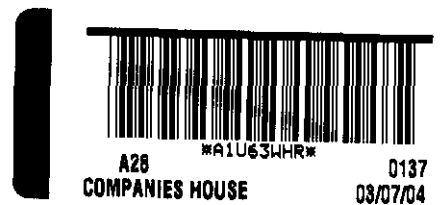


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003
FOR
ESTATEWAYS PLC**



ESTATEWAYS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2003**

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ESTATEWAYS PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003**

DIRECTORS:

D R Beechey F.C.A.
J G Watkins B.A.DipLA(Hons)M.L.I
A P Oliver-Watkins B.Sc.
R G O Watkins
Mrs S L Hubner B.Sc.(Hons)

SECRETARY:

R O Walters Tech, RICS,FNAEA

REGISTERED OFFICE:

Humphrey Street Yard
Humphrey Street Lane
Swansea
SA1 6BJ

REGISTERED NUMBER:

202450 (England and Wales)

AUDITORS:

John F Harvey
Chartered Accountants
Registered Auditors
5/6 De La Beche Street
Swansea
SA1 3HA

ESTATEWAYS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of building, property development and investment. There has been no significant change in these activities during the year.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company had a satisfactory year, the directors do not anticipate any significant changes in the company's operations during the coming year. When comparing the profit before taxation with that of the previous year, it should be noted that the company had to make a further provision in respect of the retired directors pensions of £307,441. However this was partly offset by the profit on sale of fixed assets of £166,732.

	2003 £	2002 £
Turnover	<u>1,853,834</u>	<u>1,868,036</u>
Profit before taxation	897,764	987,960
Taxation	<u>(219,510)</u>	<u>(286,888)</u>
Profit after taxation	<u>678,254</u>	<u>701,072</u>

DIVIDENDS

Interim dividends per share were as follows:

Ordinary 10p shares - paid	4.2p	- 31 December 2003
- proposed	<u>4.4p</u>	- 30 June 2004
	<u>8.6p</u>	

4% Cumulative Preference £1 shares - paid	2.0p	- 30 June 2003
---	------	----------------

5% Cumulative Preference £1 shares - paid	2.5p	- 30 June 2003
---	------	----------------

The directors recommend final dividends per share as follows:

Ordinary 10p shares	8.0p
4% Cumulative Preference £1 shares	2.0p
5% Cumulative Preference £1 shares	2.5p

The total distribution of dividends for the year ended 31 December 2003 will be £493,066.

The final dividend for ordinary shares is proposed for payment on 31 July 2004.

The final dividends for preference shares were paid on 31 December 2003.

Further details of the dividends in the year are given at note 9 to the accounts.

FIXED ASSETS

Changes in fixed assets are shown in notes 10 & 11 to the Accounts. The company's investment properties were revalued on 31st December 2003. Details are given in note 11 to the Accounts.

ESTATEWAYS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS

The directors during the year under review were:

D R Beechey F.C.A.
J G Watkins B.A.DipLA(Hons)M.L.I
A P Oliver-Watkins B.Sc.
R G O Watkins
Mrs S L Hubner B.Sc.(Hons)

The beneficial interests of the directors holding office on 31 December 2003 in the issued share capital of the company were as follows:

	31.12.03	1.1.03
Ordinary 10p shares		
D R Beechey F.C.A.	196,420	196,420
J G Watkins B.A.DipLA(Hons)M.L.I	199,250	190,950
A P Oliver-Watkins B.Sc.	112,507	110,132
R G O Watkins	185,500	185,500
Mrs S L Hubner B.Sc.(Hons)	168,848	168,848

4% Cumulative Preference £1 shares

D R Beechey F.C.A.	481	481
J G Watkins B.A.DipLA(Hons)M.L.I	338	338
A P Oliver-Watkins B.Sc.	755	755
R G O Watkins	-	-
Mrs S L Hubner B.Sc.(Hons)	-	-

