures have also been extended to encompass planning and environmental issues. As part of the process and to raise environmental awareness on sites, we are currently producing an information card that will be issued to all personnel and visitors to our developments.

Land and planning

We recognise that sourcing the most appropriate sites to provide new homes, work places, shopping and leisure facilities for the future is becoming an increasingly sensitive task. Indeed, as development continues to concentrate on urban sites there is an increased potential to impact on a greater number of people. Accordingly we strive to preserve and enhance, both the social and natural environment for those affected communities.

We are also acutely aware that land is a finite resource and that it is vitally important to reclaim and redevelop redundant sites and bring them back into effective use for society at large. Over the years the Group has become skilled in the techniques of cleaning and remediating pre-used land ranging from simple site clearance to major reclamation projects involving: redundant hospitals; former teaching colleges; disused airfields; steel works and power stations.

For the third year running we have undertaken a sustainability audit of available building land. The resulting information is then used in the pro-active management of the Group's landholdings.

The Group's risk management procedures have also been extended to encompass

PLANNING AND ENVIRONMENTAL

issues

Throughout its operations, the Group recognises the importance of

ENVIRONMENTAL RESPONSIBILITY

to its stakeholders and continues to integrate environmental considerations into decision making at every level of the organisation

Design and build

The Group has responded to the Government's requirement for the more efficient use of land by expanding its house type portfolio. This facilitates development at higher densities whilst still providing desirable living environments. It also maximises design efficiencies enabling production of bespoke layouts for specific sites by allowing blocks of units to be assembled together in appropriate combinations.

In order to facilitate quicker build programmes, reduce onsite material wastage and enhance our ability to work to closer tolerances, the Group is actively embracing "modern methods of construction". This ranges from the adoption of timber frame technology through to the use of prefabricated building components. Furthermore, we continually seek ways to improve the operating efficiency of each development by trialling new materials and products, as well as undertaking pro-active research into new technologies. To this end we work in co-operation with the industry, its trade organisations and academics.

Supply chain management

We continue to work in partnership with our suppliers to identify new initiatives. To date these have focused on: reducing packaging; reducing CO_2 emissions by reviewing delivery practices; and the recycling of waste products by manufacturers.

Furthermore, the environmental credentials of our suppliers are now embedded in our purchasing philosophy so that it ranks alongside quality, price and other criteria, when placing orders. In future, our National Commodity Agreements will require suppliers and sub-contractors to have in place an environmental policy. We also remain committed to procuring materials from manufacturers and suppliers who in turn, as far as possible, source their raw materials from renewable resources.

Waste minimisation

During 2003 the Group's waste management and recycling strategy was updated with a best practice manual issued to our operating companies. The focus remains one of encouraging waste segregation in order to facilitate recycling and reprocessing. We also encourage our suppliers to accept responsibility for removing surplus material from site.

The Company continues to recycle old PCs, lap tops, VDU screens, printers and mobile phones. Wherever possible double sided photocopying is employed throughout the organisation and systems are gradually being put in place to minimise the distribution of hard copy documentation. Furthermore, the Group has implemented an E-Commerce Gateway which allows for paperless trading with our main suppliers, contractors and consultants.

Training and communication

Environmental awareness and social responsibility are seen as an increasingly important element of our training programmes. Employees attend an induction where they are made aware of the Group's structure and how they fit into it. During the sessions staff are told about the Group's environmental policy and its commitment to managing the business in an environmentally responsible manner.

At the site level, construction directors and site managers attend a one-day course entitled "Working to Protect the Environment". Furthermore, the Group uses "Tool Box Talks" on environmental awareness, waste minimisation and health and safety issues.

For more general consumption our Environmental Bulletin page in the Group's "Wilson People" magazine has now been extended. In addition David Wilson Homes regional offices also produce their own newsletters which contain environmental and social related articles.

On the external front we continue to build up our network of contacts with other organisations, at national, regional and local level. These range from statutory bodies and trade organisations, through to academics, charities and our competitors.

Corporate social responsibility

The Group has now launched a corporate social responsibility ("CSR") programme focused on three key stakeholders. These are our customers, the people who build and sell our product and the communities within which the developments take place. During 2004 it will draw together a range of initiatives that are planned around these stakeholders. Many of these initiatives have emerged from the Group's usual attention to improving performance, but have been given extra focus from the contribution they also make to its social responsibilities. In this way, the CSR programme is starting to widen managers' appreciation of the value that working in certain ways can bring. What we learn and achieve from this will be used to improve performance with the three stakeholders and form a basis for subsequent expansion of the programme.

Board of Directors

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01 D W Wilson
Chairman
David Wilson has spent his entire career with Wilson Bowden and continues to devote virtually all of his time to the Group's affairs as its Chairman. David concentrates on strategic and policy matters, whilst continuing to provide advice and support to the executive team led by Ian Robertson. Age 62.
(N)

02 I Robertson CA FCMI
Group Chief Executive
Ian Robertson joined the Board as Finance Director in 1994, was appointed Deputy Group Chief Executive in February 2001 and on 1st March 2003, became Group Chief Executive. Ian has had extensive experience of senior financial management in major public companies. Ian has also been very much involved in local and community affairs, including 11 years as an elected member of Eastwood District Council in Renfrewshire from 1973 to 1984. He was Provost (Chairman) of the Council from 1980 to 1984. Ian is a member of the Institute of Chartered Accountants of Scotland and is its President-Elect for the year 2004/5. Age 56.

03 Dr A D Portno CBE
Senior Independent Non-Executive Director
Tony Portno was appointed to the Board in November 1998 and his considerable experience of management in large businesses ideally equips him to act as the Board's senior independent Non-Executive Director. Tony has chaired the Remuneration Committee since January 2000. He was an Executive Director of Bass PLC until he retired in 1998 and is currently a Non-Executive Director of Gallaher Group Plc. Age 65.
(A, N, R, Ind)

04 D E Brill
Independent Non-Executive
David Brill was appointed to the Board in February 1997 and has chaired the Nominations Committee since January 2000. David brings to the Board his considerable knowledge of the housebuilding industry having had a long and successful career in the sector, retiring as Managing Director of Prowting PLC in 1996. Age 67.
(A, N, R, Ind)

05 G M Brown FCA
Group Finance Director
Graham Brown is a Fellow of the Institute of Chartered Accountants in England and Wales and was appointed to the Board as Group Finance Director on 1st March 2003. Graham joined the Group as Company Secretary upon its flotation in 1987 and retained that position until taking up his current role. He also held the position of Group Financial Controller from 1987 to 1996. Graham previously held various financial management positions in two FTSE 100 companies. Age 58.

06 P J Byrom BSc FCA
Independent Non-Executive
Peter Byrom was appointed to the Board in November 1998 and has chaired the Audit Committee since January 2000. Peter has had a distinguished career in merchant banking, retiring as a Director of N M Rothschild in 1996. He is Chairman of both Domino Printing Sciences plc and Molins PLC, and is a Non-Executive Director of Rolls-Royce plc. Age 59. (A, N, R, Ind)

Board Committees:
A = Audit
N = Nominations
R = Remuneration
Ind = Non-Executive Directors considered by the Board to be independent

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07 A Greasley
Non-Executive
Tony Greasley has spent his entire working life in the industry and was Deputy Chairman of David Wilson Homes until retiring from full time executive responsibilities in 1994. Tony then continued to spend three days a week on the Group's affairs until becoming a Non-Executive Director in January 2002. His vast experience of the industry and Wilson Bowden in particular, along with his extensive contacts and authoritative advice, are invaluable to the Board. Age 70.

08 T G Neiland
Non-Executive
Gerard Neiland has been a Director since 1986 and practiced as a solicitor in the East Midlands prior to retiring in 1996. His immense wealth of experience in the acquisition of development land is particularly valuable to the Board. Age 67.

09 N H Richardson BSc MRICS
Managing Director Wilson Bowden Developments
Nick Richardson has overall responsibility for Wilson Bowden Developments. The business encompasses both the Group's commercial property development and construction business and the expanding Wilson Bowden City Homes division, which undertakes urban mixed use residential and commercial schemes. Nick joined Wilson Bowden Developments in 1991, was promoted to Managing Director in 1999 and joined the Group Board in June 2001. In January 2004, Nick was appointed a Director of Derby Cityscape Limited, a Government sponsored urban regeneration company. Age 40.

10 M J Stansfield MRICS
Chief Executive David Wilson Homes
Mike Stansfield has overall responsibility for the Group's main housebuilding operation, David Wilson Homes. He has been a Group Board Director since 1994 and has over 20 years service with the Group. A devolved management structure enables Mike to focus on the key issues affecting our business, including design and innovation, planning and land supply, brownfield development, new building methods and the future growth of the business, whilst overseeing day-to-day operations. Age 47.

11 N J Townsend
Group Legal Director
Nick Townsend is a solicitor and has been a Director since 1994. He has overall responsibility for the Group's legal, planning, environmental corporate social responsibility and engineering service functions. Nick also has responsibility for the Group's strategic land resources and is heavily involved in planning related matters. In addition, Nick is Deputy Chairman of Wilson Bowden Developments. Prior to joining the Group in 1993, Nick was a solicitor in private practice. Nick is Chairman of Leicester Shire Economic Partnership and a Director of Leicester Regeneration Company Limited. Age 57.

12 R G Douglas BSc (Econ) FCA
Company Secretary
Robert Douglas is a chartered accountant who joined the Group in September 2001 as Deputy Group Finance Director. Robert was appointed Company Secretary on 1st March 2003 and continues to act as a senior member of the Group finance team. As Company Secretary, Robert provides independent assurance to the Chairman and the Board on compliance, internal control and audit matters. Age 48.

Report of the Directors

The Directors present their Report together with the financial statements of the Group for the year ended 31st December 2003. The Chairman's statement on pages 1 to 5, together with the operating and financial review on pages 24 to 35, review the results for the year, give details of recent and future developments and should be regarded as forming part of this Report.

Activities of the Group
The principal activities of the Group are housebuilding and property development. All Group companies operate exclusively within the United Kingdom.

Dividends
The Directors recommend a final dividend of 25.5p per ordinary 10p share payable on 28th May 2004 to shareholders registered as members of the Company at the close of business on 30th April 2004. When taken with the interim dividend of 7.5p paid on 11th November 2003, this makes a total dividend of 33.0p (2002: 26.8p) per ordinary 10p share for the year ended 31st December 2003.

Annual General Meeting
The eighteenth Annual General Meeting of Wilson Bowden plc will be held on 28th April 2004 and the Notice of Meeting has been mailed to shareholders with this Annual Report.

Executive and employee share schemes
Details of ordinary shares held under option under the Wilson Bowden plc Senior Executive Share Option Scheme and the Wilson Bowden plc 2003 Savings Related Share Option Scheme, together with options granted, exercised or lapsing during the year are shown in note 21 to the financial statements on page 68.

Details of the Wilson Bowden plc Senior Executive Share Option Scheme, the Wilson Bowden plc Performance Share Plan, the Wilson Bowden plc Bonus Share Matching Plan and the Wilson Bowden plc 2003 Savings Related Share Option Scheme are set out in the Directors' remuneration report on pages 47 and 48.

Details of the Company's ordinary shares acquired by the Trustee of the Wilson Bowden Employee Trust ("the Trust") in respect of contingent future obligations under share incentive arrangements are set out in note 21 of the financial statements on page 68.

Fixed assets
The Directors are of the opinion that the value of land and buildings in the Group's fixed assets is in excess of book value but that the difference is not material in relation to the affairs of the Group.

