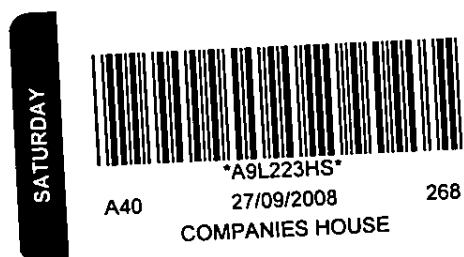


**ANNINGTON PROPERTY LIMITED**

**Report and Financial Statements**

**31 March 2008**



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# **ANNINGTON PROPERTY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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# **ANNINGTON PROPERTY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J B Chambers  
J C Hopkins  
N P Vaughan  
S E Parsons

#### **SECRETARY**

J B Chambers

#### **REGISTERED OFFICE**

1 James Street  
London  
W1U 1DR

#### **SOLICITORS**

Eversheds LLP  
1 Callaghan Square  
Cardiff  
CF10 5BT

#### **BANKERS**

The Royal Bank of Scotland  
London Corporate Service Centre  
PO Box 39952  
2 1/2 Devonshire Square  
London  
EC2M 4XJ

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

# ANNINGTON PROPERTY LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

### 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.

### KEY PERFORMANCE INDICATORS ("KPIs")

The Board reviews performance by the company by reference to a series of KPIs, some of which are

	2008	2007
Number of sales completions	552	668
Net sales price per unit	£131,327	£169,484
Cash inflow per unit	£114,292	£146,075
<b>Average weeks</b>		
Termination to release	34	120
Release to completion	12	18
Reservation to completion	7	9

### RESULTS AND DIVIDENDS

The company's profit after taxation for the year is £24.1 million (2007 - £89.6 million). No dividend has been paid or proposed (2007 - £nil).

### DIRECTORS

The directors who served throughout the year were

J B Chambers  
J C Hopkins  
N P Vaughan  
S E Parsons

# **ANNINGTON PROPERTY LIMITED**

## **DIRECTORS' REPORT**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal funding of the company 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 risks

### **OTHER RISKS AND UNCERTAINTIES**

The directors consider that a potential risk to the company's activities could exist if the Ministry of Defence 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

Qualifying third party indemnity provisions were in place for all directors of the company for the current year and the preceding year

#### **Financial risk management**

Exposure to credit, market and liquidity risk (including interest rate and currency) arises in the normal course of the Company's business activities Derivative financial instruments are in place to manage exposure to fluctuations in interest rates and currency risks, but are not employed for speculative purposes

#### *Credit Risk*

The Company's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments

The Company has an agreement with The Royal Bank of Scotland Plc specialist treasury service to manage and optimise the liquidity resources and requirements of the Company Risk is minimised by using a revolving panel of Banks, which all have been identified as low risk according to Credit Agency ratings and the maximum amount of funds that can be placed with any one institution is limited The Banks criteria are reviewed and updated periodically to ensure they reflect the prevailing market conditions

The Company has a low credit risk as the Retained Estate portfolio is leased on a 200-year underlease to the Secretary of State for Defence All properties under these arrangements continue to be maintained by and remain entirely under the control of the MoD dependent upon their operational needs Even though the Company has a significant concentration of credit risk to one main tenant, being the Government this is considered a low credit risk

Trade and other receivables relate to property disposals where deferred settlement terms have been negotiated as part of the legal completion process and the Company has a low credit risk on this type of transaction

#### *Market Risk*

##### **Debt Management**

The Company's borrowings are through the issue of various classes of Notes, on the securitisation of the Married Quarters Estate by way of two income streams generated by the portfolio (i) Guaranteed Rental Income received from the Secretary of State for Defence, (ii) Excess Income from net sales and rents There are various borrowing facilities in place to ensure that there is no default in the repayment of the borrowing and interest to the Bond Holders These facilities are renewed annually and to date have never been called upon

