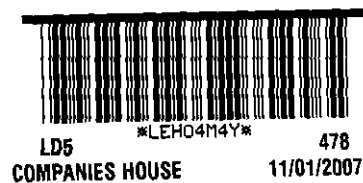


**Annington Property Limited**  
(Registered Number: 3232852)

**Annual Report and Accounts**  
**Year Ended 31 March 2006**



# **Annington Property Limited**

## **Directors' Report For The Year Ended 31 March 2006**

The directors present their report and the audited accounts of the Company for the year ended 31 March 2006.

### **Business review and principal activities**

The Company's principal activity during the year was property investment. The activity of the Company is expected to continue at similar levels for the foreseeable future.

The Company is a wholly owned subsidiary of Annington Homes Limited.

As shown in the Company's profit and loss account, the operating profit is consistent with the prior year. There are two main reasons why the Company published a profit of £10.7 million compared to £37.1 million loss in the prior year:

- The profit on disposal of properties for the current year of £44.8 million is an 80% improvement on the previous year (£2005: £24.8 million).
- Interest payable on inter-company balances has reduced in the current year to £200.2 million (2005: £221.6 million).

The balance sheet shows that the Company's financial position at the year end in net asset terms has improved by £305 million, the main contributing factor being a favourable revaluation of investment properties.

Amounts owed by Group companies were £788.1 million (2005: £657 million). Amounts due to Group companies were £2,293 million (2005: £2,307 million).

### **Results and dividends**

The Company's profit after taxation for the year is £10.7 million (2005: Loss after taxation £37.1 million). No dividend has been paid or proposed (2005: £nil).

### **Directors and their interests**

The directors who held office throughout the year, unless otherwise disclosed, and since the year end are given below:

JB Chambers  
SC Devine (resigned 30 June 2005)  
JC Hopkins  
NP Vaughan  
SE Parsons (appointed 28 June 2005)

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

### **Financial risk management**

The principal funding of the Group is through the issue of a series of secured zero coupon, floating rate and fixed rate notes issued by Annington Finance No. 1 plc ("AF1") and Annington Finance No. 4 plc ("AF4"). These Notes, together with swap arrangements and liquidity facility arrangements, provide long term protection against interest rate and liquidity risk.

# **Annington Property Limited**

## **Directors' Report For The Year Ended 31 March 2006**

### **Other risks and uncertainties**

The directors consider that a potential risk to the Company's activities could exist if MoD terminated leases on a significant number of properties over a short period of time, during which activity levels in the general housing market were low. In such circumstances, the Company would suffer a reduction in rent from MoD at the same time as sales were proving difficult. However, the directors are of the view that the overall demand for housing would continue and that demand for "market renting" would be strong during such a period, reducing the overall impact on the Company's position.

### **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 £0.3 million to trade creditors at 31 March 2006 (2005: £0.2 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 5 days (2005: 29 days).

### **Statement of directors' responsibilities**

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. 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; and
- 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 the system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of the report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

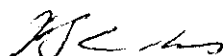
# **Annington Property Limited**

## **Directors' Report For The Year Ended 31 March 2006**

### **Auditors**

Deloitte & Touche LLP has expressed its willingness to continue in office and a resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



J.B. Chambers

**Secretary**

19 December 2006

### **Registered Office:**

1 James Street  
London  
W1U 1DR

# **Independent Auditors' Report To The Members of**

## **Annington Property Limited**

We have audited the financial statements of Annington Property Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the company balance sheet and the related notes 1 to 23. These financial statements have been prepared under 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the Company's directors are responsible for the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report contained in the annual report for the above year 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 International Standards on Auditing (UK and Ireland) 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 circumstances of the Company, 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.