Directors
The names and biographical details of the Directors of the Company are shown on pages 38 and 39. The Directors retiring in accordance with the Articles of Association at the forthcoming Annual General Meeting are Mr T G Neiland, Dr A D Portno and Mr I Robertson, all of whom, being eligible, offer themselves for re-election. Mr Robertson has a service contract with the Company terminable upon either the Company giving twelve months' notice or Mr Robertson giving six months' notice. The other Directors standing for re-election do not have service contracts with the Company.

Although Mr T G Neiland is offering himself for re-election at this year's Annual General Meeting, he has indicated his wish to retire from the Board towards the end of the current financial year. Mr A Greasley, who attained the age of 70 on 16th January 2004, has also indicated his intention to retire from the Board later in the year. The Company's current intention is to replace them with two independent Non-Executive Directors in order to increase the number of independent Non-Executive Directors on the Board in line with the new standards of best practice set out in the revised Combined Code on Corporate Governance.

Directors' and other substantial share interests
The interests, as defined in the Companies Act 1985, of the Directors in the ordinary share capital of the Company are set out in the table on page 41. The total number of ordinary shares in which the Directors taken together were beneficially interested as at 31st December 2003 was 31,754,232 excluding non-beneficial interests in respect of 1,216,937 ordinary shares held by Mr D W Wilson, or members of his family, and 202,000 ordinary shares held by Mr T G Neiland.

In addition to their conditional entitlement to matching ordinary shares held by the Trustee of the Trust set out on page 50, the Executive Directors are, for the purposes of the Companies Act 1985, regarded as being interested in all the 33,562 ordinary shares in the Company which the Trustee of the Trust held as at 31st December 2003. It is not expected, however, that any Executive Director will be entitled to receive from the Trust a number of ordinary shares greater than those to which he is conditionally entitled under the Company's share incentive schemes.

Directors' share interests Ordinary shares of 10p each	1st January 2003* Beneficial	1st January 2003* Non-beneficial	31st December 2003 Beneficial	31st December 2003 Non-beneficial
D W Wilson	32,628,731	1,214,937	31,628,731	1,216,937
I Robertson	2,236	–	19,362	–
M J Stansfield	39,546	–	36,635	–
N H Richardson	1,377	–	1,641	–
N J Townsend	11,053	–	17,653	–
G M Brown	10,311	–	21,054	–
A Greasley	26,855	–	26,855	–
T G Neiland	301	200,000	301	202,000
A D Portno	2,000	–	2,000	–

* or, if later, date of appointment

Details of options over the ordinary share capital of the Company held by the Directors are set out on pages 50 and 51. The Directors have no other notifiable interests in the shares of the Company or its subsidiaries. There have been no changes in the Directors' share interests between 31st December 2003 and 25th February 2004.

In addition to the Directors' interests disclosed above, the Company has been notified, under Section 198 of the Companies Act 1985, that Legal & General Group Plc have an interest in 3,065,171 ordinary shares, representing 3.26% of the Company's issued share capital and of the substantial interests shown below, held by Trustees of Wilson Family Trusts.

Substantial share interests Ordinary shares of 10p each	No. of shares	% of issued share capital
Mr A J Gillions	7,685,343	8.18
Mr C V McLeod	7,621,443	8.11
Mr H A Sinclair	7,621,443	8.11
Grant Thornton Stonehage Limited	5,099,166	5.43

On 25th February 2004 the Company had not been notified of any material interests in its share capital other than as set out above.

Supplier payment policy

The Group's policy with regard to the payment of suppliers is to advise suppliers, when placing orders, of the Group's payment terms or, alternatively, to agree payment terms prior to order. It is policy to pay in accordance with the agreed arrangements within the industry, which include the evaluation by surveyors of the value of work completed and retentions for remedial works. The Company has no trade creditors and accordingly no disclosures are required with respect to trade creditors under the provisions of the Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997.

Employment, training and development

It is the Group's policy that employment opportunities, training, career development and promotion should be available to all, irrespective of age, gender, ethnic origin, religion or disability. Due consideration is given to applications for employment, having regard to the particular aptitudes and abilities of the applicants.

Any employee who develops a disability during employment is given the opportunity of retraining for alternative employment where practicable, given the nature of the Group's activities. There are specific arrangements to keep all employees informed on matters of concern to them and to encourage their involvement in the Group's performance.

The Board is committed to ensuring that all employees are skilled, motivated and performing at the best of their ability. All full-time staff have the opportunity to participate directly in the Group's success through the Wilson Bowden plc 2003 Savings Related Share Option Scheme, approved by shareholders at the 2003 Annual General Meeting. Details of options granted under this scheme are set out in note 21 to the financial statements on page 68.

The Group continues to deliver high levels of performance by investing in its employees, developing their skills, measuring and improving performance through regular reviews and focusing on improving team performance. The development of technical, personal and managerial skills is key to the Group's success. Combined expenditure on the Construction Industry Training Board levy and the Group's direct training budget currently exceeds £1 million per year. In-house training consultants provide technical support and guidance, with assistance from external trainers on specialist subjects as and when required.

Health and safety

During 2003, the Group completed a full review of its health and safety processes. The Board is committed to ensuring that the Group's activities are carried out in accordance with relevant statutory provisions and all reasonable and appropriate measures are taken to avoid risk to employees or others who may be affected. Whilst management is committed to providing a safe working environment with the appropriate working practices and training, this can only be achieved if employees equally give their commitment to a rigorous health and safety culture.

The Group continues to develop and refine preventative measures to minimise the likelihood of accidents and incidents on site. The valuable contribution from in-house experts and the sharing of best practice is fundamental to the Group's long-term health and safety strategy. This includes site visits, workplace inspections and providing advice on statutory requirements and general safety matters. A new system for monitoring safety performance was introduced towards the end of 2003. Standards have been set for all sites, which will be closely monitored and assessed during 2004.

During 2003 there were no fatalities and there was a 10% reduction in reportable accidents.

Environmental policy

The Board acknowledges the Group's responsibilities with regard to the environment and its approach to these matters is demonstrated in the Environmental Performance section on pages 22 and 23 and in the Environmental Review on pages 36 and 37.

Corporate governance

The Board's statement on corporate governance is set out on pages 43 and 44.

Going concern

The Group continues to place considerable emphasis on its budgeting and forecasting procedures and each month produces a forecast of trading and cash flow covering at least the forthcoming fifteen months. Accordingly we continue to have in place all the procedures and information appropriate to the going concern assessment required by the Combined Code on Corporate Governance. Having reviewed the Group's resources and a range of likely trading out-turns, the Directors believe that they have reasonable grounds for stating that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore to continue to adopt the going concern basis in preparing the financial statements.

Donations

Donations during the year for educational purposes, to charity and to local causes, amounted to £49,800 (2002: £41,000). There were no political donations during the year.

Auditors

On 1st August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board
R G Douglas BSc (Econ) FCA
Company Secretary
25th February 2004

Corporate governance

The Board believes it to be of paramount importance that it is able to assure shareholders and stakeholders alike that the Group adheres to the highest standards of corporate governance. The Higgs Report on the Role and Effectiveness of Non-Executive Directors and the Smith Report on the functioning of Audit Committees were issued in January 2003. The Combined Code on Corporate Governance ("the Code") issued by the Financial Services Authority and appended to the Listing Rules of the UK Listing Authority was amended to incorporate the recommendations in these reports and a revised Combined Code on Corporate Governance ("the Revised Code") was published in July 2003.

The Board believes that significant progress has already been made towards satisfying the requirements of the Revised Code. Although the Revised Code is not applicable to the Group in the year under review, the Group has commenced the process of further formalising and developing its procedures. The Board has implemented a review of its corporate governance policies, as a result of which a number of changes to Board procedures have been introduced.

The Board will continue this process, which, it is anticipated, will enable it to report that during 2004, it has achieved compliance with the principles contained within the Revised Code.

This statement sets out how the Company applies the relevant principles contained in the Code. The Board considers that throughout the year ended 31st December 2003 the Group has been in compliance with the provisions set out in section 1 of the Code.

Board structure and reporting
On 1st March 2003, there were a number of changes to the composition of the Board when the roles of Chairman and Chief Executive were separated and Mr I Robertson became Group Chief Executive. Mr G M Brown was appointed Group Finance Director, thereby increasing the number of Executive Directors to six. Throughout 2003 there were five Non-Executive Directors, three of whom the Board regard as independent. All Directors stand for re-election at least once every three years.

Mr M J Stansfield, the Chief Executive of the main Housebuilding division, and Mr N H Richardson, who is Managing Director of Wilson Bowden Developments (which includes Wilson Bowden City Homes), are both plc Board Directors and are accountable to the Board for all aspects of the operations of those businesses.

The substantial and strong independent Non-Executive presence, led by Dr A D Portno as senior independent Non-Executive Director, along with the management structure outlined above have ensured that the decision making process is not concentrated with any one individual. It is the intention to further strengthen the Board by the appointment of two additional independent Non-Executive Directors during the course of the year.

The Board met on 8 occasions during the year under review and the Executive Directors also held regular meetings. Formal arrangements have been instituted for the Non-Executive Directors to meet on their own.

The Board has identified in writing various matters that are reserved to it for consideration, which include the approval of the annual and interim results, decisions regarding the Group's strategic direction, corporate acquisitions and disposals, entry into joint venture arrangements, approval of the annual budget, major items of capital expenditure, financing strategy, overall systems of internal control and risk management. Other specific responsibilities are delegated to committees of the Board, which operate within clearly defined terms of reference and report directly to the Board. Additional information on the Remuneration, Audit and Nominations Committees is given below.

All Directors have access, as appropriate, to independent professional advice and training at the Company's expense. They also have access to the advice and the services of the Company Secretary, who is responsible for ensuring that Board procedures are followed.

The Non-Executive Directors do not participate in the Company's bonus or share schemes and no pension contributions are made in respect of them.

Shareholders
A detailed review of the performance and financial position of the Group is included in the Chairman's statement on pages 1 to 5, together with the operating and financial review on pages 24 to 35. The Board uses this to present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibilities in relation to the financial statements are described on page 52. The Company encourages two-way communication with its institutional and private investors based on the mutual understanding of objectives. During 2003, the Company held 35 individual meetings with major shareholders. All shareholders have at least twenty working days notice of the Annual General Meeting, at which all Directors, including the Chairmen of the Board's Committees, are available to answer questions.

Board Committees
Details of the composition of the Board Committees, which are in existence to deal with remuneration, audit and Board and senior executive appointments, are given below. The Board has reviewed and adopted revised terms of reference for all three committees.

Remuneration Committee
The Remuneration Committee is chaired by Dr A D Portno and comprises the three independent Non-Executive Directors. The Committee meets as necessary and on at least two occasions per annum. Access to Mr D W Wilson, other directors and

external advisors is available as required. Further details of the Remuneration Committee's activities are set out on page 45.

Audit Committee
The Audit Committee is chaired by Mr P J Byrom and comprises the three independent Non-Executive Directors. The Audit Committee's terms of reference are modelled closely on the provisions of the Revised Code. The Audit Committee assists the Board in seeking to ensure the integrity of information supplied to shareholders in relation to the Group's financial performance. The Committee is responsible for reviewing the Group's system of internal financial controls and risk management and for reviewing the effectiveness of the Group's internal audit function. The Committee also holds responsibility for maintaining an appropriate relationship with the Group's external auditors and for ensuring the effectiveness of the audit process.

The Audit Committee meets prior to results announcements and otherwise as required, with management and Executive Directors in attendance if required. The external auditors attend the Committee's meetings, and may request that a meeting be convened. The Committee also has regular access to the Group's Head of Internal Audit. It also considers the Group's compliance with the Code. During 2004, the number of Committee meetings will be increased to enable it to discharge the increased level of responsibilities brought about by the provisions of the Revised Code.