5% Cumulative Preference £1 shares

D R Beechey F.C.A.	-	-
J G Watkins B.A.DipLA(Hons)M.L.I	429	429
A P Oliver-Watkins B.Sc.	-	-
R G O Watkins	-	-
Mrs S L Hubner B.Sc.(Hons)	-	-

TERMS OF PAYMENT

The company does not follow a specific code or standard on payment practice. It does however follow specific terms of settlement with each supplier as agreed between the parties involved.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

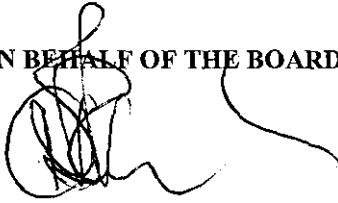
ESTATEWAYS PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003**

AUDITORS

The auditors, John F Harvey, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D R Beechey', written over a dotted line.

D R Beechey F.C.A. - Director

Date:14..... June 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ESTATEWAYS PLC**

We have audited the financial statements of Estateways Plc for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John F Harvey
Chartered Accountants
Registered Auditors
5/6 De La Beche Street
Swansea
SA1 3HA

John F. Harvey Ltd.

Date:19.....June 2004

ESTATEWAYS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

		31.12.03		31.12.02	
	Notes	£	£	£	£
TURNOVER	2		1,853,834		1,868,036
Cost of sales			<u>653,646</u>		<u>711,375</u>
GROSS PROFIT			1,200,188		1,156,661
Administrative expenses			<u>422,285</u>		<u>139,370</u>
OPERATING PROFIT	4		777,903		1,017,291
Profit on disposal of fixed asset	5		<u>135,167</u>		<u>-</u>
			913,070		1,017,291
Income from investments		1,732		3,010	
Interest receivable and similar income	6	<u>181</u>	<u>1,913</u>	<u>228</u>	<u>3,238</u>
			914,983		1,020,529
Interest payable and similar charges	7		<u>17,219</u>		<u>32,569</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			897,764		987,960
Tax on profit on ordinary activities	8		<u>219,510</u>		<u>286,888</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			678,254		701,072
Dividends (including non-equity shares)	9		<u>493,066</u>		<u>236,475</u>
			185,188		464,597
Retained profit brought forward			<u>4,348,642</u>		<u>3,904,953</u>
			4,533,830		4,369,550
Transfer from revaluation reserve - property sold			(16,967)		-
Transfer from investment revaluation reserve - amortisation			125		100
Transfer from investment revaluation reserve - sale			-		(24,358)
Transfer from revaluation reserve - depreciation			<u>5,046</u>		<u>3,350</u>

The notes form part of these financial statements

ESTATEWAYS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>31.12.03</u>	<u>31.12.02</u>
	£	£
RETAINED PROFIT CARRIED FORWARD	<u><u>£4,522,034</u></u>	<u><u>£4,348,642</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

ESTATEWAYS PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>31.12.03</u>	<u>31.12.02</u>
	£	£
PROFIT FOR THE FINANCIAL YEAR	678,254	701,072
Unrealised surplus / (deficit) on revaluation of fixed assets	<u>1,338,589</u>	<u>346,888</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>£2,016,843</u></u>	<u><u>£1,047,960</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

ESTATEWAYS PLC

**BALANCE SHEET
31 DECEMBER 2003**

		31.12.03	31.12.02
	Notes	£	£
FIXED ASSETS:			
Tangible assets	10	285,334	417,240
Investments	11	<u>16,907,295</u>	<u>15,456,395</u>
		17,192,629	15,873,635
CURRENT ASSETS:			
Stocks	12	60,994	66,048
Debtors	13	844,763	758,201
Cash at bank and in hand		<u>69,738</u>	<u>4,265</u>
		975,495	828,514
CREDITORS: Amounts falling due within one year	14	<u>1,112,100</u>	<u>1,176,850</u>
NET CURRENT LIABILITIES:		<u>(136,605)</u>	<u>(348,336)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		17,056,024	15,525,299
CREDITORS: Amounts falling due after more than one year	15	-	(93,913)
PROVISIONS FOR LIABILITIES AND CHARGES:	18	<u>(2,004,860)</u>	<u>(1,903,999)</u>
		<u>£15,051,164</u>	<u>£13,527,387</u>
CAPITAL AND RESERVES:			
Called up share capital	19	376,396	376,396
Fixed assets revaluation reserve	20	166,003	154,082
Capital redemption reserve	21	13,077	13,077
Fixed asset investments revaluation reserve	22	9,973,654	8,635,190
Profit and loss account		<u>4,522,034</u>	<u>4,348,642</u>
SHAREHOLDERS' FUNDS (including non-equity interests):	26	<u>£15,051,164</u>	<u>£13,527,387</u>