# Independent Auditors' Report To The Members of

## Annington Property Limited

### Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

Date: *20 December 2006*

# Annington Property Limited

## Profit and Loss Account For The Year Ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Turnover		140,666	137,658
Cost of sales		(16,793)	(15,912)
<b>Gross profit</b>		<b>123,873</b>	<b>121,746</b>
Administration expenses		(10,666)	(10,076)
<b>Operating profit</b>	<b>3</b>	<b>113,207</b>	<b>111,670</b>
Profit on disposal of properties	<b>4</b>	<b>44,857</b>	<b>24,777</b>
<b>Profit on ordinary activities before finance charges</b>		<b>158,064</b>	<b>136,447</b>
Interest receivable and similar income	<b>5</b>	<b>52,955</b>	<b>48,078</b>
Interest payable and similar charges	<b>6</b>	<b>(200,279)</b>	<b>(221,655)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>10,740</b>	<b>(37,130)</b>
Tax on loss on ordinary activities	<b>7</b>	<b>(13)</b>	<b>-</b>
<b>Profit/(loss) on ordinary activities after taxation and retained for the financial year</b>	<b>14</b>	<b>10,727</b>	<b>(37,130)</b>

All income was derived from within the United Kingdom from continuing operations.

## Statement Of Total Recognised Gains And Losses For The Year Ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Profit/(loss) for the financial year		10,727	(37,130)
Surplus on revaluation of properties	<b>14</b>	<b>357,971</b>	<b>205,417</b>
<b>Total recognised gains and losses for the financial year</b>		<b>368,698</b>	<b>168,287</b>
Impact of change in accounting policy	<b>23</b>	<b>(63,506)</b>	<b>-</b>
<b>Total gains and losses since last annual report</b>		<b>305,192</b>	<b>-</b>

## Annington Property Limited

### Note Of Historical Cost Profits and Losses For The Year Ended 31 March 2006

	Note	2006 £'000	2005 £'000
Reported profit/(loss) on ordinary activities before taxation		10,740	(37,130)
Realisation of property revaluation gains of previous years	14	83,481	42,766
<b>Historical cost profit on ordinary activities before taxation</b>		<b>94,221</b>	<b>5,636</b>
<b>Historical cost profit on ordinary activities after taxation</b>		<b>94,208</b>	<b>5,636</b>

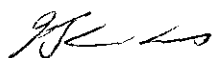


# Annington Property Limited

## Balance Sheet as at 31 March 2006

	Notes	31 March 2006		31 March 2005	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investment properties	8	<u>3,550,613</u>		<u>3,313,991</u>	
			<b>3,550,613</b>		<b>3,313,991</b>
<b>Current assets</b>					
Debtors due within one year	9	31,772		55,175	
Debtors due after one year	10	762,013		611,781	
Cash at bank and in hand		<u>221,436</u>		<u>290,871</u>	
		<b>1,015,221</b>		<b>957,827</b>	
<b>Creditors – Amounts falling due within one year</b>	11	<u>(2,333,323)</u>		<u>(2,344,595)</u>	
<b>Net current liabilities</b>			<b>(1,318,102)</b>		<b>(1,386,768)</b>
<b>Total assets less current liabilities</b>			<b>2,232,511</b>		<b>1,927,223</b>
<b>Provisions for liabilities</b>	12		<u>(2,457)</u>		<u>(2,361)</u>
<b>Net assets</b>			<b>2,230,054</b>		<b>1,924,862</b>
<b>Capital and reserves:</b>					
Called up share capital	13		-		-
Revaluation reserve	14		2,227,657		1,953,167
Profit and loss account	14		2,397		(28,305)
<b>Total equity shareholders' funds</b>	15		<b>2,230,054</b>		<b>1,924,862</b>

Approved by the Board on 19 December 2006 and signed on its behalf by:



J.B. Chambers  
Director

# **Annington Property Limited**

## **Notes To The Accounts For The Year Ended 31 March 2006**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

#### **Basis of accounting**

These financial statements are prepared under the historical cost convention, as modified to include the revaluation of the investment properties in accordance with applicable United Kingdom accounting standards. The Company has adopted FRS21, FRS23, FRS25 and FRS26 in the current period. Advantage has been taken of the exemption in FRS25 and FRS26 not to restate comparative information to comply with these standards.

