

Annington Property Limited
(Registered Number: 3232852)

Directors' Report and Accounts
Year Ended 31 March 2003



Annington Property Limited

Directors' Report For The Year Ended 31 March 2003

The directors present their report and the audited accounts of the company for the year 31 March 2003.

The company's principal activity during the year was property investment.

Results and dividends

The company's profit for the year is £16.1 million (2002: Loss £48.2 million). No dividend has been paid or proposed (2002: £nil).

Directors and their interests

The directors who held office during the year are given below:

JB Chambers
SC Devine
JC Hopkins
NP Vaughan

The directors had no interests in the shares of the company or any other company within Le Grand Annington Limited group.

Policy on payment of creditors

The Company's policy is to agree terms of the payment with suppliers and these normally provide for payment within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed £3.7 million to trade creditors at 31 March 2003 (2002: £4.3 million), the number of days to be shown in this report, to comply with the provisions of paragraph 12(3) of part VI of schedule 7 of the Companies Act 1985, is 27 days (2002: 41 days).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Annington Property Limited

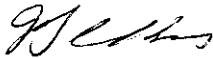
Directors' Report For The Year Ended 31 March 2003

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.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



J.B. Chambers

Secretary

1 September 2003

Independent Auditors' Report To The Members of Annington Property Limited

We have audited the financial statements on pages 4 to 12 which have been prepared in accordance with the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on pages 1 and 2.

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

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

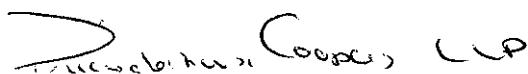
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

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



PricewaterhouseCoopers LLP
Chartered Accountants
& Registered Auditors
London

| September 2003

Annington Property Limited

Profit & Loss Account For The Year Ended 31 March 2003

	Note	2003 £'000	2002 £'000
Rental income		129,151	119,391
Administration expenses		(39,300)	(38,954)
Operating profit	3	89,851	80,437
Profit on sale of properties	4	79,390	36,948
Profit on ordinary activities before interest and taxation		169,241	117,385
Interest payable and similar charges	5	(181,643)	(169,034)
Profit/(loss) interest receivable and similar income		28,530	3,400
Profit/(loss) on ordinary activities before taxation		16,128	(48,249)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) for the year		16,128	(48,249)
Dividends	7	-	-
Retained profit/(loss) for the year		16,128	(48,249)

All income was derived from within the United Kingdom from continuing operations. No operations were discontinued during the year.

Statement Of Total Recognised Gains And Losses For The Year Ended 31 March 2003

	2003 £'000	2002 £'000
Profit/(loss) attributable to shareholders	16,128	(48,249)
Surplus on revaluation of properties	504,344	132,613
Total recognised gains for the financial year	520,472	84,364

Note Of Historical Cost Profits and Losses For The Year Ended 31 March 2003

	2003 £'000	2002 £'000
Reported profit/(loss) for the financial year	16,128	(48,249)
Realisation of property revaluation gains of previous years	49,870	45,081
Historical cost profit/(loss) for the financial year	65,998	(3,168)

The notes on pages 6 to 12 form part of these accounts.

Annington Property Limited

Balance Sheet as at 31 March 2003

	Note	31 March 2003		31 March 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8	3,146,610		2,742,404	
			3,146,610		2,742,404
Current assets					
Debtors due within one year	9	571,777		545,730	
Investments	11	74,677		26,945	
Cash at bank and in hand		2,925		188	
		649,379		572,863	
Creditors – Amounts falling due within one year	12	(2,169,750)		(2,209,500)	
Net current liabilities			(1,520,371)		(1,636,637)
Total assets less current liabilities			1,626,239		1,105,767
Capital and reserves:					
Called up share capital	13		-		-
Revaluation reserve	14		1,721,486		1,267,012
Profit and loss account	14		(95,247)		(161,245)
Total equity shareholders' funds			1,626,239		1,105,767

Approved By The Board On 1 September 2003



J.B. Chambers
Director

The notes on pages 6 to 12 form part of these accounts.