The Company has no overdraft arrangements in place as it has adequate funds invested on the Money Market in short to medium deposits to maintain its short-term liquidity In addition the Company also forecasts its liquidity requirements using five-year rolling cash forecasts, which are updated monthly

#### *Liquidity Risk*

##### **Interest Rate Management**

There are two interest rate swaps in place to fix the exposure the Company has to the fluctuations in interest rates

# **ANNINGTON PROPERTY LIMITED**

## **DIRECTORS' REPORT**

### **OTHER RISKS AND UNCERTAINTIES (continued)**

#### **Financial risk management (continued)**

##### **Cash Management and Liquidity**

Short to medium-term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk. Longer-term liquidity requirements are forecast to be met out of future operational cash and income streams.

### **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 2008 (2007 - £0.3 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 20.3 days (2007 - 15 days).

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,
- 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.

# **ANNINGTON PROPERTY LIMITED**

## **DIRECTORS' REPORT**

### **AUDITORS**

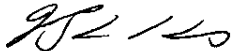
In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board



J B Chambers

Director

25 September 2008

## **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 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 20. 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 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 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 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 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ANNINGTON PROPERTY LIMITED (continued)**

**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 2008 and of its profit 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, United Kingdom  
25 September 2008

# ANNINGTON PROPERTY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>TURNOVER</b>	2	149,246	145,077
Cost of sales		(9,414)	(11,011)
Gross profit		139,832	134,066
Administration expenses		(13,171)	(7,941)
<b>OPERATING PROFIT</b>	4	126,661	126,125
Profit on disposal of properties	5	12,008	31,109
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES</b>		138,669	157,234
Interest receivable and similar income	6	62,691	56,992
Interest payable and similar charges	7	(177,245)	(124,601)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		24,115	89,625
Tax on profit on ordinary activities	8	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>	15	24,115	89,625

All activities derive from continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2008

	2008 £'000	2007 £'000
Profit for the financial year	24,115	89,625
Unrealised (deficit) surplus on revaluation of properties	(274,009)	259,598
Total recognised gains and losses for the financial year	(249,894)	349,223

## NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 March 2008

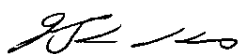
	Note	2008 £'000	2007 £'000
Reported profit on ordinary activities before taxation		24,115	89,625
Realisation of property revaluation gains of previous years	15	39,156	41,521
Historical cost profit on ordinary activities before taxation		63,271	131,146
Historical cost profit on ordinary activities after taxation		63,271	131,146

# ANNINGTON PROPERTY LIMITED

## BALANCE SHEET 31 March 2008

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>3,425,362</u>	<u>3,748,827</u>
<b>CURRENT ASSETS</b>			
Debtors			
Due within one year	10	6,401	33,234
Due after more than one year	10	1,069,280	985,666
Cash at bank and in hand		<u>44,213</u>	<u>53,968</u>
		1,119,894	1,072,868
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(88,327)</u>	<u>(2,240,050)</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>1,031,567</u>	<u>(1,167,182)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,456,929	2,581,645
<b>CREDITORS: amounts falling due after more than one year</b>	12	(2,125,713)	-
<b>PROVISIONS FOR LIABILITIES</b>	13	<u>(1,833)</u>	<u>(2,368)</u>
<b>NET ASSETS</b>		<u>2,329,383</u>	<u>2,579,277</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Revaluation reserve	15	2,132,569	2,445,734
Profit and loss account	15	<u>196,814</u>	<u>133,543</u>
<b>SHAREHOLDERS' FUNDS</b>	16	<u>2,329,383</u>	<u>2,579,277</u>

These financial statements were approved by the Board of Directors and authorised for issue on 25 September 2008  
Signed on behalf of the Board of Directors



J B Chambers

Director

# **ANNINGTON PROPERTY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

### **1. ACCOUNTING POLICIES**

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

#### **Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, and in accordance with applicable United Kingdom accounting standards.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Annington Holdings plc and is included in the consolidated financial statements of Annington Holdings plc which include a consolidated cash flow statement and are publicly available. 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.