#### **Turnover**

Income from the Secretary of State for Defence in respect of the units within the Retained Estate and income from the tenants within the Surplus Estate is accounted for on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with the tenants.

#### **Investment properties**

Investment properties are revalued annually on a portfolio basis. The aggregate surpluses or deficits on the portfolio of properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 "Accounting for investment properties". The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Disposals are accounted for on legal completion of contract basis. Direct costs (including amounts payable under the Profit Share Agreement) of the sale are offset against the profit/(loss) on sale.

The net book value of investment properties is shown net of profit share disposal costs, calculated in accordance with the Profit Share Agreement, which the Company would have incurred had the assets been disposed at the Balance Sheet date.

#### **Profit Share**

All property disposals until 5 November 2011 are subject to a Profit Share Agreement based on the principles of the Taxation of Chargeable Gains Act 1992. This Agreement was signed with the Secretary of State for Defence on 5 November 1996. The applicable Profit Share percentage becomes payable on the date of legal exchange for property disposals.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

# Annington Property Limited

## Notes To The Accounts For The Year Ended 31 March 2006

### 1 Accounting policies (continued)

#### Taxation (continued)

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise on the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred assets are recognised to the extent that it is regarded to be more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Leases

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

### 2 Segmental reporting

The Company's activities consist solely of property investment in England and Wales.

### 3 Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging		
Operating lease payments:		
Land and buildings	365	365

Costs in respect of audit services are borne by another Group company, Annington Management Limited, in the current and prior year.

### 4 Profit on disposal of properties

	2006 £'000	2005 £'000
Sale proceeds	204,190	107,387
Selling costs	(7,183)	(4,219)
Profit share payment under Profit Share Agreement	(29,356)	(15,142)
Sale of properties	167,651	88,026
Cost of Sales	(122,794)	(63,249)
	<b>44,857</b>	<b>24,777</b>

# Annington Property Limited

## Notes To The Accounts For The Year Ended 31 March 2006

### 5 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable on inter-company balances	51,986	47,526
Other interest	969	552
	<b>52,955</b>	<b>48,078</b>

### 6 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on inter-company balances	200,279	221,655
	<b>200,279</b>	<b>221,655</b>

### 7 Tax on ordinary activities

	2006 £'000	2005 £'000
UK corporation tax at 30% (2005: 30%)	-	-
	-	-

	2006 £'000	2005 £'000
--	---------------	---------------

#### Factors affecting the tax charge for the year

Profit/(loss) on ordinary activities before tax	10,740	(37,130)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2005: 30%)	3,222	(11,139)
Expenses not deductible for tax purposes	2,434	598
Tax on disposal of properties	20,996	10,886
Utilisation of tax losses	(15,385)	(345)
Group relief claimed for no consideration	(11,267)	-
Current tax credit for the year	-	-

The amount of losses carried forward at 31 March 2006 is approximately £32,910,000 (2005: £80,050,000). A deferred tax asset of approximately £9,874,000 (2005: £24,015,000) has not been recognised in respect of these losses as there is insufficient evidence that the asset will be recovered.

# Annington Property Limited

## Notes To The Accounts For The Year Ended 31 March 2006

### 7 Tax on ordinary activities (continued)

The historical cost of the Company's properties is £1,322,957,000 (2005: £1,360,824,000). The tax which would be payable on the surplus arising on the revaluation of investment properties in the event of their sale at such valuation is approximately £668,297,000 (2005: £585,950,000).

### 8 Tangible assets

	Properties £'000
<b>Cost or valuation</b>	
At 1 April 2005	3,313,991
Additions	1,445
Disposals	(122,794)
Revaluation	357,971
<b>At 31 March 2006</b>	<b>3,550,613</b>
<b>Net book amount at 31 March 2006</b>	<b>3,550,613</b>
Net book amount at 31 March 2005	3,313,991

Allsop LLP has prepared a portfolio valuation of the investment properties at 31 March 2006, for the purposes of the financial statements. Allsop LLP is an external valuer and the valuations were undertaken on the basis of market value.