ON BEHALF OF THE BOARD:

.....
D R Beechey F.C.A. - Director

.....
J G Watkins B.A.DipLA(Hons)M.L.I - Director

Approved by the Board on June 2004

The notes form part of these financial statements

ESTATEWAYS PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

		<u>31.12.03</u>	<u>31.12.02</u>
	Notes	£	£
Net cash inflow from operating activities	1	893,492	677,998
Returns on investments and servicing of finance	2	99,189	85,164
Taxation		(231,653)	(216,498)
Capital expenditure and financial investment	2	80,238	(99,215)
Equity dividends paid		(359,817)	(345,072)
		481,449	102,377
Financing	2	(134,592)	(126,460)
Increase/(Decrease) in cash in the period		<u>£346,857</u>	<u>£(24,083)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		<u>346,857</u>	<u>(24,083)</u>
Change in net debt resulting from cash flows		<u>346,857</u>	<u>(24,083)</u>
Movement in net debt in the period		346,857	(24,083)
Net debt at 1 January		<u>(382,757)</u>	<u>(358,674)</u>
Net debt at 31 December		<u>£(35,900)</u>	<u>£(382,757)</u>

The notes form part of these financial statements

ESTATEWAYS PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.12.03 £	31.12.02 £
Operating profit	777,903	1,017,291
Depreciation charges	11,256	13,456
Loss on sale of fixed assets	-	7,375
Profit on sale of fixed assets	(31,565)	(353)
Amortisation	5,100	4,080
Retired directors pensions paid in year	(206,580)	(196,743)
Pension provision adjustment to actuarial valuation	307,441	-
Decrease in stocks	5,054	3,945
Decrease/(Increase) in debtors	26,758	(114,130)
Decrease in creditors	<u>(1,875)</u>	<u>(56,923)</u>
Net cash inflow from operating activities	<u>893,492</u>	<u>677,998</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.12.03 £	31.12.02 £
Returns on investments and servicing of finance		
Interest received	181	228
Interest paid	(17,219)	(32,569)
Dividends received	1,732	3,010
Dividends paid on non-equity shares	<u>114,495</u>	<u>114,495</u>
Net cash inflow for returns on investments and servicing of finance	<u>99,189</u>	<u>85,164</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13,418)	-
Purchase of investments	(117,411)	(144,862)
Sale of tangible fixed assets	75,900	45,647
Exceptional items	<u>135,167</u>	<u>-</u>
Net cash inflow/(outflow) for capital expenditure	<u>80,238</u>	<u>(99,215)</u>
Financing		
Repayment of long term loans	<u>(134,592)</u>	<u>(126,460)</u>
Net cash outflow from financing	<u>(134,592)</u>	<u>(126,460)</u>

The notes form part of these financial statements

ESTATEWAYS PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank and in hand	4,265	65,473	69,738
Bank overdrafts	<u>(387,022)</u>	<u>281,384</u>	<u>(105,638)</u>
	<u>(382,757)</u>	<u>346,857</u>	<u>(35,900)</u>
 Total	 <u>(382,757)</u>	 <u>346,857</u>	 <u>(35,900)</u>

Analysed in Balance Sheet

Cash at bank and in hand	4,265	69,738
Bank overdrafts	<u>(387,022)</u>	<u>(105,638)</u>
	<u>(382,757)</u>	<u>(35,900)</u>