#### **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 a 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 substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a 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 from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Leases**

Operating lease rentals are charged to the profit and loss account as incurred.

# ANNINGTON PROPERTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 2. SEGMENTAL REPORTING

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

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (2007 - nil)

The directors' emoluments are borne by another group company, Annington Management Limited, in the current and preceding year

### 4. OPERATING PROFIT

	2008 £'000	2007 £'000
<b>Operating profit is after charging:</b>		
Operating lease payment		
Land and buildings	349	360

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

Auditors' remuneration for the audit of the company's annual accounts was £109,000 (2007 - £72,500)  
Auditors' remuneration for other services relating to taxation associated with the company was £32,500 (2007 - £11,000)

### 5. PROFIT ON DISPOSAL OF PROPERTIES

	2008 £'000	2007 £'000
Sale proceeds	74,415	112,012
Selling costs	(3,312)	(3,248)
Profit share payment under Profit Share Agreement	(8,479)	(14,577)
Sale of properties	62,624	94,187
Cost of sales	(50,616)	(63,078)
	12,008	31,109

# ANNINGTON PROPERTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Interest receivable on inter-company balances	60,173	55,857
Other interest	2,518	1,135
	<u>62,691</u>	<u>56,992</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Interest payable on inter-company balances	<u>177,245</u>	<u>124,601</u>

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2007 - 30%)	<u>-</u>	<u>-</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2007 - 30%) The current tax charge for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>24,115</u>	<u>89,625</u>
Tax on profit on ordinary activities at standard rate	7,235	26,887
Factors affecting charge for the year		
Non-taxable income/(expenses not deductible for tax purposes)	6,696	(14,947)
Tax on disposal of properties	6,737	157
Utilisation of tax losses	(16,293)	-
Group relief claimed for no consideration	(4,375)	(12,097)
Total actual amount of current tax	<u>-</u>	<u>-</u>

The amount of tax losses carried forward at 31 March 2008 is £1,121,015 (2007 - £83,209,795)

A deferred tax asset of approximately £314,000 (2007 - £24,963,000) has not been recognised in respect of these losses as there is insufficient evidence that the asset will be recovered

The historical cost of the company's properties is £1,292,793,000 (2007 - £1,303,093,000) 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 £597,119,000 (2007 - £733,720,000)

# ANNINGTON PROPERTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 9. TANGIBLE FIXED ASSETS

	Investment properties £'000
<b>Cost or valuation</b>	
At 1 April 2007	3,748,827
Additions	1,160
Impairment – write back	923
Disposals	(51,539)
Revaluation	(274,009)
	<u>3,425,362</u>
At 31 March 2008	<u>3,425,362</u>
<b>Net book value</b>	
At 31 March 2008	<u>3,425,362</u>
At 31 March 2007	<u>3,748,827</u>

Allsop LLP has prepared a portfolio valuation of the investment properties at 31 March 2008 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". However, 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 confirmed that the proportion of its total fee income arising from Annington Property Limited was less than 5% of the total fee income of Allsop LLP.

The market value as at 31 March 2008 was £3,809 million (2007 - £4,316 million). This relates to 41,324 (2007 - 41,786) properties within the Retained Estate producing an annual rental income of £151,776,657 (2007 - £145,829,001) and 716 (2007 - 1,019) properties in the Surplus Estate of which 231 (2007 - 269) were let on various forms of tenancy, producing an aggregate rental income of £1,986,775 per annum (2007 - £2,442,480).

The net book value shown above of £3,425 million (2007 - £3,749 million) is net of disposal costs of £384 million (2007 - £567 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.