Nominations Committee
The Nominations Committee is chaired by Mr D E Brill and comprises the three independent Non-Executive Directors, together with Mr D W Wilson. The Committee is responsible for leading the process of nominating individuals for senior appointments in the Group and for making recommendations to the Board to ensure that an appropriate balance of skills and experience are maintained within the Group and on the Board. The Committee meets as and when required.

Internal control
The Directors confirm that an ongoing process for identifying, evaluating and managing the significant risks faced by the Company has been in place throughout 2003, and up to the date of approval of the 2003 annual report and accounts. This process, which addresses financial, operational and compliance controls and risk management, is regularly reviewed by the Board and is in accordance with the Turnbull guidance.

In conducting these reviews, the Board has taken into consideration the following key internal control processes used across the Group:

- Each business unit prepares risk assessments that encompass operational, compliance, financial and business risks. These assessments are updated on an ongoing basis by business unit senior management, who seek input from operational staff as appropriate, to fully reflect those risks currently being faced. A risk assessment is similarly prepared for the Group that addresses central functions and strategic risks. The Audit Committee at its meetings periodically reviews these risk assessments.
- A detailed system of budgeting, reporting and forecasting for the Group's operations is in place, with particular focus on cash flow and profitability. This is updated monthly and provides appropriate, timely information on the performance of the business as well as projections and sensitivity analysis for the outlook period. This information is monitored in the local operations and also centrally. The Group's key financial control functions are centralised, which allows for high-level input and provides control over our diverse operations.
- The Internal Audit department has an established audit plan that is approved, regularly reviewed and updated by the Audit Committee. The work of the department includes the detailed review of systems and controls, the prior review of significant changes to systems and controls, the review of risk assessments, 'value-for-money' investigations and other ad hoc projects as deemed appropriate. The conclusions arising from this work are reported to the Board, the Audit Committee and to the Group's external auditors.
- As part of the bi-annual review of internal controls, senior management within individual business units complete 'self-certifications' in which confirmation is given that, as far as possible, controls and safeguards are being operated in line with established procedures and standards.

These processes are supplemented by the required inclusion of current internal control issues in reports to management at both plc and subsidiary level. This ongoing focus seeks to embed internal control and risk management into the operations of the business, as well as to provide timely opportunity for the Board to deal with areas of improvement that come to its attention.

The Board of Directors acknowledges its overall responsibility for the Group's internal controls framework and for the effectiveness of its operation. However, the Board strongly believes that, as a result of the Group's commercial and geographical diversity, senior management within individual business units should also contribute in a substantial way to the ongoing process of identifying, evaluating, managing and transferring risk. Responsibility for ensuring that current controls are reviewed and that appropriate controls are established is also devolved to operational management.

The Group's risk management process is designed to ensure adequate stewardship of assets, the provision of relevant, accurate and timely information and for the running of the business and the maintenance of proper accounting records. Internal control procedures are designed to manage, rather than eliminate, the risk of failing to achieve these objectives and can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Our control and monitoring procedures are subject to regular review and the Board has reviewed the effectiveness of our internal controls to ensure that they are keeping pace with operational and organisational change and the business environment in which the Group operates.

Directors' remuneration report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of the Combined Code on Corporate Governance (the "Code") relating to Executive Directors' remuneration. As required by the Regulations, a resolution to consider and approve the report will be proposed at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Committee – Composition and advisors

Three independent Non-Executive Directors, Mr D E Brill, Mr P J Byrom and Dr A D Portno, comprise the Board's Remuneration Committee. Dr A D Portno is the senior Non-Executive Director and Chairman of the Remuneration Committee. There have been no changes in the composition or chairmanship of the Remuneration Committee during the year.

The Remuneration Committee operates within agreed terms of reference, setting out its role and the authority delegated by the Board. The Remuneration Committee is responsible for determining the overall remuneration policy in relation to pay, incentives and benefits of the Executive Directors and the Chairman of the Company and for ensuring the appropriate implementation of that policy. In addition, the Committee makes recommendations on and monitors the remuneration of the Directors of the principal subsidiary companies and monitors the remuneration policy of the first level of management below these Boards.

The Remuneration Committee meets regularly and also periodically instructs external consultants to review the Executive Directors' remuneration and the structure of the Company's share incentive schemes. This review includes a comparison of the Directors' remuneration with the remuneration of Directors in other companies of a similar size within the sector. These reviews are undertaken every three years and the next review will take place in 2004. The last review, undertaken in September 2001 by Monks Partnership, concluded that the remuneration of the Directors was at an appropriately competitive level and consistent with the Company's overall remuneration policy. Since the last review, the Remuneration Committee is satisfied that the overall remuneration policy remains appropriate.

The following persons provided advice or services that materially assisted the Remuneration Committee in its consideration of Directors' remuneration matters during the year:

- Internal support was provided to the Remuneration Committee by the Group Finance Director, Mr G M Brown, who acts as the Committee's Secretary;
- The Group Human Resources Director, Mr G A Headley, has provided information to the Remuneration Committee on relative pay both within the Wilson Bowden Group and in other organisations, particularly with regard to those sectors in which the Group operates;
- Freshfields Bruckhaus Deringer, the Company's main legal advisers, have been appointed by the Remuneration Committee to advise on compliance with the Regulations and the Code; and
- Towers Perrin have been retained by the Remuneration Committee to provide advice on specific matters in relation to Executive Directors' remuneration.

Compliance

The Company has complied with the Code's provisions relating to Directors' remuneration throughout the year.

Remuneration policy

General

The Company's remuneration policy is designed to provide competitive packages to attract, retain and motivate highly talented and able executives consistent with the nature, scale and complexity of the Group's operations. It is necessary to provide reward schemes that are fully competitive and offer sufficient incentive to secure and retain the services of knowledgeable individuals who have demonstrated a high level of ability and commitment, along with a high level of future potential. To ensure the successful growth and development of the Group and maximise shareholder value, the highest levels of reward are targeted against the delivery of outstanding personal and corporate performance both in the short and long-term. No Director is involved in deciding his own remuneration.

Directors' remuneration report continued

This report sets out the Company's remuneration policy for 2004 and, so far as practicable, for subsequent years. The inclusion in the report of remuneration policy in respect of years after 2004 is required by the Regulations. The Remuneration Committee is able to state its remuneration policy for 2004 with reasonable certainty, and this policy will continue unless changed by the Remuneration Committee in subsequent years. The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. Any changes to policy for years after 2004 will be described in future Directors' remuneration reports, which will continue to be subject to shareholder approval.

The remuneration of the Executive Directors comprises four main elements:

- Basic annual salary and benefits in kind;
- Annual performance related bonus, which cannot exceed a specified percentage of salary;
- Share incentive plans; and
- Pension arrangements.

It is Company policy that a significant proportion of the remuneration of the Executive Directors should be performance related.

Basic salary and benefits

Salaries are normally reviewed annually, on 1st October, or when responsibilities change. In deciding the appropriate levels, the Remuneration Committee takes into account the external advice it has received and the level of reward provided to comparable executives elsewhere in the sector, as well as the overall pay structure within the Wilson Bowden Group. In relation to benefits, each Executive Director is provided with an appropriate fully expensed motor car and health care benefits.

In addition to their responsibilities to the Group, Mr N H Richardson is a Director of Derby Cityscape Limited, a Government sponsored urban regeneration company, and Mr N J Townsend is Chairman of Leicester Shire Economic Partnership and a Director of Leicester Regeneration Company Limited. No fees or other remuneration is received in respect of these external directorships.

Annual performance related bonus

Director	Bonus for achieving 80% of prior year PBT % of salary	Additional bonus for achieving budget PBT % of salary	Maximum bonus for achieving personal business objectives % of salary	Maximum total bonus % of salary
D W Wilson	10%	25%	–	50%
I Robertson	10%	15%	10%	50%
M J Stansfield	10%	25%	10%	60%
N H Richardson	10%	15%	10%	50%
N J Townsend	10%	15%	10%	50%
G M Brown	10%	15%	10%	50%

Each Executive Director's remuneration package includes a performance related bonus expressed as a percentage of his salary. The percentage of salary payable as bonus in 2004, is dependent upon the achievement of the performance criteria set out in the table above.

For first 5% of profit before tax in excess of budget, additional bonus amounting to 1% of salary for every 1% by which profit before tax exceeds budget is payable. For the next 5% by which profit before tax exceeds budget further bonus equivalent to 2% of salary for every 1% of additional profit is earned. Maximum bonus is only earned on the delivery of all personal objectives and if profit before tax exceeds budget by 10%.

Demanding budgets and targets are established by the Board and reviewed at the end of each year to determine the degree of successful achievement. The Board has selected these performance measures because they are directly related to the delivery of the Company's strategy and business plan and to achievement of personal and corporate objectives.

Personal business objectives are agreed between the Group Chairman and Chief Executive and each of the Executive Directors at the beginning of each year. The level of achievement and delivery is measured at the end of the year and confirmed by the Remuneration Committee.

Share incentive schemes

Mr N H Richardson, Mr I Robertson, Mr M J Stansfield, Mr N J Townsend and Mr G M Brown all participate in the share incentive schemes listed below. The performance conditions attached to these incentive plans, the reasons for selecting them and the methods of measuring whether they have been met and why those methods have been chosen are set out below:

The Wilson Bowden plc Senior Executive Share Option Scheme ("WBSESOS")

Shareholders originally approved the WBSESOS at the 2000 Annual General Meeting. It was amended at the 2002 Annual General Meeting. Options are granted under the WBSESOS to each of the Company's Executive Directors, except Mr D W Wilson, and senior management who contribute directly to the successful strategic direction and operational management of the Group.

The performance condition relative to the exercise of options granted prior to 17th April 2002, is that the growth in earnings per share shown in the audited consolidated accounts of the Group for any consecutive period of three years, starting with the financial year commencing immediately before the date of grant must exceed the increase in the Retail Price Index (all items) over the same period by 3% per annum.

The performance condition relative to the exercise of options granted after 17th April 2002, is that the growth in earnings per share in the audited consolidated accounts of the Group for any consecutive periods of three, four or five years, starting with the financial year commencing immediately before the date of grant:

i. must exceed the increase in the Retail Price Index (all items) over the same period by 3% per annum in respect of awards in any one year, the value of which does not exceed the basic annual salary of the executive; and
ii. must exceed the increase in the Retail Price Index (all items) over the same period by 5% per annum in respect of awards in any one year, the value of which exceeds one times basic annual salary of the executive.

The value of options granted under the WBSESOS is limited to a maximum of four times annual salary.

The reasons for selecting earnings per share as a measure of performance are that it directly reflects operational performance and is also a significant factor in determining the market's view of the Company's value. The real growth targets of 3% and 5% respectively referred to above are considered to be appropriate levels of achievement based on current market practice and advice from the external consultants who assisted in the design of the WBSESOS. The Remuneration Committee determines whether performance criteria have been satisfied based on calculations performed internally and may request the Company's auditors to report on whether the calculations, and any adjustments required under scheme rules, have been performed correctly.

The Wilson Bowden plc Performance Share Plan ("PSP")

Shareholders approved the PSP at the 2002 Annual General Meeting. Awards under the PSP are made to each of the Company's Executive Directors, except Mr D W Wilson, and a small number of other senior executives who contribute directly to the successful performance of the Group. The value of shares subject to awards under the plan may not exceed 100% of annual salary.

