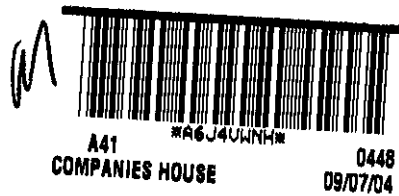


Annington Property Limited
(Registered Number: 3232852)

Annual Report and Accounts
Year Ended 31 March 2004



Annington Property Limited

Directors' Report For The Year Ended 31 March 2004

The directors present their report and the audited accounts of the Company for the year ended 31 March 2004.

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.

Results and dividends

The Company's loss after taxation for the year is £11.2 million (2003: Profit after taxation £16.1 million). No dividend has been paid or proposed (2003: £nil).

Directors and their interests

The directors who held office throughout 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 £1.6 million to trade creditors at 31 March 2004 (2003: £3.7 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 18 days (2003: 27 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 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.

Annington Property Limited

Directors' Report For The Year Ended 31 March 2004

Statement of directors' responsibilities (continued)

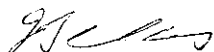
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

Having received on 20 November 2003 the formal note of resignation of PricewaterhouseCoopers LLP as auditors to the Company, it was resolved that Deloitte & Touche LLP be appointed to fill the casual vacancy so created to serve as auditors until the conclusion of the next general meeting at which accounts are laid before the members.

A resolution to appoint Deloitte & Touche LLP as auditors to the Company will be proposed at the next Annual General Meeting.

By Order of the Board



J.B. Chambers

Secretary

5 July 2004

Registered Office:

1 James Street
London
W1U 1DR

Annington Property Limited

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 2004 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 22. 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 preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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.

Annington Property Limited

Independent Auditors' Report To The Members of Annington Property Limited

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

6 July 2004

Annington Property Limited

Profit and Loss Account For The Year Ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover		137,008	130,610
Cost of sales		(23,689)	(30,368)
Gross profit		113,319	100,242
Administration expenses		(9,318)	(10,391)
Operating profit	3	104,001	89,851
Profit on sale of properties	4	47,362	79,390
Profit on ordinary activities before finance charges		151,363	169,241
Interest receivable and similar income	5	31,025	28,530
Interest payable and similar charges	6	(193,567)	(181,643)
(Loss)/profit on ordinary activities before taxation		(11,179)	16,128
Tax on (loss)/profit on ordinary activities	7	13	-
(Loss)/profit on ordinary activities after taxation		(11,166)	16,128
Retained (loss)/profit for the financial year	15	(11,166)	16,128

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 2004

		2004 £'000	2003 £'000
(Loss)/profit for the financial year		(11,166)	16,128
Surplus on revaluation of properties	15	141,502	504,344
Total recognised gains for the financial year		130,336	520,472

Annington Property Limited

Note Of Historical Cost Profits and Losses For The Year Ended 31 March 2004


		2004 £'000	2003 £'000
Reported (loss)/profit for the financial year		(11,166)	16,128
Realisation of property revaluation gains of previous years	15	72,472	49,870
Historical cost profit for the financial year		61,306	65,998

Annington Property Limited

Balance Sheet As At 31 March 2004

	Note	31 March 2004		31 March 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8	<u>3,171,252</u>		<u>3,146,610</u>	
			3,171,252		3,146,610
Current assets					
Debtors due within one year	9	609,123		571,777	
Investments	11	20,739		74,677	
Cash at bank and in hand		<u>410</u>		<u>2,925</u>	
		630,272		649,379	
Creditors – amounts falling due within one year	12	<u>(2,041,692)</u>		<u>(2,167,964)</u>	
Net current liabilities			(1,411,420)		(1,518,585)
Total assets less current liabilities			1,759,832		1,628,025
Provisions for liabilities	13		<u>(3,257)</u>		<u>(1,786)</u>
Net assets			1,756,575		1,626,239
Capital and reserves:					
Called up share capital	14		-		-
Revaluation reserve	15		1,790,516		1,721,486
Profit and loss account	15		(33,941)		(95,247)
Total equity shareholders' funds	16		1,756,575		1,626,239

Approved by the Board on 5 July 2004 and signed on its behalf by:



J.B. Chambers
Director

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

1 Accounting policies

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

Basis of accounting

These financial statements are prepared under the historical cost convention, modified to include the revaluation of the investment properties, in accordance with applicable United Kingdom accounting standards.

Turnover

Income from tenants 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.

Sales 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. Other costs are dealt with in operating expenses.

The net book value of investment properties is shown net of disposal costs, 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 Ministry of Defence on 5 November 1996. The applicable Profit Share percentage becomes payable on the date of legal exchange for property disposals.

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

1 Accounting policies (continued)

Deferred Taxation

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 periods 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.