The notes form part of these financial statements

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

They have been prepared in accordance with all applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

Turnover

Turnover represents repairs and maintenance work, disposal of properties, and rents receivable.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Land and Buildings	- 2% on cost
Plant, machinery and motor vehicles	- 25% on cost and 15% on cost

The company has adopted FRS 15 with the property valuations not being updated.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Fixed asset investments

It is considered that all the land and buildings under this heading are "investment properties" within the terms of Statement of Standard Accounting Practice No.19 ('Accounting for Investment Properties'). In accordance with S.S.A.P 19, (I) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (II) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run. Leasehold investment properties with twenty years or less to expiry are amortised over the remaining term of the lease. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view. On disposal of an investment property, any revaluation adjustment previously taken to Revaluation Reserve is transferred to the Revenue Reserve. The gain or loss included in the Profit and Loss Account is the difference between net realisation and carrying value. Where leasehold investment properties are depreciated, an amount equal to that relating to an earlier revaluation is transferred from the Revaluation Reserve to the Revenue Reserve each year.

Pensions

The company policy is to make full provision for this liability as detailed in Notes 18 and 23.

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

	Turnover		Profit on Ordinary Activities before Taxation	
	2003 £	2002 £	2003 £	2002 £
Repair and maintenance work, disposal of properties and ground rents	80,082	65,364	38,782	34,569
Rents receivable	<u>1,773,752</u>	<u>1,802,672</u>	<u>858,982</u>	<u>953,391</u>
	<u>1,853,834</u>	<u>1,868,036</u>	<u>897,764</u>	<u>987,960</u>

3. STAFF COSTS

	31.12.03 £	31.12.02 £
Wages and salaries	131,051	118,711
Social security costs	<u>4,334</u>	<u>3,184</u>
	<u>135,385</u>	<u>121,895</u>

The average monthly number of employees during the year was as follows:

	31.12.03	31.12.02
Management and Administration	8	8
Repairs and Maintenance	<u>6</u>	<u>6</u>
	<u>14</u>	<u>14</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.03 £	31.12.02 £
Depreciation - owned assets	11,256	13,456
(Profit)/Loss on disposal of fixed assets	(31,565)	7,022
Auditors' remuneration	7,050	7,050
Amortisation - leased assets	5,100	4,080
Exceptional Item - Increase in provision for retired directors pensions (see note 18)	<u>307,441</u>	<u>-</u>
Directors' emoluments	<u>61,705</u>	<u>49,900</u>

5. EXCEPTIONAL ITEM

During the year the company sold a fixed asset freehold property. The profit on disposal amounted to £135,167.

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.03	31.12.02
	£	£
Interest receivable	<u>181</u>	<u>228</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.03	31.12.02
	£	£
Overdraft Interest	8,534	16,018
Bank Loan Interest	<u>8,685</u>	<u>16,551</u>
	<u>17,219</u>	<u>32,569</u>

8. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.03	31.12.02
	£	£
Current tax:		
UK corporation tax	230,687	219,243
Overseas taxation	<u>12,411</u>	<u>-</u>
Total current tax	243,098	219,243
Deferred tax:		
Origination and reversal of timing differences	<u>(23,588)</u>	<u>67,645</u>
Tax on profit on ordinary activities	<u>219,510</u>	<u>286,888</u>

UK corporation tax has been charged at 30% (2002 - 30%).