The Remuneration Committee determines appropriate performance criteria each year. The performance criteria applicable in relation to the awards made on 29th August 2002, are set out in the adjacent table and are dependent on the extent to which the growth in the Company's earnings per share in the audited consolidated accounts of the Group for the periods of three years starting with the financial year ended before the date of the award, exceeds the growth in the Retail Price Index (all items) over the same period.

Growth in EPS in excess of RPI	Proportion of award receivable
30%	100%
10%	25%
Less than 10%	Nil

Note: In respect of increases between 10% and 30% the award will be received proportionally.

Upon becoming entitled to receive shares following the third anniversary of the start date: 60% of shares vest to the executive immediately; 11.5% on the fourth anniversary; 12.5% on the fifth anniversary; and 16% on the sixth anniversary.

The reasons for selecting earnings per share as the measure of performance are set out above under the WBSESOS and apply similarly to the PSP.

The Wilson Bowden plc Bonus Share Matching Plan ("BSMS")

Shareholders originally approved the BSMS at the 1999 Annual General Meeting. Under the BSMS, participating directors are required to surrender a proportion of their annual performance related bonus, which is invested in ordinary shares in the Company in quarterly tranches over a three year period. At the end of the three year period the shares are released to the participants, together with a number of matching shares provided corporate performance targets have been met.

On the third anniversary of the award, participants are entitled to receive matching shares equal to the number of shares acquired with their surrendered bonus, if at the end of that period the Company's Total Shareholder Return compared with that for the Comparator Group of companies is at or above the median. The Comparator Group of companies comprises:

Barratt Developments PLC	Bellway Plc
Berkeley Group plc	Bovis Homes Group PLC
Countryside Properties PLC	Crest Nicholson PLC
Persimmon PLC	Redrow plc
Westbury plc	George Wimpey Plc

If awards under the BSMS are retained until the fifth anniversary, participants who have retained some or all of their shares, become entitled to a retention award equivalent to 5% of the number of shares retained at the fifth anniversary.

This performance test was chosen as Total Shareholder Return aligns management performance with shareholders' interests. The Remuneration Committee determines whether performance criteria have been satisfied based on reports from HSBC Corporate Finance, the Company's corporate broker, and may request the Company's auditors to report on whether the calculations, and any adjustments required under scheme rules, have been correctly performed.

The Remuneration Committee determined in 2001 that no new awards would be made under the BSMS.

Wilson Bowden Executive Share Option Scheme ("WBESOS")

Options were granted under the WBESOS between March 1987 and March 1994. No options were outstanding under the WBESOS at 31st December 2003 and the scheme is now closed. There was no requirement for performance criteria when the WBESOS was established and this scheme has been replaced by the WBSESOS.

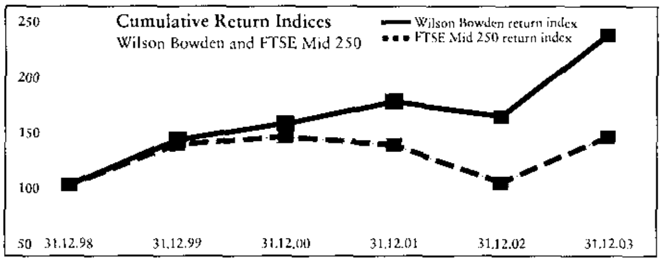
Wilson Bowden plc 2003 Savings Related Share Option Scheme ("WBSRSOS")

The WBSRSOS was approved by shareholders at the Annual General Meeting on 30th April 2003. Under the WBSRSOS, participants are required to make monthly contributions to an approved savings authority under a contractual savings scheme for a period of three or five years. On entering into the savings contract participants are granted an option to acquire 10p ordinary shares in the Company at a discount, of no more than 20%, to the middle market price of the Company's shares, immediately prior to the date of grant. The exercise of options under the WBSRSOS is not subject to the satisfaction of a performance condition as the WBSRSOS is Inland Revenue approved and open to all eligible employees.

On 11th June 2003, the Company granted options to employees under the WBSRSOS over 300,570 ordinary shares at a price of 811 pence per share, equivalent to a discount of 10% to middle market price.

Performance graph

The adjacent line graph, which complies with the Regulations, shows the total shareholder return over the last five years for a holding of shares in the Company and the corresponding performance shown by the FTSE Mid 250 index. The Total Shareholder Return (TSR) of the FTSE Mid 250 index was chosen as it represents a national and broad equity market index and because the Company has been a constituent of this index throughout the period.



Pensions

All the Executive Directors, except Mr D W Wilson, are members of the Wilson Bowden plc Directors' Pension Scheme, a defined contribution scheme. Annual performance related bonuses as described on page 46 form an integral part of the Company's remuneration policy and each year one half of bonuses paid to Executive Directors are subject to contributions by the Company to the money purchase pension arrangements maintained for the Directors.

The Company has established a Funded Unapproved Retirement Benefits Scheme (the "FURBS") to provide, at the Company's discretion, additional Directors' pension benefits equivalent to the effect of the restriction on their pension contributions caused by the limitation of the Inland Revenue earnings cap.

These methods of reward are in accordance with competitive market practice within the housebuilding and property development sectors and demonstrate the purpose of the remuneration policy to retain the services of high quality directors and motivate them to greater success in a highly competitive market.

Executive Directors' service contracts

The Company's policy on the Executive Directors' service agreements is that Executive Director's service, and the Company's period of notice thereunder, will not exceed a period of one year. Each Executive Director's service contract can therefore be terminated on 12 months' notice given to the Executive Director at any time. No provision is made for contractual termination payments and any compensation payable will be determined by the circumstances of any breach, having regard to principles of mitigation. The Executive Directors have entered into service agreements with the Company as detailed below:

Name	Date	Unexpired term	Notice period by Company	Notice period by Director
D W Wilson	3 Nov 1993	12 Months (rolling)	12 Months	12 Months
I Robertson	17 Mar 1995	12 Months (rolling)	12 Months	6 Months
M J Stansfield	17 Mar 1995	12 Months (rolling)	12 Months	6 Months
N H Richardson	5 Dec 1995	12 Months (rolling)	12 Months	6 Months
N J Townsend	1 Oct 1997	12 Months (rolling)	12 Months	6 Months
G M Brown	17 Mar 1995	12 Months (rolling)	12 Months	6 Months

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement, which are terminable by the Company at any time without liability for compensation; they do not have service contracts. Their remuneration is determined by the Board taking into account the scope and nature of their duties and the level of fees paid to Non-Executive Directors of similar companies. The Non-Executive Directors do not participate in the Company's bonus or share incentive schemes and no pension contributions are made in respect of them. *No additional fees are paid for membership of Board Committees. Details of the fees paid are set out in the audited information below.*

Audited information

Directors' emoluments

The remuneration of the Directors of Wilson Bowden plc for the year (including remuneration as Directors of subsidiary companies) is set out in the table below:

Year ended 31st December	Salary/fees 2003 £000	Bonus 2003 £000	Consultancy fees 2003 £000	Benefits in kind 2003 £000	Total before pension benefits 2003 £000	Pension Contributions 2003 £000	Tax on FURBS pension benefits 2003 £000	Total 2003 £000	Total 2002 £000
Executive Directors (salaries and other remuneration)									
D W Wilson	676	338	–	83	1,097	–	–	1,097	1,052
I Robertson	440	210	–	19	669	133	46	848	654
M J Stansfield	351	204	–	22	577	110	–	687	641
N H Richardson	314	123	–	26	463	93	50	606	578
N J Townsend	264	123	–	25	412	74	6	492	487
G M Brown	188	90	–	20	298	55	–	353	–
Non-Executive Directors (fees and other remuneration)									
D E Brill	28	–	–	–	28	–	–	28	28
P J Byrom	33	–	–	–	33	–	–	33	31
A Greasley	27	–	31	14	72	–	–	72	66
T G Neiland	23	–	–	6	29	–	–	29	31
A D Portno	38	–	–	–	38	–	–	38	38
Directors' remuneration	2,382	1,088	31	215	3,716	465	102	4,283	3,606
Gain on exercise of share options								883	20
Total remuneration								5,166	3,626

Notes

1. All the Executive Directors, except Mr D W Wilson, are members of the Wilson Bowden plc Directors' Pension Scheme, a defined contribution scheme. As explained under the Pensions Policy on page 48 some Directors are also members of the FURBS. *Accordingly the Company's contributions, set out above, reflect the cost during the year of providing pension benefits to these* Directors. The taxation borne by the Company in relation to the FURBS is shown separately. Mr Wilson is not a member of a Company pension scheme and no pension contributions are made in respect of him.
2. There were no payments by the Company during the financial year for compensation for loss of office or payments in connection with the termination of qualifying services.
3. There were no amounts paid to Executive Directors in respect of their qualifying services by way of expenses allowance that were chargeable to UK income tax.
4. The non-cash elements of the Executive Directors' remuneration packages consist principally of the provision of a fully expensed company car and healthcare benefits.

Directors' share incentive schemes

Wilson Bowden plc Senior Executive Share Option Scheme ("WBSESOS") and

Wilson Bowden plc 2003 Savings Related Share Option Scheme ("WBSRSOS")

Details of the options held by the Directors over the Company's 10p ordinary shares are set out in the table below. No consideration was paid for the grant of options. The performance criteria to be satisfied before an option may be exercised are explained in the remuneration policy section of this report.

	Scheme	1st January 2003* Number	Granted during year Number	Exercised during year Number	31st December 2003 Number	Exercise price Pence	Market price on date of exercise Pence	Earliest date from which exercisable	Expiry date
I Robertson	WBSESOS	73,000	–	(53,000)	20,000	604	1,107	4 May 2003	3 May 2010
	WBSESOS	7,000	–	(7,000)	–	606	1,107	–	–
	WBSESOS	20,000	–	–	20,000	750	–	9 Oct 2004	8 Oct 2011
	WBSESOS	–	20,000	–	20,000	781	–	27 Feb 2006	26 Feb 2013
	WBSRSOS	–	570	–	570	811	–	1 Aug 2006	28 Feb 2007
M J Stansfield	WBSESOS	93,000	–	(93,000)	–	604	955	–	–
	WBSESOS	7,000	–	(7,000)	–	606	955	–	–
	WBSESOS	20,000	–	–	20,000	750	–	9 Oct 2004	8 Oct 2011
	WBSESOS	–	15,000	–	15,000	781	–	27 Feb 2006	26 Feb 2013
N H Richardson	WBSESOS	63,000	–	–	63,000	604	–	4 May 2003	3 May 2010
	WBSESOS	7,000	–	–	7,000	606	–	15 Jun 2003	14 Jun 2010
	WBSESOS	20,000	–	–	20,000	750	–	9 Oct 2004	8 Oct 2011
	WBSESOS	–	15,000	–	15,000	781	–	27 Feb 2006	26 Feb 2013
	WBSRSOS	–	1,963	–	1,963	811	–	1 Aug 2008	28 Feb 2009
N J Townsend	WBSESOS	73,000	–	–	73,000	604	–	4 May 2003	3 May 2010
	WBSESOS	7,000	–	(6,316)	684	606	1,071	15 Jun 2003	14 Jun 2010
	WBSESOS	20,000	–	–	20,000	750	–	9 Oct 2004	8 Oct 2011
	WBSESOS	–	15,000	–	15,000	781	–	27 Feb 2006	26 Feb 2013
G M Brown	WBSESOS	53,000	–	(40,000)	13,000	604	1,107	4 May 2003	3 May 2010
	WBSESOS	7,000	–	–	7,000	606	–	15 Jun 2003	14 Jun 2010
	WBSESOS	20,000	–	–	20,000	750	–	9 Oct 2004	8 Oct 2011
	WBSESOS	–	15,000	–	15,000	781	–	27 Feb 2006	26 Feb 2013
	WBSRSOS	–	1,963	–	1,963	811	–	1 Aug 2008	28 Feb 2009

*or, if later, date of appointment

Notes

1. The mid-market price of the Company's shares was in the range 671p to 1,111p during the year. The mid-market price of the Company's shares on 31st December 2003 was 1,023p. Subject to meeting taxation and financing obligations, Executives are encouraged to retain shares obtained under the option scheme for the longer term.
2. There were no variations made in the terms and conditions of the WBSESOS interests during 2003.