2 Segmental reporting

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

3 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging		
Operating lease payments:		
Land and buildings	333	28

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

	2004 £'000	2003 £'000
Sale proceeds	195,318	212,178
Selling costs	(3,635)	(3,978)
Profit share payment under Profit Share Agreement	(26,757)	(28,213)
Sales of properties	164,926	179,987
Cost of sales	(117,564)	(100,597)
	47,362	79,390

5 Interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable on inter-company balances	30,507	27,897
Other interest	518	633
	31,025	28,530

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

6 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on inter-company balances	193,567	181,643
	193,567	181,643

7 Tax on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)	-	-
Adjustment in respect of prior years - payment for Group relief	13	-
	13	-

	2004 £'000	2003 £'000
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before tax	(11,179)	16,128
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2003: 30%)	(3,354)	4,838
Expenses not deductible for tax purposes	135	2,055
Tax on disposal of properties	21,952	4,446
Creation/(utilisation) of tax losses	(18,720)	(11,399)
Current tax charge for the year	13	-

The amount of losses carried forward at 31 March 2004 is approximately £69,730,994 (2003: £132,254,156). A deferred tax asset of approximately £20,919,000 (2003: £39,676,000) 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 £1,380,736,000 (2003: £1,425,124,000). The tax which would be payable on the surplus arising on the revaluation of fixed assets in the event of their sale at such valuation is approximately £537,155,000 (2003: £516,447,000).

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

8 Tangible assets

	Properties £'000
Cost or valuation	
At 1 April 2003	3,146,610
Additions	704
Disposals	(117,564)
Revaluation	141,502
At 31 March 2004	3,171,252
Net book amount at 31 March 2004	3,171,252
Net book amount at 31 March 2003	3,146,610

Allsop & Co. have prepared a portfolio valuation of the investment properties at 31 March 2004, for the purposes of the financial statements. Allsop & Co. are external valuers 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". This is the first year in which Ian Morgan has been the signatory to a valuation provided to Annington Properties Limited for accounts purposes. However, Allsop & Co. has undertaken such valuation work for Annington Property Limited since 1999.

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

The Market Value as at 31 March 2004 was £3,666 million (2003: £3,636 million). This relates to 43,025 (2003: 43,853) properties within the Retained Estate producing an annual rental income of £129,260,213 (2003: £130,834,675) and 2,440 (2003: 3,561) properties in the Surplus Estate of which 694 (2003: 811) were let on various forms of tenancy, producing an aggregate rental income of £4,622,959 per annum (2003: £4,687,222).

The Net Book Amount shown above of £3,171 million (2003: £3,147 million) is net of disposal costs of £495 million (2003: £489 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.

	2004 £'000	2003 £'000
The net book amount of properties comprises		
Freehold	194,226	235,302
Very long leaseholds (over 900 years)	2,977,026	2,911,308
	3,171,252	3,146,610

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

8 Tangible assets (continued)

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

	Properties 2004 £'000	Properties 2003 £'000
Cost	1,380,736	1,425,124
Net book amount	1,380,736	1,425,124

9 Debtors

	2004 £'000	2003 £'000
Amounts owed by Group companies	596,248	568,039
Other debtors	12,673	3,631
Prepayments and accrued income	202	107
	609,123	571,777

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

10 Operating lease commitments

Annual commitments under non-cancellable leases are as follows:

	Land and Buildings 2004 £'000	Land and Buildings 2003 £'000
Leases which expire:		
within 1 year	-	-
within 2-5 year	-	-
after more than 5 years	371	83

11 Current asset investments

	2004 £'000	2003 £'000
Short term deposits	20,739	74,677

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 2004

12 Creditors - Amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	392	1,935
Amounts due to group undertakings	2,006,462	2,121,992
Other creditors	891	7,377
Accruals and deferred income	33,947	36,660
	2,041,692	2,167,964

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 Provision for liabilities

	2004 £'000	2003 £'000
Provision brought forward	1,786	-
Charged to profit and loss account	3,880	1,786
Utilised in year	(2,409)	-
Provision carried forward	3,257	1,786

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).

14 Called up share capital

	2004 £	2003 £
Authorised	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1
	1	1

Annington Property Limited

Notes To The Accounts For The Year Ended 31 March 2004

15 Reserves

	Profit and loss account £'000	Revaluation Reserve £'000
At 1 April 2003	(95,247)	1,721,486
Surplus on revaluation of properties	-	141,502
Transfer on disposal of properties	72,472	(72,472)
Retained loss for the year	(11,166)	-
At 31 March 2004	(33,941)	1,790,516

16 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
(Loss)/profit for the year	(11,166)	16,128
Movement in revaluation reserve	141,502	504,344
Net change in shareholders' funds	130,336	520,472
Shareholders' funds brought forward	1,626,239	1,105,767
Shareholders' funds carried forward	1,756,575	1,626,239

17 Employees

The Company had no employees during the year (2003: Nil). The cost of the employees is borne by another Group company, Annington Management Limited.

18 Directors' emoluments

The directors' emoluments are borne by another Group company, Annington Management Limited.

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 2004

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.

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 £20 million (2003: £19.1 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.

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.