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.03 £	31.12.02 £
Profit on ordinary activities before tax	<u>897,764</u>	<u>987,960</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	269,329	296,388
Effects of:		
Chargeable gain	7,252	-
Capital allowances claimed	(8,318)	(9,748)
Disallowed expenditure and non taxable income	(3,464)	8,044
Pensions paid in year	(61,974)	(59,023)
Exceptional Item - Increase in provision for retired directors pensions	92,232	-
Exceptional Item - Profit on disposal of fixed asset freehold property	(40,550)	-
(Profit)/ Loss for year on foreign properties	(919)	471
Overseas taxation	12,411	-
Rental income in advance	(4,486)	2,089
Small companies marginal relief	<u>(18,415)</u>	<u>(18,978)</u>
Current tax charge	<u>243,098</u>	<u>219,243</u>

9. DIVIDENDS

	31.12.03 £	31.12.02 £
Equity shares:		
2,949,330 Ordinary shares of 10p each		
Interim dividend paid	123,871	115,024
Interim dividend proposed	129,771	-
Final dividend proposed	<u>235,946</u>	<u>117,973</u>
	<u>489,588</u>	<u>232,997</u>
Non-equity shares:		
Participating dividends		
59,465 4% Cumulative Preference shares of £1 each		
Interim dividend paid	1,189	1,189
Final dividend paid	1,189	1,189
21,998 5% Cumulative Preference shares of £1 each		
Interim dividend paid	550	550
Final dividend paid	<u>550</u>	<u>550</u>
	<u>3,478</u>	<u>3,478</u>
	<u>493,066</u>	<u>236,475</u>

ESTATEWAYS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

10. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u>	<u>Plant, machinery and motor vehicles</u>	<u>Totals</u>
	£	£	£
COST OR VALUATION:			
At 1 January 2003	447,225	59,031	506,256
Additions	-	13,418	13,418
Disposals	<u>(145,725)</u>	<u>-</u>	<u>(145,725)</u>
At 31 December 2003	<u>301,500</u>	<u>72,449</u>	<u>373,949</u>
DEPRECIATION:			
At 1 January 2003	35,778	53,239	89,017
Charge for year	6,030	5,226	11,256
Eliminated on disposals	<u>(11,658)</u>	<u>-</u>	<u>(11,658)</u>
At 31 December 2003	<u>30,150</u>	<u>58,465</u>	<u>88,615</u>
NET BOOK VALUE:			
At 31 December 2003	<u>271,350</u>	<u>13,984</u>	<u>285,334</u>
At 31 December 2002	<u>411,448</u>	<u>5,792</u>	<u>417,240</u>

Land and buildings comprises Freehold Property valued on 31 December 1999 on an open market basis. The properties were valued by Rowland Jones and Partners, Chartered Surveyors at £301,500 (£447,225 in 2002) on the basis recorded in Note 11. The figures reported represent the aggregate value of the properties valued on an individual basis.

Cost or valuation at 31 December 2003 is represented by:

	<u>Land and Buildings</u>	<u>Plant, machinery and motor vehicles</u>	<u>Totals</u>
	£	£	£
Valuation in 1999	184,447	-	184,447
Cost	<u>117,053</u>	<u>72,449</u>	<u>189,502</u>
	<u>301,500</u>	<u>72,449</u>	<u>373,949</u>

If Freehold Land and Buildings had not been revalued they would have been included at the following historical cost:

	31.12.03 £	31.12.02 £
Cost	<u>117,053</u>	<u>279,745</u>
Aggregate depreciation	<u>(11,704)</u>	<u>(22,379)</u>

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

11. FIXED ASSET INVESTMENTS

	£
COST OR VALUATION:	
At 1 January 2003	15,467,000
Additions	117,411
Surplus on revaluation	<u>1,338,589</u>
At 31 December 2003	<u>16,923,000</u>
PROVISIONS:	
At 1 January 2003	10,605
Provision during year	<u>5,100</u>
At 31 December 2003	<u>15,705</u>
NET BOOK VALUE:	
At 31 December 2003	<u><u>16,907,295</u></u>
At 31 December 2002	<u><u>15,456,395</u></u>

Cost or valuation at 31 December 2003 is represented by:

	£
Valuation in 2003	9,974,185
Cost	<u>6,948,815</u>
	<u><u>16,923,000</u></u>

If the Investment Properties had not been revalued they would have been included at the following historical cost:

	31.12.03	31.12.02
	£	£
Cost	<u>6,948,815</u>	<u>6,831,404</u>
Aggregate amortisation	<u>(15,174)</u>	<u>(10,199)</u>

The London property was valued on an open market basis on 31 December 2003 by Marsh & Parsons, Chartered Surveyors.