Wilson Bowden plc Performance Share Plan ("PSP")

The PSP was approved by shareholders at the 2002 Annual General Meeting. Details of the potential entitlements of the Directors under the PSP are set out in the table below. The performance criteria to be satisfied before an award can vest are explained in the remuneration policy section of this report.

	Date of award	Plan interests 1st January 2003* Number	Awards during year Number	Market price of shares on date of award Pence	Awards vesting during year Number	Interests lapsing during year Number	Plan interests 31st December 2003 Number	Date of expiry of qualifying conditions
I Robertson	29 Aug 2002	6,000	–	915	–	–	6,000	31 Dec 2004
M J Stansfield	29 Aug 2002	6,000	–	915	–	–	6,000	31 Dec 2004
N H Richardson	29 Aug 2002	6,000	–	915	–	–	6,000	31 Dec 2004
N J Townsend	29 Aug 2002	6,000	–	915	–	–	6,000	31 Dec 2004
G M Brown	29 Aug 2002	4,000	–	915	–	–	4,000	31 Dec 2004

* or, if later, date of appointment

Notes

1. There were no variations made in the terms and conditions of the PSP interests during 2003.

Wilson Bowden plc Bonus Share Matching Plan ("BSMS")
Details of the potential matching entitlements of the Directors under the BSMS arising as a consequence of bonus being invested are set out in the table below. The performance criteria to be satisfied before an award can vest are explained in the remuneration policy section of this report. Shares acquired using bonus surrendered are included in the Directors' Share Interests on page 41.

	Date of award	Plan interests 1st January 2003* Number	Interests in matching awards arising from bonus invested during year Number	Market price of shares on dates of award Pence	Awards vesting during year Number	Interests lapsing during year Number	Plan interests 31st December 2003 Number
I Robertson	28 Feb 2000	829	–	492.5	–	(829)	–
	14 Dec 2000	339	151	715.0	–	(490)	–
	28 Feb 2001	480	213	826.0	–	(693)	–
Total		1,648	364		–	(2,012)	–
M J Stansfield	28 Feb 2000	2,149	–	492.5	–	(2,149)	–
	14 Dec 2000	283	128	715.0	–	(411)	–
	28 Feb 2001	517	229	826.0	–	(746)	–
Total		2,949	357		–	(3,306)	–
N H Richardson	28 Feb 2000	272	–	492.5	–	(272)	–
	14 Dec 2000	734	324	715.0	–	(1,058)	–
	28 Feb 2001	251	112	826.0	–	(363)	–
Total		1,257	436		–	(1,693)	–
N J Townsend	28 Feb 2000	414	–	492.5	–	(414)	–
	14 Dec 2000	203	90	715.0	–	(293)	–
	28 Feb 2001	866	382	826.0	–	(1,248)	–
Total		1,483	472		–	(1,955)	–
G M Brown	14 Dec 2000	306	135	715.0	–	(441)	–

*or, if later, date of appointment

Notes
1. There were no variations made in the terms and conditions of the BSMS interests during 2003. The performance criteria applicable to the three year performance periods ending on both 31st December 2002 and 31st December 2003 have not been met and accordingly all awards under the BSMS have lapsed and the scheme is now closed.

Approved by and signed on
behalf of the Board
Dr A D Portno CBE
Remuneration Committee Chairman
25th February 2004

Directors' responsibilities

Statement of Directors' responsibilities in relation to the financial statements
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial 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 responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time 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 Group and to prevent and detect fraud and other irregularities.

Independent auditors' report

We have audited the financial statements of Wilson Bowden plc for the year ended 31st December 2003 which comprise the Group profit and loss account, the balance sheets, the cash flow statement, the statement of principal accounting policies and the related notes 1 to 26 together with the reconciliation of increase in cash to movement in net debt and the notes to the cash flow statement. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

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 auditors' 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
As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been 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 and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration 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 United Kingdom 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 and the part of the Directors' remuneration report described as having been audited. 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 circumstances of the Company and the Group, 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 and the part of the Directors' remuneration report described as having been audited 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 and the part of the Directors' remuneration report described as having been audited.

Opinion
In our opinion:
- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

25th February 2004

Group profit and loss account

For the years ended 31st December	Notes	2003 Continuing £m	2003 Acquisitions £m	2003 Total £m	2002 Total £m
Turnover	1	1,073.7	92.1	1,165.8	983.9
Cost of sales		(790.2)	(66.3)	(856.5)	(738.2)
Gross profit		283.5	25.8	309.3	245.7
Administrative expenses		(60.2)	(9.9)	(70.1)	(55.4)
Operating profit	1	223.3	15.9	239.2	190.3
Interest payable and similar charges (net)	2			(15.9)	(11.5)
Profit on ordinary activities before taxation	3			223.3	178.8
Taxation	4			(68.1)	(52.7)
Profit for the financial year				155.2	126.1
Equity dividends	5			(31.0)	(25.1)
Retained profit for the financial year	22			124.2	101.0
Basic earnings per share	6			165.5p	134.6p
Diluted earnings per share	6			163.8p	133.6p

The results for the year ended 31st December 2002 were derived from continuing operations.

There are no recognised gains and losses other than the profit for the current or the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

Balance sheets

At 31st December	Notes	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Fixed assets					
Intangible assets – positive goodwill	9	18.4	–	–	–
– negative goodwill	9	(6.9)	–	–	–
		11.5	–	–	–
Tangible assets	10	21.3	18.8	–	–
Investments	11	–	12.5	382.3	258.4
		32.8	31.3	382.3	258.4
Current assets					
Stocks and work in progress	13	1,387.0	1,145.3	–	–
Debtors	14	57.2	44.2	6.1	1.0
Investments	15	1.1	–	–	–
Cash at bank and in hand		2.1	2.3	19.9	0.7
		1,447.4	1,191.8	26.0	1.7
Creditors: amounts falling due within one year	16	(490.8)	(433.7)	(69.2)	(23.4)
Net current assets/(liabilities)		956.6	758.1	(43.2)	(21.7)
Total assets less current liabilities		989.4	789.4	339.1	236.7
Creditors: amounts falling due after more than one year	16	(213.8)	(139.5)	(189.2)	(104.9)
Net assets		775.6	649.9	149.9	131.8
Capital and reserves					
Called up share capital	20	9.4	9.4	9.4	9.4
Share premium account	20	106.4	104.9	106.4	104.9
Profit and loss account	22	659.8	535.6	34.1	17.5
Total equity shareholders' funds	23	775.6	649.9	149.9	131.8

The accounts were approved by the Board on 25th February 2004 and signed on its behalf by:

D W Wilson
Chairman

I Robertson
Group Chief Executive

Group cash flow statement

For the years ended 31st December	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Operating activities:					
Cash inflow from operating activities before land	(i)	233.7		228.6	
Increase in investment in land holdings	(ii)	(133.7)		(111.3)	
Net cash inflow from operating activities			100.0		117.3
Returns on investments and servicing of finance:					
Interest received		1.6		0.7	
Interest paid		(15.7)		(12.0)	
Net cash outflow from returns on investments and servicing of finance			(14.1)		(11.3)
Taxation:					
Corporation tax			(63.2)		(49.3)
Capital expenditure and financial investment:					
Purchase of investments		(5.8)		(12.5)	
Sale of investments		18.3		–	
Purchase of tangible fixed assets		(5.5)		(4.1)	
Sale of tangible fixed assets		0.7		0.3	
Net cash inflow/(outflow) from capital expenditure and financial investment			7.7		(16.3)
Acquisitions and disposals:					
Acquisition of subsidiary undertakings		(114.4)		–	
Net cash acquired with subsidiary undertakings		5.2		–	
Net cash outflow arising from acquisitions			(109.2)		–
Equity dividends paid			(26.2)		(21.6)
Cash (outflow)/inflow before financing			(105.0)		18.8
Financing:					
Issue of ordinary share capital		1.5		0.1	
Increase/(decrease) in debt		114.3		(19.3)	
Net cash inflow/(outflow) from financing			115.8		(19.2)
Increase/(decrease) in cash in the year			10.8		(0.4)

Reconciliation of increase in cash to movement in net debt:

For the years ended 31st December	Notes	2003 £m	2002 £m
Increase/(decrease) in cash in the year		10.8	(0.4)
Cash (inflow)/outflow from movement in debt		(114.3)	19.3
Movement in net debt in the year	(iii)	(103.5)	18.9
Net debt at 1st January		(117.4)	(136.3)
Net debt at 31st December	(iii)	(220.9)	(117.4)

Notes to Group cash flow statement

(i) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £m	2002 £m
Operating profit	239.2	190.3
Depreciation	4.4	3.6
Amortisation of goodwill	2.1	–
(Profit)/loss on sale of tangible fixed assets	(0.3)	0.6
(Increase)/decrease in stocks and work in progress	(53.7)	3.1
(Increase)/decrease in operating debtors	(8.8)	7.9
Increase in operating creditors	50.8	23.1
Cash inflow from operating activities before land	233.7	228.6
Movement in investment in land holdings (ii)	(133.7)	(111.3)
Net cash inflow from operating activities	100.0	117.3

(ii) **Movement in investment in land holdings**

	2003 £m	2002 £m
Increase in land holdings excluding creditors and acquisitions	(39.2)	(268.0)
(Decrease)/increase in land creditors falling due within one year	(84.5)	134.9
(Decrease)/increase in land creditors falling due in more than one year	(10.0)	21.8
Increase in investment in land holdings	(133.7)	(111.3)

(iii) **Analysis of net debt**

	1st January 2003 £m	Cash flow £m	Non-cash movement £m	31st December 2003 £m
Cash at bank and in hand	2.3	(0.2)	–	2.1
Overdrafts	(14.8)	11.0	–	(3.8)
	(12.5)	10.8	–	(1.7)
Debt falling due in less than one year	–	(10.0)	(20.0)	(30.0)
Debt falling due in more than one year	(104.9)	(104.3)	20.0	(189.2)
Total	(117.4)	(103.5)	–	(220.9)

Non-cash movements relate to the transfer of debt from due after more than one year to due in less than one year.

Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The more important Group accounting policies, which have been applied consistently, are set out below.

Basis of accounting
The accounts are prepared under the historical cost convention.

Basis of consolidation
The year ends for all the Company's undertakings are 31st December. All subsidiary undertakings are included in the Group's consolidated accounts other than as detailed in note 15.

Goodwill
Goodwill arising on acquisition is capitalised and amortised over its estimated useful economic life to a maximum of 20 years. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill written off to the profit and loss account under the Group's policy prior to the implementation of FRS 10 'Goodwill and Intangible Assets' has not been reinstated.

Investments
Investments held as fixed or current assets are stated at cost less provision for any impairment.

Turnover
Turnover comprises amounts receivable for goods and services supplied to customers during the year and the appropriate proportion of sales value of property development contracts. Intra-Group transactions, value added tax and proceeds from the sales of part exchange houses and undeveloped residential land are excluded from turnover.