	2008 £'000	2007 £'000
<b>The net book amount of properties comprises</b>		
Freehold	77,845	95,741
Very long leaseholds (over 900 years)	3,347,517	3,653,086
	<u>3,425,362</u>	<u>3,748,827</u>

Properties would have been included on a historical cost basis as follows

	2008 £'000	2007 £'000
Cost	1,292,793	1,303,093
Net book amount	<u>1,292,793</u>	<u>1,303,093</u>

# ANNINGTON PROPERTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 10. DEBTORS

	2008 £'000	2007 £'000
Amounts due within one year		
Amounts owed by group undertakings	611	22,945
Other debtors	5,790	10,092
Prepayments and accrued income	-	197
	<u>6,401</u>	<u>33,234</u>
Amounts due after more than one year		
Amounts owed by group undertakings	1,057,440	968,617
Other debtors	11,840	17,049
	<u>1,069,280</u>	<u>985,666</u>
	<u>1,075,681</u>	<u>1,018,900</u>

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

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	868	303
Amounts due to group undertakings	48,656	2,203,559
Other creditors	5	17
Accruals and deferred income	38,798	36,171
	<u>88,327</u>	<u>2,240,050</u>

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

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £'000	2007 £'000
Amounts due to group undertakings	<u>2,125,713</u>	<u>-</u>

Amounts due to group undertakings include loans which are secured and interest bearing of 0.02% and other amounts which are unsecured, interest free and have no fixed date of repayment



# ANNINGTON PROPERTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

### 13. PROVISION FOR LIABILITIES

	2008 £'000	2007 £'000
<b>Provision for private utilities</b>		
Provision brought forward	2,368	2,457
Charged to profit and loss account	69	2,041
Utilised in year	(604)	(2,130)
Provision carried forward	<u>1,833</u>	<u>2,368</u>

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 18).

### 14. CALLED UP SHARE CAPITAL

	2008 £	2007 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

### 15. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £'000	Revalu- ation reserve £'000	Total £'000
At 1 April 2007	133,543	2,445,734	2,579,277
Retained profit for the year	24,115	-	24,115
Deficit on revaluation of properties	-	(274,009)	(274,009)
Transfer on disposal of properties	39,156	(39,156)	-
At 31 March 2008	<u>196,814</u>	<u>2,132,569</u>	<u>2,329,383</u>

## ANNINGTON PROPERTY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

#### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	24,115	89,625
Movement in revaluation reserve	(274,009)	259,598
Net addition to shareholders' funds	(249,894)	349,223
Opening shareholders' funds	2,579,277	2,230,054
Closing shareholders' funds	2,329,383	2,579,277

#### 17. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable leases, are as follows

	Land and buildings	
	2008 £'000	2007 £'000
Leases which expire		
Between two and five years	83	-
After more than five years	288	371
	371	371

#### 18. CONTINGENT LIABILITIES

There is a contingent liability to allow for the adoption of private utilities on property sites which are currently base dependent (dependent on the Ministry of Defence) for their supply of water and sewerage treatment. This amounts to £27.5 million (2007 - £23.3 million).

#### 19. 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.

In February 2007, a major land development site with 187 existing properties, was sold at a market value of £36.7 million to the joint venture, Countryside Annington (Mill Hill) Limited. As part of the Agreement, a deferred payment of £26.2 million is payable by the joint venture in four stage payments which commenced February 2008 and completing February 2011. The balance of the deferred payment currently stands at £19.5 million. Annington Developments Limited held a 50% share of this venture to undertake residential development.

Annington Developments Limited is a subsidiary of Annington Developments (Holdings) Limited, which is a wholly owned subsidiary of Annington Holdings plc, an intermediate holding company whose ultimate controlling party is Le Grand Annington Limited.

## **ANNINGTON PROPERTY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

#### **20. PARENT COMPANY**

Annington Subsidiary Holdings Limited, a company incorporated in Great Britain, is the immediate parent company, Annington Holdings plc, a company incorporated in Great Britain, is the intermediary parent company and 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 both these companies are available on request from the registered office 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 share 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