The valuations have been carried out in accordance with the requirements of the RICS Appraisal Valuation Manual, except where it is not, in practical terms, feasible to comply due to the large number of properties involved.

This is a "Regulated Purpose Valuation". Allsop LLP has undertaken such valuation work for Annington Property Limited since 1999.

Allsop LLP provides strategic advice and agency services to Annington Property Limited and has done so since 1997. In relation to Allsop LLP's preceding financial year, Allsop LLP has confirmed that the proportion of its total fee income arising from Annington Property Limited was less than 5%.

The Market Value as at 31 March 2006 was £4,171 million (2005: £3,852 million). This relates to 42,244 (2005: 42,571) properties within the Retained Estate producing an annual rental income of £141,308,479 (2005: £134,827,289) and 1,186 (2005: 2,359) properties in the Surplus Estate of which 297 (2005: 989) were let on various forms of tenancy, producing an aggregate rental income of £3,991,179 per annum (2005: £6,721,857).

The Net Book Amount shown above of £3,551 million (2005: £3,314 million) is net of disposal costs of £620 million (2005: £538 million), calculated in accordance with the profit share arrangement, which the Company would have incurred had the assets been disposed at the Balance Sheet date.

	2006 £'000	2005 £'000
<b>The net book amount of properties comprises</b>		
Freehold	91,601	190,854
Very long leaseholds (over 900 years)	3,459,012	3,123,137
	<b>3,550,613</b>	<b>3,313,991</b>

# Annington Property Limited

## Notes To The Accounts For The Year Ended 31 March 2006

### 8 Tangible assets (continued)

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

	Properties 2006 £'000	Properties 2005 £'000
Cost	1,322,957	1,360,824
<b>Net book amount</b>	<b>1,322,957</b>	<b>1,360,824</b>

### 9 Debtors: due within one year

	2006 £'000	2005 £'000
Amounts owed by Group companies	26,181	50,678
Other debtors	5,575	4,272
Prepayments and accrued income	16	225
	<b>31,772</b>	<b>55,175</b>

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

### 10 Debtors: due after one year

	2006 £'000	2005 £'000
Amounts owed by Group companies	762,013	606,331
Other debtors	-	5,450
	<b>762,013</b>	<b>611,781</b>

Amounts owed by Group companies are unsecured, interest bearing and have a fixed date of repayment.

### 11 Creditors: due within one year

	2006 £'000	2005 £'000
Trade creditors	304	169
Amounts due to Group undertakings	2,292,846	2,307,294
Other creditors	4,625	1,978
Accruals and deferred income	35,548	35,154
	<b>2,333,323</b>	<b>2,344,595</b>

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

# **Annington Property Limited**

## **Notes To The Accounts For The Year Ended 31 March 2006**

### **12 Provision for liabilities**

	2006 £'000	2005 £'000
Provision brought forward	2,361	3,257
Charged to profit and loss account	2,142	377
Utilised in year	(2,046)	(1,273)
<b>Provision carried forward</b>	<b>2,457</b>	<b>2,361</b>

There is a legal obligation to provide for the adoption of private utilities on surplus property sites which are currently base dependent, for the supply of water and/or certain sewerage treatment. In addition, there is a constructive liability to provide for the adoption of certain utilities on certain sites which are not base dependent. Full provision has been made on the base dependent sites in accordance with the legal agreement and for all obligations which have crystallised on non base dependent sites. Where a liability has not yet crystallised a contingent liability exists (refer to note 21).