Proceeds from the sale of newly constructed residential properties are included in turnover on legal completion. Turnover arising on long-term sale contracts and residential property development under partnership agreements is recognised in proportion to the stage of completion reached, commencing on exchange of contract.

Stocks and work in progress
Stocks, including land held for development and completed and part-exchanged houses, and residential work in progress are valued at the lower of cost and net realisable value. Where the Group undertakes housing development within a partnership agreement, work in progress includes the attributable costs after deducting amounts taken to cost of sales, less progress payments received and receivable.

Development work in progress is valued at the lower of cost and net realisable value less progress payments received and receivable. Cost includes attributable overheads.

Long-term contracts
Profits on long-term contracts are recognised in proportion to the stage of completion reached when the outcome of the contract can be assessed with reasonable certainty.

Amounts recoverable on contracts are included in debtors and stated at cost plus attributable profit less any foreseeable losses. Payments received on account of contracts are deducted from amounts recoverable on contracts. Payments received in excess of amounts recoverable are included in creditors.

Joint arrangements
The Group enters into joint arrangements as part of its housebuilding and property development operations. Such arrangements fall to be classified as joint arrangements not constituting an entity under FRS 9 'Associates and Joint Ventures'. As such, the Group accounts for its share of income, expenditure, assets, liabilities and cashflows. These amounts are incorporated into the relevant figures within the financial statements.
The Directors consider that this departure from the requirement of the Companies Act 1985 to account for investments in undertakings which are joint arrangements as either associates or trade investments is necessary for the financial statements to show a true and fair view because joint arrangements are in substance an extension of the Group's own business.

Depreciation
Depreciation is provided on the original cost of assets in equal annual instalments at the following rates:

Freehold buildings	2%
Plant, equipment and vehicles	10% to 25%
Computers, scaffolding and other assets with short economic lives	20% to 50%

Deferred tax
Deferred tax is recognised on all timing differences where the transaction or events that gave rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases
The annual rentals of operating leases are charged to trading profits on a straight line basis over the term of the lease.

Financial instruments
The Group finances its operations through a mixture of retained profits and borrowings. The Group's financial instruments, other than derivatives, comprise cash, borrowings and other items arising directly from its trading operations which include long and short-term debtors and long and short-term land, trade and other creditors. Short-term debtors and creditors have been excluded from the analyses of financial instruments. The Group also enters into derivative transactions in the form of swap arrangements to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Gains and losses on swap arrangements are recognised in the profit and loss account in the period in which they occur. The Group does not trade in financial instruments.

Pensions
The Group operates a number of defined contribution pension schemes for certain employees. The Group's contributions to the schemes are charged against profits in the year in which the contributions are made.

1. Segmental analysis

	Residential 2003 Units	Commercial 2003 Units	Total 2003 Units	Residential 2002 Units	Commercial 2002 Units	Total 2002 Units
Residential completions:						
David Wilson Homes	4,902	–	4,902	4,091	–	4,091
Wilson Bowden Developments	135	–	135	73	–	73
	5,037	–	5,037	4,164	–	4,164
	£m	£m	£m	£m	£m	£m
Turnover:						
David Wilson Homes	1,018.4	–	1,018.4	817.6	–	817.6
Wilson Bowden Developments	24.0	123.4	147.4	9.4	156.9	166.3
	1,042.4	123.4	1,165.8	827.0	156.9	983.9
	£m	£m	£m	£m	£m	£m
Profit on ordinary activities before taxation:						
David Wilson Homes (before reorganisation costs and goodwill amortisation)	217.8	–	217.8	165.2	–	165.2
Wilson Bowden Developments	3.8	23.2	27.0	1.4	23.7	25.1
	221.6	23.2	244.8	166.6	23.7	190.3
Reorganisation costs and goodwill amortisation	(5.6)	–	(5.6)	–	–	–
	216.0	23.2	239.2	166.6	23.7	190.3
Interest payable and similar charges (net)			(15.9)			(11.5)
			223.3			178.8
	£m	£m	£m	£m	£m	£m
Net assets:						
Group (before net borrowings)	884.6	111.9	996.5	670.1	97.2	767.3
Net borrowings			(220.9)			(117.4)
			775.6			649.9

The Group operates in two business segments being residential and commercial property development and in a single geographical segment being the United Kingdom.

2. Interest payable and similar charges (net)

	2003 £m	2002 £m
Interest payable on bank borrowings and other financing arrangements	17.5	12.2
Interest receivable	(1.6)	(0.7)
	15.9	11.5

3. Profit on ordinary activities before taxation

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	4,430	3,592
Amortisation of goodwill	2,077	–
(Profit)/loss on disposal of fixed assets	(275)	648
Rentals under operating leases:		
Hire of plant and equipment including cars	2,460	2,687
Other operating leases	1,156	538
Auditors' remuneration:		
Statutory audit (including the Company £18,640 (2002: £18,640))	190	100
Other assurance services	50	5

In addition to the amounts disclosed above, £128,500 payable to Deloitte & Touche LLP in respect of other assurance services has been capitalised into the cost of acquisitions. Of this amount, £121,700 was paid in respect of work initially instructed by an acquired entity prior to the date of acquisition.

4. Taxation

	2003 £m	2002 £m
Current tax:		
UK Corporation tax at 30.0% (2002: 30.0%)	68.4	53.4
Adjustments in respect of prior years	(0.4)	(0.8)
Total current tax charge	68.0	52.6
Deferred tax: origination and reversal of timing differences	0.1	0.1
	68.1	52.7

The effective Group tax charge represents 30.5% (2002: 29.5%) of profit on ordinary activities.

The current tax assessed for the year is higher than the standard rate of UK Corporation tax of 30.0% (2002: 30.0%). The differences are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before taxation	223.3	178.8
Current tax at 30.0% (2002: 30.0%)	67.0	53.6
Effects of:		
Adjustments to tax charge in respect of previous periods	(0.4)	(0.8)
Effects of expenses not deductible for tax purposes	1.5	(0.1)
Deferred tax timing differences	(0.1)	(0.1)
Total current tax charge (see above)	68.0	52.6

5. Equity dividends

	2003 £m	2002 £m
Interim paid of 7.5p (2002: 6.3p) per 10p share	7.0	5.9
Proposed final of 25.5p (2002: 20.5p) per 10p share	24.0	19.2
	31.0	25.1

6. Earnings per share

The basic earnings per share figure is calculated by dividing the profit for the financial year of £155.2m (2002: £126.1m) by the weighted average number of shares in issue of 93,798,905 (2002: 93,677,789). The basic earnings per share figures are as follows:

	2003 pence	2002 pence
On the profit for the financial year	165.5	134.6

The diluted earnings per share figure is calculated by dividing the profit for the financial year of £155.2m (2002: £126.1m) by the following weighted average number of shares:

Diluted earnings per share	2003 000	2002 000
Weighted average number of shares in issue	93,799	93,678
Average number of shares in Wilson Bowden Employee Trust	34	33
Average number of shares under option during period	1,127	886
Adjustment for number of shares that would have been issued at fair value	(231)	(208)
Weighted average number of shares for calculating diluted earnings per share	94,729	94,389

7. Parent company

As permitted by Section 230 of the Companies Act 1985, Wilson Bowden plc has not presented its own profit and loss account. The profit after taxation of the company for the financial year was £47.6m (2002: £23.7m).

8. Staff costs

	2003 £m	2002 £m
Employee costs (including Directors):		
Wages and salaries	67.5	56.1
Social security costs	6.8	5.4
Other pension costs	3.9	3.3
	78.2	64.8

Details of Directors' fees and salaries, bonuses, pensions, benefits in kind and other benefit schemes are set out in the Directors' remuneration report on page 49 and details in respect of Directors' share incentive schemes are given on pages 50 and 51.

	2003 Number	2002 Number
The average number of persons employed during the year was as follows:		
Building	1,580	1,364
Sales	340	295
Administration	558	493
	2,478	2,152

9. Fixed assets – intangible assets

	Group Negative goodwill £m	Group Goodwill £m	Group Total £m
Cost:			
1st January 2003	–	–	–
Additions	(6.9)	20.5	13.6
31st December 2003	(6.9)	20.5	13.6
Amortisation:			
1st January 2003	–	–	–
Charge for the year	–	(2.1)	(2.1)
31st December 2003	–	(2.1)	(2.1)
Net book value:			
31st December 2003	(6.9)	18.4	11.5
31st December 2002	–	–	–

10. Fixed assets – tangible assets

	Group Freehold land & buildings £m	Group Plant, equipment & vehicles £m	Group Total £m
Cost:			
1st January 2003	13.5	22.9	36.4
Acquired with subsidiary undertakings	1.4	0.8	2.2
Additions	0.9	4.6	5.5
Transferred to current assets	(0.5)	–	(0.5)
Disposals	–	(2.3)	(2.3)
31st December 2003	15.3	26.0	41.3
Depreciation:			
1st January 2003	1.6	16.0	17.6
Eliminated on disposal	–	(1.9)	(1.9)
Transferred to current assets	(0.1)	–	(0.1)
Charge for the year	0.3	4.1	4.4
31st December 2003	1.8	18.2	20.0
Net book value:			
31st December 2003	13.5	7.8	21.3
31st December 2002	11.9	6.9	18.8

Authorised future capital expenditure which was contracted, but not provided for in these accounts, amounted to £456,300 (2002: £314,800).

11. Fixed assets – investments

	Group Other loans £m	Company Other loans £m	Company Shares in subsidiary undertakings £m	Company Loans to subsidiary undertakings £m	Company Loans from subsidiary undertakings £m	Company Total £m
Cost and net book value:						
1st January 2003	12.5	12.5	16.6	230.3	(1.0)	258.4
Additions	5.8	5.8	30.2	106.2	–	142.2
Repaid	(18.3)	(18.3)	–	–	–	(18.3)
31st December 2003	–	–	46.8	336.5	(1.0)	382.3

Details of the principal subsidiary undertakings of the Company, which are wholly owned and registered in England, are set out on the inside of the back cover of this report. Shares in Wilson Bowden Group Services plc and Ward Homes Group Limited (acquired during the financial year) are included at cost of £11.1m and £30.2m, respectively. Shares in other subsidiary undertakings are recorded at the nominal value of the shares issued when each subsidiary undertaking was acquired.

With the exception of preference shares in Wilson Bowden Group Services plc, included at a cost of £3.0m, all shareholdings in these subsidiary undertakings are of ordinary shares.

12. Acquisitions

On 17th April 2003 and 14th November 2003, the Group acquired 100% of the issued share capital of Henry Boot Homes Limited and Ward Homes Group Limited, respectively. Following fair value adjustments, the resulting positive goodwill of £20.5m is being amortised over an average period of 4 years, on a straight line basis to coincide with the period which the acquired land bank is expected to be utilised. The amortisation of goodwill has resulted in a charge for the period of £2.1m.

On 10th November 2003 the Group acquired 100% of the issued share capital Frenchay Developments Limited. Following a fair value adjustment, negative goodwill arises as FRS 19 'Deferred Tax' does not permit recognition of deferred tax liabilities on an increase in stock values resulting from fair value adjustments. The negative goodwill of £6.9m will be released to the profit and loss account to match legal completions on the land and the resultant tax liabilities. No negative goodwill has been released during the year.