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

1 Accounting policies

These financial statements are prepared under the historical cost convention, as modified by the revaluation of the company's tangible fixed assets, and in accordance with applicable accounting standards. Compliance with SSAP 19 - Accounting for Investment Properties - requires a departure from the requirements of the Companies Act 1985 relating to depreciation.

Rental income

Income from tenants is accounted for on an accruals basis.

Repairs and renewals

No provision is made for future repairs and renewals of tangible assets, all such items being written off as incurred.

Sale of investment properties

Realised surpluses and deficits arising on disposals of fixed asset investment properties, determined by reference to the assets' carrying value in the balance sheet, are included in the profit and loss account.

Sales are accounted for on a legal completion of contract basis – refer to the changes in accounting policy within the Directors' Report on page 1.

Direct costs (including amounts payable under the Profit Share Agreement) of the sale are offset against the profit/loss on sale. Other costs are dealt with within operating expenses.

Investment properties

In accordance with SSAP 19 investment properties are revalued at open market value recognising the contractual obligations to current tenants. The aggregate surplus/deficit is transferred to the revaluation reserve.

Where a property has suffered permanent diminution in value, the deficit is taken to the profit and loss account.

Sales of properties are recognised on legal completion.

Additions to properties include costs of a capital nature only - interest and other costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

Deferred Taxation

With the exception of properties where contracts for sale have been exchanged, no provision is made for the estimated taxation liability which would arise if investment properties were sold at their book value.

Depreciation

In accordance with SSAP 19, no depreciation is provided in respect of freehold or leasehold properties held on leases having more than 20 years unexpired.

The non-depreciation of properties is a departure from the requirements of the Companies Act 1985 but in accordance with SSAP 19. The effect of this cannot be separately identified or quantified as it is part of the valuation of the property. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at open market value.

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

2 Segmental reporting

The company's activities consist solely of property investment in the United Kingdom.

3 Operating profit

	2003 £'000	2002 £'000
Operating profit is stated after charging		
Operating lease payments:		
Land & Buildings	28	-
Auditors' remuneration		
Audit services	-	-
Non-audit services	-	-

4 Profit on disposal of properties

	2003 £'000	2002 £'000
Sale proceeds	219,231	164,522
Cost of sales including selling costs	(111,628)	(110,812)
Profit Share payment under Profit Share Agreement	(28,213)	(16,762)
	79,390	36,948

5 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on overdrafts and bank loans	-	10
Interest payable on inter-company balances	181,643	169,024
	181,643	169,034

6 Tax on ordinary activities

	2003 £'000	2002 £'000
UK corporation tax @ 30% (2002: 30%)	-	-
	-	-

7 Dividends

No dividend has been paid or is proposed (2002: £ nil).

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

8 Tangible assets

Properties

£'000

Cost or valuation

At 1 April 2002	2,742,404
Additions	459
Disposals	(100,597)
Revaluation	504,344
At 31 March 2003	3,146,610

Accumulated depreciation

At 1 April 2002	-
Charge of the year	-
Disposals	-
At 31 March 2003	-

Net book amount at 31 March 2003

3,146,610

Net book amount at 31 March 2002

2,472,404

Allsop & Co. have prepared a valuation of the investment properties held by Annington Property Limited in the MoD Married Quarters Retained and Surplus Estate as at 31 March 2003 for the purposes of the financial statements.

Allsop & Co. are external valuers and the valuations were undertaken on the basis of Open Market Value.

The valuations have been carried out in accordance with the requirements of the RICS Appraisal Valuation Manual.

The Open Market Value as at 31 March 2003 was £3,636 million (2002: £3,099 million). This relates to 43,853 (2002: 45,536) properties within the Retained Estate producing an annual rental income of £130,834,675 (2002: £121,946,954) and 3,561 (2002: 3,832) properties in the Surplus Estate of which 811(2002: 622) were let on various forms of tenancy, producing an aggregate rental income of £4,687,222 per annum (2002: 3,747,841).