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

11. FIXED ASSET INVESTMENTS - continued

The portfolio of UK freehold and leasehold interests categorised as "Investment Properties" , excluding the London property, were valued by external valuers, The JWT Partnership Ltd trading as Rowland Jones and Partners, Chartered Surveyors, as at 31 December 2003, on the basis of market value and in accordance with the RICS Appraisal and Valuation Standards and the instructions of the directors.

The figures reported represent the aggregate value of the properties valued on an individual basis.

Rowland Jones and Partners have undertaken valuations for inclusion in the company's balance sheet since 1993. Since 1998 Mrs Ruth Thomas Bsc MRICS IRRV of that firm has continuously been the signatory to the valuations provided.

The company secretary to Estateways Plc, Mr Richard Walters, is a director and shareholder of The JWT Partnership Ltd.

In relation to the preceeding financial year of Rowland Jones and Partners, the total fees payable by Estateways Plc represented a proportion of approximately 30% - 35% of the total income of the firm.

For the purposes of the valuation, the valuers have relied upon information available to them by virtue of its management of the properties in accordance with the terms of the management agreement and the directors of Estateways Plc have been requested to disclose any material changes that the valuers may not be aware of since the date of the last valuation carried out by the valuers.

The valuers were not required to inspect or re-inspect the properties unless they have not been previously inspected by the valuer or the firm.

	31.12.03	31.12.02
	£	£
Unlisted investments	<u>16,907,295</u>	<u>15,456,395</u>

12. STOCKS

	31.12.03	31.12.02
	£	£
Building materials	-	522
Ground rents	<u>60,994</u>	<u>65,526</u>
	<u>60,994</u>	<u>66,048</u>

The replacement value of the ground rents is considered to be in the order of £250,000.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.03	31.12.02
	£	£
Trade debtors	339,389	344,101
Other debtors	77,549	530
Prepayments	1,531	10,864
Deferred tax asset	<u>426,294</u>	<u>402,706</u>
	<u>844,763</u>	<u>758,201</u>

ESTATEWAYS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

**13. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR - continued**

Deferred tax asset	31.12.03 £	31.12.02 £
Deferred tax on accelerated capital allowances	(175,164)	(168,494)
Deferred tax on future pension obligations	<u>601,458</u>	<u>571,200</u>
	<u>426,294</u>	<u>402,706</u>

**14. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.03 £	31.12.02 £
Bank loans and overdrafts (see note 16)	105,638	387,022
Bank loan (see note 16)	93,234	133,914
Other creditors	8,609	4,960
Interim dividend proposed	129,771	-
Final dividend proposed	235,946	117,973
Social security & other taxes	421	7,833
Taxation	230,687	219,242
Accruals and deferred income	<u>307,794</u>	<u>305,906</u>
	<u>1,112,100</u>	<u>1,176,850</u>

**15. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31.12.03 £	31.12.02 £
Bank loan (see note 16)	<u>-</u>	<u>93,913</u>

16. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.12.03 £	31.12.02 £
Amounts falling due within one year or on demand:		
Bank overdrafts	105,638	387,022
Bank loan	<u>93,234</u>	<u>133,914</u>
	<u>198,872</u>	<u>520,936</u>
Amounts falling due between one and two years:		
Bank loan	<u>-</u>	<u>93,913</u>

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

17. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.03	31.12.02
	£	£
Bank overdrafts	105,638	387,022
Bank Loan	<u>93,234</u>	<u>227,827</u>
	<u>198,872</u>	<u>614,849</u>