All acquisitions have been accounted for by the acquisition method of accounting and the effect of these on the accounts of the Group are set out below:

a) Henry Boot Homes Limited (acquired April 2003)

	Book value £m	Fair value adjustments £m	Accounting policy alignment £m	Fair value to Group £m
Fixed assets:				
Tangible	0.7	(0.1)	(0.1)	0.5
Current assets:				
Land holdings	37.5	(1.9)	0.4	36.0
Other stock and work in progress	17.6	–	(0.9)	16.7
Debtors	0.9	–	(0.2)	0.7
Cash	1.3	–	–	1.3
Total assets	58.0	(2.0)	(0.8)	55.2
Current liabilities:				
Creditors	(11.7)	–	(0.7)	(12.4)
Corporation tax	(5.0)	0.6	0.5	(3.9)
Total liabilities	(16.7)	0.6	(0.2)	(16.3)
Net assets	41.3	(1.4)	(1.0)	38.9
Goodwill				8.3
				47.2
Satisfied by:				
Cash consideration				47.8
Discounting of cash consideration				(1.4)
Acquisition costs				0.8
				47.2

12. Acquisitions (continued)
The principal fair value adjustments are to provide £1.9m for anticipated losses on those sites showing a projected negative residual value on build out and recognition of the £0.6m pre-acquisition tax benefit thereon. The principal accounting policy alignments are the recording of £0.9m for site completion costs and the recognition of £0.7m of unconditional land creditors in accordance with David Wilson Homes Limited's normal practice. A pre-acquisition tax benefit of £0.5m has been recorded in respect of these amounts.

The cash consideration is being paid in three instalments and has therefore been discounted. Of the amount outstanding at the year end, £15.9m was paid on 2nd January 2004 and the remainder of £16.0m is due on 1st September 2004.

Net cash outflows in the year ended 31st December 2003, in respect of the acquisition, comprised:	£m
Cash consideration	15.9
Cash at bank and in hand acquired	(1.3)
Acquisition costs	0.8
	15.4

In the period since acquisition, Henry Boot Homes Limited contributed approximately £1.4m to the Group's net cash inflow from operating activities and paid £2.8m in respect of taxation.

An amount of £2.0m has been charged to the Group profit and loss account in respect of costs incurred in reorganising, restructuring and integrating the acquisition in the period from 17th April 2003 to 31st December 2003.

Henry Boot Homes Limited's loss after taxation for the period from 1st January 2003 to 17th April 2003 was approximately £1.8m (year ended 31st December 2002: £6.5m profit). In the period from acquisition to 31st December 2003 the Company contributed the following to the Group's residential segment results: turnover £84.1m; cost of sales £60.2m; gross profit £23.9m; administrative expenses £6.6m; and operating profit £17.3m.

b) Frenchay Developments Limited (acquired November 2003)

	Book value £m	Fair value adjustments £m	Fair value to Group £m
Current assets:			
Land holdings	5.9	25.5	31.4
Debtors	0.7	–	0.7
Total assets	6.6	25.5	32.1
Current liabilities:			
Creditors	(0.9)	–	(0.9)
Corporation tax	(0.2)	–	(0.2)
Total liabilities	(1.1)	–	(1.1)
Net assets	5.5	25.5	31.0
Negative goodwill			(6.9)
			24.1
Satisfied by:			
Cash consideration			23.5
Contingent deferred loan notes			0.4
			23.9
Acquisition costs			0.2
			24.1

The fair value adjustment is to record land at fair value of £31.4m. The issue of contingent deferred loan notes is dependent upon the successful outcome of claims made by the Company prior to acquisition.

Net cash outflows for the year ended 31st December 2003, in respect of the acquisition, comprised:	£m
Cash consideration	23.5
Acquisition costs	0.2
	23.7

No other material cash flows were incurred by or on behalf of Frenchay Developments Limited during the financial year.

Frenchay Developments Limited did not trade during the period from 1st April 2003 to 10th November 2003 (profit for the year ended 31st March 2003: £0.2m).

12. Acquisitions (continued)

c) Ward Homes Group Limited (acquired November 2003)

	Book value £m	Fair value adjustments £m	Accounting policy alignment £m	Fair value to Group £m
Fixed assets:				
Tangible	0.9	0.8	–	1.7
Intangible	1.1	(1.1)	–	–
Current assets:				
Land holdings	31.6	7.1	(0.7)	38.0
Other stock and work in progress	27.9	–	(1.6)	26.3
Debtors	2.8	–	(0.1)	2.7
Investments	1.5	(0.4)	–	1.1
Cash	3.9	–	–	3.9
Total assets	69.7	6.4	(2.4)	73.7
Current liabilities:				
Creditors	(8.9)	(0.5)	0.1	(9.3)
Corporation tax	(2.3)	–	0.7	(1.6)
Total liabilities	(11.2)	(0.5)	0.8	(10.9)
Net assets	58.5	5.9	(1.6)	62.8
Goodwill				12.2
				75.0
Satisfied by:				
Cash consideration				73.9
Acquisition costs				1.1
				75.0

The principal fair value adjustments are £7.1m to adjust site values to their replacement cost, £0.8m in respect of fixed asset valuations and £1.1m write off of goodwill. The principal accounting policy adjustments relate to the write off of £0.5m of land acquisition fees and £1.6m recording of site completion costs in accordance with David Wilson Homes Limited's normal practice. A pre-acquisition tax benefit of £0.7m has been recorded in respect of accounting policy adjustments.

Net cash outflows in the year ended 31st December 2003, in respect of the acquisition, comprised:	£m
Cash consideration	73.4
Cash at bank and in hand acquired	(3.9)
Acquisition costs	0.6
	70.1

In the period since acquisition, Ward Homes Group Limited utilised approximately £1.9m of the Group's net cash inflow from operating activities and paid £1.8m in respect of taxation.

An amount of £1.5m has been charged to the Group profit and loss account in respect of costs incurred in reorganising, restructuring and integrating the acquisition in the period from 14th November 2003 to 31st December 2003.

Ward Homes Group Limited's profit after taxation for the period from 1st November 2002 to 14th November 2003 was approximately £11.5m (four months ended 31st October 2002: £2.4m).

13. Stocks and work in progress

	Group 2003 £m	Group 2002 £m
Land holdings	1,010.8	866.2
Residential and commercial	313.8	240.3
Showhomes and part-exchange properties	62.4	38.8
	1,387.0	1,145.3

14. Debtors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Due within one year:				
Trade debtors	45.3	20.1	–	–
Amounts owed by Group undertakings	–	–	6.1	0.6
Other debtors	11.9	24.1	–	0.4
	57.2	44.2	6.1	1.0

Group trade debtors include amounts due after more than one year of £0.4m (2002: £0.7m).

15. Current assets – investments

	Group Shares in Group undertakings £m
Cost and net book value:	
1st January 2003	–
Acquired with subsidiary undertaking	1.1
31st December 2003	1.1

Investments held for resale represent the Group's interest in Anvil Limited and Ward Country Houses Limited. Both of these subsidiary undertakings were acquired as part of the acquisition of Ward Homes Group Limited and have been excluded from the Group's consolidated results as they are specifically held for resale.

During the period from acquisition to 31st December 2003 Anvil Limited invoiced £9,000 to the Group and at the year end had a net receivable from the Group of £330,000. Ward Country Houses Limited did not trade with the Group during the year and had no outstanding balances with the Group at the year end.

16. Creditors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Bank and other loans and overdrafts	33.8	14.8	33.5	–
Payments in advance	6.2	4.2	–	–
Trade creditors	112.3	73.1	–	–
Land creditors (secured £36.5m (2002: £7.6m))	119.9	204.4	–	–
Amounts owed to Group undertakings	–	–	7.6	2.7
Other creditors	48.9	14.8	–	–
Corporation tax	42.5	31.9	0.7	–
Other taxes and social security	3.8	3.6	–	–
Accruals	99.4	67.7	3.4	1.5
Dividend	24.0	19.2	24.0	19.2
	490.8	433.7	69.2	23.4
Amounts falling due after more than one year:				
Land creditors repayable in less than five years				
(secured £2.9m (2002: £6.8m))	24.6	34.5	–	–
Land creditors repayable after more than five years:				
Repayable by instalments	–	0.1	–	–
Bank loans repayable in less than five years:				
Otherwise than by instalments	47.6	25.0	47.6	25.0
Loans repayable after more than five years:				
Otherwise than by instalments	141.6	79.9	141.6	79.9
	213.8	139.5	189.2	104.9
Total creditors	704.6	573.2	258.4	128.3
Comprising:				
Bank and other loans and overdrafts (note 17)	223.0	119.7	222.7	104.9
Other creditors	481.6	453.5	35.7	23.4

17. Borrowings and financial instruments

The Group finances its operations through a mixture of retained profits and borrowings. The Group's financial instruments comprise cash, borrowings and other items arising directly from its trading operations which include long and short-term debtors, and long and short-term land, trade and other creditors. Short-term debtors and creditors have been excluded from the following analyses. The Group enters into derivative transactions in the form of swap arrangements to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The Group does not trade in financial instruments.

The main risks arising from the Group's financial instruments are liquidity, currency and interest rate risks.

(i) Liquidity risk

The profile of the Group's borrowing facilities is representative of the nature of its activities, being a combination of medium and long-term projects. On 4th September 2003, in line with the Group's policy to extend the average maturity of its facilities, the Group issued $100.0m of unsecured fixed interest rate loan notes at an average fixed interest rate of 5.6%. On issue, swap arrangements were entered into to fix the principal amount of the loan notes at £62.0m and to fix the sterling interest payments relative to this amount as detailed below.

At the year end 63% of the Group's borrowings were due to mature after more than 5 years. The average maturity of the committed facilities was 3.7 years. The Group's policy is to monitor current and forecast gearing levels with borrowings normally remaining within the level of the committed facilities. At 31st December 2003 the Group's gearing was 28.5% (2002: 18.1%).

(ii) Interest rate risks

As at 31st December 2003, the Company had entered into swap arrangements matching sterling interest rate payments with the swapped sterling balance of £62.0m as follows:

Amount £m	Fixed rate payable %	Maturity	Amount £m	Fixed rate payable %	Maturity
21.7	5.625	4.9.2013	9.3	5.620	4.9.2015
21.7	5.630	4.9.2013	9.3	5.600	4.9.2015

At 31st December 2003, 63% of the debt was at fixed rates. The year end borrowings position was not typical due to the cyclical pattern of both housing and property development completion monies.

No interest is payable on long-term land creditors. Bank borrowings are all unsecured with floating interest rates linked to money market rates; LIBOR, EBBR and base rate. The floating rates are fixed in advance for periods generally ranging from one to three months. Short-term flexibility is achieved through the use of overdraft and short-term committed and uncommitted bank facilities. Floating rate financial assets are linked to UK base rate.

After taking into account swap arrangements, the interest rate profile of the Group's financial assets and liabilities, which are all sterling balances, at 31st December was:

	Group 2003 £m	Group 2002 £m
Floating rate financial assets	(2.2)	(15.3)
Financial assets on which no interest is paid	(0.3)	(0.2)
	(2.5)	(15.5)
Floating rate financial liabilities	81.4	39.8
Fixed rate financial liabilities	141.6	79.9
Financial liabilities on which no interest is paid	24.6	34.6
Gross financial liabilities	247.6	154.3

Financial assets comprise cash at bank of £2.1m (2002: £2.3m), fixed asset investments of £Nil (2002: £12.5m) and long-term trade debtors of £0.4m (2002: £0.7m). The weighted average interest rate for the fixed rate financial liabilities was 6.5% for 2003 (2002: 7.2%), with, at 31st December 2003, a weighted average period of 7.9 years (2002: 7.1 years) for which the rate is fixed. The weighted average period until maturity of the financial liabilities on which no interest is paid is 2.4 years (2002: 2.2 years).

(iii) Currency exposure

After taking into account currency swaps the Group had no currency exposure at 31st December 2003 (2002: £Nil).