The Net Book Amount shown above is net of disposal costs in accordance with the profit share arrangement which the company would have incurred had the assets been disposed at the Balance Sheet date.

	2003 £'000	2002 £'000
The net book amount of properties comprises		
Freehold	235,302	192,957
Very long leaseholds (over 900 years)	2,911,308	2,549,447
	3,146,610	2,742,404

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

Properties would have been included on an historical cost basis as follows:

	Properties 2003 £'000	Properties 2002 £'000
Cost	1,425,124	1,474,429
Net book amount	1,425,124	1,474,429

9 Debtors

	2003 £'000	2002 £'000
Amounts owed by undertakings	568,039	540,579
Other debtors	3,631	5,060
Prepayments and accrued income	107	91
	571,777	545,730

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

10 Operating lease commitments

All company leases are operating in nature and the annual rentals are charged to operating profit on a straight line basis over the lease term.

At 31 March 2003 the company was committed to making the following payments during the next year in respect of operating losses:

	Land & Buildings 2003 £'000	Land & Buildings 2002 £'000
Leases which expire:		
within 1 year	-	-
within 2-5 year	-	-
after more than 5 years	83	-

11 Current asset investments

	2003 £'000	2002 £'000
Short term deposits	79,750	26,945

The market value of the short term deposits is not materially different to their carrying amount.

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

12 Creditors - Amounts falling due within one year

	2003 £'000	2002 £'000
Due to group undertakings	2,121,992	2,175,233
Other Creditors	8,494	2,991
Accruals and deferred income	39,264	31,276
	2,169,750	2,209,500

Amounts due to group undertakings include loans which are secured and interest bearing and other amounts which are unsecured, interest free and no fixed date of repayment.

13 Called up share capital

	2003 £	2002 £
Authorised	1,000	1,000
Allotted and fully paid		
1 Ordinary shares of £1 each - fully paid	1	1
	1	1

14 Reserves

	Profit & Loss Account £'000	Revaluation Reserve £'000
At 31 March 2002	(161,245)	1,267,012
Surplus on revaluation of properties	-	504,344
Transfer on disposal of properties	49,870	(49,870)
Retained profit/loss for the year	16,128	-
At 31 March 2003	(95,247)	1,721,486

The revaluation reserve arises from the revaluation of properties at 31 March 2003. No provision has been made for any tax liability of approximately £442 million (2002: £321 million) that would arise if these assets were disposed of at their revalued amount.

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

15 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit/loss for the year	16,128	(48,249)
Movement in revaluation reserve	504,344	132,613
Net change in shareholders' funds	520,472	84,364
Shareholders' funds brought forward	1,105,767	1,021,403
Shareholders' funds carried forward	1,626,239	1,105,767

16 Employees

The company had no employees during the year (2002: Nil).

17 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	4,939	4,937

No retirement benefits are accruing to directors. The emoluments for the highest paid director amounted to £2,475,103 (2002: £2,500,023).

18 Cash flow statement exemption

The company is a wholly owned subsidiary of Annington Homes Limited and is included in the consolidated financial statements of Annington Homes Limited which include a consolidated cash flow statement. The company has therefore elected to make use of the exemption provided in Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" not to produce its own cash flow statement.

19 Other related party transactions

The company is a wholly owned subsidiary of Annington Homes Limited and is included in the consolidated financial statements of Annington Homes Limited. The company has taken advantage of the exemption provided in Financial Reporting Standard 8 "Related Party Disclosures" not to make disclosure of transactions with other entities that are part of the group.

20 Post balance sheet event

On 4 June the company entered into a lease for new Head Office premises.

21 Contingent liabilities

There is a contingent liability to allow for the adoption of private utilities on surplus property sites which are currently base dependent for their supply of water and sewerage treatment. This amounts to £19.1 million (2002: £14.0 million).

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2003

22 Parent company

Le Grand Annington Limited which is registered in England and Wales, is the ultimate parent company.

Consolidated financial statements for the year ended 31 March 2003 for Le Grand Annington Limited can be obtained from the Secretary, 1 James Street, London W1U 1DR.