### **13 Called up share capital**

	2006 £	2005 £
<b>Authorised</b>	<b>1,000</b>	<b>1,000</b>
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

### **14 Reserves**

	Profit and loss account £'000	Revaluation Reserve £'000
At 1 April 2005	(28,305)	1,953,167
Effects of change in accounting policy (note 23)	(63,506)	-
At 1 April (restated)	(91,811)	1,953,167
Surplus on revaluation of properties	-	357,971
Transfer on disposal of properties	83,481	(83,481)
Retained profit for the year	10,727	-
<b>At 31 March 2006</b>	<b>2,397</b>	<b>2,227,657</b>

# Annington Property Limited

## Notes To The Accounts For The Year Ended 31 March 2006

### 15 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit/(loss) for the year	10,727	(37,130)
Movement in revaluation reserve	357,971	205,417
<b>Net change in shareholders' funds</b>	<b>368,698</b>	<b>168,287</b>
Effects of changes in accounting policy (note 23)	(63,506)	-
Shareholders' funds brought forward	1,924,862	1,756,575
<b>Shareholders' funds carried forward</b>	<b>2,230,054</b>	<b>1,924,862</b>

### 16 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2006 £'000	Land and Buildings 2005 £'000
Leases which expire:		
within 1 year	-	-
Within 2-5 years	-	-
After more than 5 years	371	371

### 17 Employees

The Company had no employees during the year (2005: nil).

### 18 Directors' emoluments

The directors' emoluments were borne by another Group company, Annington Management Limited in the current year and prior year.

### 19 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.



# **Annington Property Limited**

## **Notes To The Accounts For The Year Ended 31 March 2006**

### **20 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.

On 22 July 2005 Annington Developments Limited, a subsidiary of Annington Developments (Holdings) Limited, formed a joint venture with Wates Group Properties Limited in Annington Wates (Cove) Limited to undertake residential development. As part of this agreement a building licence was entered into between Annington Property Limited and the joint venture amounting to £9,044,252 which is payable by the joint venture in six stage payments commencing September 2005 and completing August 2007.

### **21 Contingent liabilities**

There is a contingent liability to allow for the adoption of private utilities on property sites which are currently base dependent for their supply of water and sewerage treatment. This amounts to £24.9 million (2005: £25.9 million).

### **22 Parent company**

Annington Subsidiary Holdings Limited, a company incorporated in Great Britain, is the immediate parent company.

Le Grand Annington Limited, a company incorporated in Great Britain, is the ultimate holding company and controlling party.

Le Grand Annington Limited is the largest parent company and Annington Homes Limited is the smallest parent company of which the Company is a member and for which Group financial statements are drawn up. Group accounts for this company are available on request from the registered offices at 1 James Street, London W1U 1DR.

*Nomura Investment (AH) Limited holds 75,636 warrants, exercisable at any time for shares in Annington Homes Limited. If these warrants were exercised by Nomura Investment (AH) Limited, this would dilute Le Grand Annington Limited's ownership to 52% of one out of 75,637 shares issued by Annington Homes Limited.*

The warrants can be exercised at a price of £19,696 each. If the warrants are not exercised before 1 January 2015 the exercise price will increase to £21,666. Nomura Investments (AH) Limited does not have any other rights to take up shares in Annington Homes Limited.

### **23 Change in accounting policy**

As the result of a recharge from Annington Finance No. 1 plc and Annington Finance No. 4 plc, both of which have adopted FRS 25 and FRS 26, the Company has considered it appropriate for Group accounting to reflect this change in accounting policy and has taken advantage of the exemption available in FRS 25 and FRS 26 not to restate the comparative information to comply with these standards.

# **Annington Property Limited**

## **Notes To The Accounts For The Year Ended 31 March 2006**

### **23 Change in accounting policy (continued)**

The impact of the adoption of FRS 26 on the opening balance sheet for 2005 is described below:

	<b>31 Mar 05 £'000</b>	<b>Adjustment to Retained Earnings £'000</b>	<b>1 Apr 05 £'000</b>
<hr/>			
<b>Interest payable on inter-company balances – Interest rate swap</b>			
<b>Annington Finance No. 1 plc</b>	-	(1,162)	(1,162)
<b>Annington Finance No. 4 plc</b>	-	(62,344)	(62,344)
<b>Impact on net assets</b>	-	(63,506)	(63,506)
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