17. Borrowings and financial instruments (continued)
(iv) Maturity of financial liabilities
The maturity of the Group's financial liabilities at 31st December was as follows:

	Group 2003 £m	Group 2002 £m
In one year or less or on demand	33.8	14.8
In more than one year but not more than two years	15.9	47.7
In more than two years but not more than five years	56.3	11.8
In more than five years	141.6	80.0
	247.6	154.3

Included within the above are the following amounts relating to bank and other loans and overdrafts:

	Group 2003 £m	Group 2002 £m
Bank overdrafts	3.8	14.8
Bank loans repayable otherwise than by instalments		
Amounts falling due:		
In one year or less or on demand	30.0	–
In more than one year but not more than two years	–	20.0
In more than two years but not more than five years	47.6	5.0
In more than five years	142.0	80.0
Less issue costs	(0.4)	(0.1)
Bank and other loans and overdrafts (note 16)	223.0	119.7

Loans repayable otherwise than by instalments falling due in five years or more comprise £142.0m of unquoted fixed rate loan notes. £40.0m of these notes are repayable in April 2009, £40.0m in October 2010, £43.4m in September 2013 and £18.6m in September 2015. These notes carry interest at an average rate of 6.5% and are unsecured.

(v) Borrowing facilities
The Group currently has sterling bank and other borrowing facilities amounting to £580.0m. Committed facilities amount to £537.0m, of which £305.0m are available under short and medium-term committed lines. All facilities are unsecured. All bank facilities are subject to floating interest rates linked to money market rates.

The undrawn committed borrowing facilities available to the Group at 31st December, in respect of which all conditions precedent had been met, had the following spread of maturity:

	Group 2003 £m	Group 2002 £m
Expiring in one year or less	32.5	45.0
Expiring in more than one year but not more than two years	105.0	95.0
Expiring in more than two years but not more than five years	177.4	125.0
	314.9	265.0

(vi) Fair value of financial liabilities
Set out below is a comparison by category of book values and fair values of the Group's financial liabilities:

	Group 2003 Book value £m	Group 2003 Fair value £m	Group 2002 Book value £m	Group 2002 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings (net of cash in hand £2.1m (2002: £2.3m))	31.7	31.7	12.5	12.5
Medium-term borrowings	47.6	47.6	25.0	25.0
Long-term borrowings	141.6	143.1	79.9	85.4
Land creditors	24.6	24.6	34.6	34.6
Long-term debtors	(0.4)	(0.4)	(0.7)	(0.7)
Derivative financial instruments held to manage the interest rate and currency profile:				
Swap arrangements	–	4.3	–	–
	245.1	250.9	151.3	156.8

17. Borrowings and financial instruments (continued)
Market values have been used to determine the fair value of swap arrangements. The fair values of long-term borrowings have been calculated by discounting expected future cash flows at prevailing interest rates. There is no material difference between the book value and the fair value of the Group's other financial assets and liabilities.

(vii) Gains and losses on financial liabilities held for hedging purposes
The Group's policy is to hedge a proportion of interest rate risk using swap arrangements. Gains and losses on swap arrangements are recognised in the profit and loss account in the period in which they occur.

18. Deferred tax

	Group 2003 £m	Group 2002 £m
Accelerated capital allowances	(0.4)	(0.1)
Other short-term timing differences	0.1	(0.1)
Deferred tax asset	(0.3)	(0.2)

	Group £m
1st January 2003	(0.2)
Acquired with subsidiary undertakings	(0.2)
Profit and loss account	0.1
31st December 2003	(0.3)

This deferred tax asset, which is expected to be recovered through future profits, of £0.3m (2002: £0.2m) has been recognised in other debtors.

19. Contingent liabilities

Wilson Bowden plc has guaranteed the repayment of the bank loans, overdrafts and financial guarantees made available to its subsidiary undertakings. At 31st December 2003, liabilities outstanding under these bank loans and overdrafts amounted to £19.7m (2002: £15.9m). Contingent liabilities in respect of subsidiary undertakings' financial guarantees amounted to £14.5m (2002: £41.8m). In addition, the Group has entered into counter indemnities in the normal course of business in respect of performance bonds. Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

20. Share capital and share premium

	Share capital – ordinary shares of 10p each		
	Allotted called up and fully paid Number	Allotted called up and fully paid £m	Share premium account £m
1st January 2003	93,729,691	9.4	104.9
Shares issued during the year	248,816	–	1.5
31st December 2003	93,978,507	9.4	106.4

The authorised share capital at 31st December 2003 amounted to £12.5m (2002: £12.5m), comprising 125,000,000 ordinary shares of 10p each (2002: 125,000,000).

The aggregate consideration received in respect of the issue of new shares was £1.5m.

21. Share option schemes

At 31st December 2003, all outstanding options to purchase ordinary shares in Wilson Bowden plc, in accordance with the terms of the applicable scheme are as follows:

Dates between which options are exercisable	Number of shares	Price per share
Wilson Bowden plc Senior Executive Share Option Scheme:		
4.5.2003 – 3.5.2010	302,950	604p
15.6.2003 – 14.6.2010	30,734	606p
9.10.2004 – 8.10.2011	265,000	750p
27.2.2006 – 26.2.2013	255,000	781p
	853,684	
Wilson Bowden plc 2003 Savings Related Share Option Scheme:		
1.8.2006 – 31.1.2007	124,940	811p
1.8.2008 – 31.1.2009	164,893	811p
	289,833	
Total number of shares under option	1,143,517	

The movement in options during the year was:

	Number of shares
1st January 2003	857,500
Granted	565,570
Exercised	(248,816)
Lapsed	(30,737)
31st December 2003	1,143,517

The Company has established deferred share plans which involve the purchase of shares in the market for distribution to senior management (including Executive Directors) at a later date. All shares at the year end are held in trust until such time as they may be transferred to employees in accordance with the terms of the Plans, details of which are given on pages 47 and 48. The Trustee's costs are included in the operating expenses of the Company.

As at 31st December 2003, the number of shares held by the Trust totalled 33,562 ordinary shares of 10p each (2002: 33,500) with a market value of £0.3m (2002: £0.2m). The shares were written down to £Nil in a previous accounting period and all dividends on these shares have been waived.

22. Profit and loss account

	Group £m	Company £m
1st January 2003	535.6	17.5
Retained profit	124.2	16.6
31st December 2003	659.8	34.1

The cumulative amount of goodwill written off to reserves is £8.1m (2002: £8.1m). This goodwill has been eliminated as a matter of accounting policy and would be credited in the profit and loss account on any future disposal of the business to which it is related.

23. Reconciliation of movement in shareholders' funds

	Group 2003 £m	Group 2002 £m
Profit for the financial year	155.2	126.1
Equity dividends (note 5)	(31.0)	(25.1)
Retained profit for the financial year	124.2	101.0
New share capital subscribed	1.5	0.1
Net additions to shareholders' funds	125.7	101.1
Shareholders' funds at 1st January	649.9	548.8
Shareholders' funds at 31st December	775.6	649.9

24. Other financial commitments

At 31st December 2003 the Group has annual commitments under non-cancellable operating leases as follows:

	Land & buildings 2003 £m	Other 2003 £m	Land & buildings 2002 £m	Other 2002 £m
Expiring within one year	0.2	0.6	0.2	0.7
Expiring between two and five years	0.2	1.4	–	1.5
Expiring in over five years	0.7	–	0.8	–
	1.1	2.0	1.0	2.2

25. Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other Group companies.

26. Pensions

The Group operates a number of defined contribution pension schemes for certain employees, under which the Group has no obligation other than to make regular contributions to independent investment managers at a predetermined proportion of each participating employee's salary.

The Group's contributions to these defined contribution pension schemes amounted to £3,926,000 (2002: £3,335,000) and are charged against profits of the year in which the contributions are made.

Group financial record

		2003	2002	2001	2000	1999
Turnover	£m	1,165.8	983.9	789.5	726.8	610.4
Operating profit before reorganisation costs and	£m	244.8	190.3	151.4	127.7	104.2
goodwill amortisation	%	21.0	19.3	19.2	17.6	17.1
Operating profit	£m	239.2	190.3	151.4	127.7	104.2
	%	20.5	19.3	19.2	17.6	17.1
Interest cover	times	15.0	16.5	12.4	18.2	28.9
Profit before tax	£m	223.3	178.8	139.2	120.7	100.6
	%	19.2	18.2	17.6	16.6	16.5
Earnings attributable to equity shareholders	£m	155.2	126.1	97.4	85.5	70.9
Weighted average shares in issue	m	93.8	93.7	93.7	93.7	93.7
Earnings per share:						
Basic	p	165.5	134.6	104.0	91.3	75.7
Dividend on ordinary shares	£m	31.0	25.1	20.9	18.5	16.2
Dividend per share	p	33.0	26.8	22.3	19.8	17.25
Dividend cover	times	5.0	5.0	4.7	4.6	4.4
Profit retained in business	£m	124.2	101.0	76.5	67.0	54.7
Retained profit plus depreciation and amortisation	£m	130.7	104.6	79.9	70.2	58.5
Capital employed	£m	996.5	767.3	685.1	558.2	460.0
Net borrowings	£m	(220.9)	(117.4)	(136.3)	(86.3)	(55.1)
Total equity shareholders' funds	£m	775.6	649.9	548.8	471.9	404.9
Equity shareholders' funds per share	p	825.3	693.4	585.7	503.7	432.2
Net gearing	%	28.5	18.1	24.8	18.3	13.6
Return on average capital employed (i)	%	27.1	26.2	24.4	25.1	24.4
Return on average equity shareholders'						
funds after tax	%	21.8	21.0	19.1	19.5	18.8
Total employees	number	2,478	2,152	2,058	1,956	1,750
Sales per employee	£	470,500	457,200	383,600	371,600	348,800
Operating profit per employee (ii)	£	98,800	88,400	73,600	65,300	59,500
Residential						
Completions	number	5,037	4,164	3,908	3,604	3,623
Average selling price	£	203,800	198,600	165,500	157,800	139,800
Turnover						
Residential	£m	1,042.4	827.0	646.7	568.8	506.4
Commercial	£m	123.4	156.9	142.8	158.0	104.0
Operating profit						
Residential (ii)	£m	221.6	166.6	127.0	103.5	84.1
	%	21.3	20.1	19.6	18.2	16.6
Commercial	£m	23.2	23.7	24.4	24.2	20.1
	%	18.8	15.1	17.1	15.3	19.3
Land holdings						
Residential	£m	922.0	788.5	496.1	412.1	364.0
Commercial	£m	88.8	77.7	102.1	107.8	100.6
Return on average capital employed						
Residential (i), (ii)	%	28.7	27.4	26.8	26.6	26.0
Commercial (i)	%	20.7	20.0	16.6	20.2	19.3

(i) Return on average capital employed is obtained by dividing operating profit by average capital employed.
(ii) Stated before reorganisation costs and goodwill amortisation.
(iii) The figures for 2001 have been restated as a result of the implementation of FRS 19 'Deferred Tax'.

Financial calendar

Publication of results	
Unaudited interim statement for the six months to 30th June	Early September
Preliminary announcement of the results for the year to 31st December	Early March
Report and accounts for the year to 31st December	Mid March

Payment of dividends	
Interim dividend	Early November
Final dividend	Late May

Announcements of results and other relevant information released to the London Stock Exchange can be found on the Company's web site: www.wilsonbowden.plc.uk.

Analysis of shareholders

	Number of shareholders	% of equity held
Institutional shareholders	607	60.0
Directors	9	34.9
Directors non-beneficial	2	1.3
General public	822	3.8
31st December 2003	1,440	100.0

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