The three bank overdrafts and the bank loan are secured on five of the company's properties. The rate of interest payable on the bank loan varies with HSBC PLC's base rate.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	31.12.03	31.12.02
	£	£
Future pension obligations	<u>2,004,860</u>	<u>1,903,999</u>
	Deferred tax	Future Pensions
	£	£
Balance at 1 January 2003	(402,706)	1,903,999
Accelerated capital allowances	6,670	-
Pensions paid in year	61,974	(206,580)
Pension provision adjustment	<u>(92,232)</u>	<u>307,441</u>
Balance at 31 December 2003	<u>(426,294)</u>	<u>2,004,860</u>

The main assumptions underlying the calculation of the provision for pensions are:

- Annual pension increases will be 5%
- Investment performance will be 7.12%
- Annual RPI increase will be 3%

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

19. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.03	31.12.02
			£	£
9,180,000	Ordinary	10p	918,000	918,000
60,000	4% Cumulative Preference	£1	60,000	60,000
22,000	5% Cumulative Preference	£1	<u>22,000</u>	<u>22,000</u>
			<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.03	31.12.02
			£	£
2,949,330	Ordinary	10p	294,933	294,933
59,465	4% Cumulative Preference	£1	59,465	59,465
21,998	5% Cumulative Preference	£1	<u>21,998</u>	<u>21,998</u>
			<u>376,396</u>	<u>376,396</u>

The two classes of preference shares carry dividends of 4% and 5% respectively, payable half yearly in arrears on 30th June and 31st December. The dividend rights are cumulative.

The preference shares carry no votes at meetings unless the dividends thereon is twelve months or more in arrears or the business of the meeting shall include the passing of an Extraordinary Resolution, or a Special Resolution the provisions of which are such as to vary the preferential right of the registered holders of the preference shares.

On a winding up of the company the preference shareholders have a right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividends.

20. FIXED ASSETS REVALUATION RESERVE

	31.12.03	31.12.02
	£	£
Brought forward	154,082	157,432
Transfer from retained profits		
- property sold	16,967	-
Transfer to retained profits		
- depreciation	<u>(5,046)</u>	<u>(3,350)</u>
	<u>166,003</u>	<u>154,082</u>

21. CAPITAL REDEMPTION RESERVE

	31.12.03	31.12.02
	£	£
Purchase of own shares	<u>13,077</u>	<u>13,077</u>

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

22. **FIXED ASSET INVESTMENTS
REVALUATION RESERVE**

	31.12.03	31.12.02
	£	£
Brought forward	8,635,190	8,264,044
Revaluation	1,338,589	346,888
Transfer to retained profits - sale of property	-	24,358
Transfer to retained profits - amortisation	(125)	(100)
	<u>9,973,654</u>	<u>8,635,190</u>

23. **PENSION COMMITMENTS**

During the year the company paid defined benefit pensions to five former directors, there are no further commitments accruing to existing directors.

Provision has been made in the Balance Sheet for this commitment, based upon actuarial calculations at 31 December 2003. This is detailed in Note 18.

24. **TRANSACTIONS WITH DIRECTORS**

There were no transactions with directors that required disclosure.

25. **RELATED PARTY DISCLOSURES**

There were no related party transactions that required disclosure.

26. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.03	31.12.02
	£	£
Profit for the financial year	678,254	701,072
Dividends	<u>(493,066)</u>	<u>(236,475)</u>
	185,188	464,597
Other recognised gains and losses relating to the year (net)	<u>1,338,589</u>	<u>346,888</u>
Net addition to shareholders' funds	1,523,777	811,485
Opening shareholders' funds	<u>13,527,387</u>	<u>12,715,902</u>
Closing shareholders' funds	<u>15,051,164</u>	<u>13,527,387</u>
Equity interests	14,969,701	13,445,924
Non-equity interests	<u>81,463</u>	<u>81,463</u>
	<u>15,051,164</u>	<u>13,527,387</u>

ESTATEWAYS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

27. OVERSEAS SUBSIDIARY

The company has a French subsidiary, Estateways-Houlgate, which is a non trading nominee company which was used solely as an administrative device for the holding of a French property sold during 2002.

The company is exempt from preparing group accounts under S.248 of the Companies Act 1985 as the group is a small group and also the subsidiary is immaterial.