

**Le Grand Annington Limited**  
(Registered Number: 3591675)

**Annual Report and Accounts**  
**Year Ended 31 March 2004**



## **Le Grand Annington Limited**

### **Directors' Report For The Year Ended 31 March 2004**

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

#### **Principal activities**

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

#### **Results and dividends**

The Group's profit after taxation and minority interest for the year is £nil (2003: £nil). The Group's loss after taxation and before minority interest for the year is £19,398,000 (2003: profit after taxation and before minority interest £7,388,000). No dividend has been paid or proposed (2003: £nil).

#### **Directors and their interests**

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

Mark Fresson (resigned 8 January 2004)  
Colin Rowlinson (resigned 23 September 2003)  
Charles Ewald (appointed 8 January 2004)  
Cormac O'Haire (appointed 23 September 2003)

As at 31 March 2004 the directors had no interests in the shares of the Company or any other company within the Le Grand Annington Limited Group.

## **Le Grand Annington Limited**

### **Directors' Report For The Year Ended 31 March 2004**

#### **Background**

The Annington Group ("the Group") purchased certain interests in part of the Married Quarters Estate ("MQE") in England and Wales from the Secretary of State for Defence, together with certain related assets, following a competitive bid on 5 November 1996.

This purchase included approximately 760 sites containing 55,362 housing units (the "Retained Estate") and approximately 58 sites containing 2,374 units (the "Surplus Estate"), together in each case with certain related assets. The Surplus Estate was transferred to the Annington Group with freehold title and arrangements relating to the supply of certain utilities.

The Retained Estate was leased back to the Secretary of State for Defence under certain Underleases to be used by the Ministry of Defence to provide housing for married Service personnel and their families. The Underleases provide for the Secretary of State for Defence to pay rent at a level less than market value on a quarterly basis. These rents are subject to 5 yearly review to market values, subject to the agreed discount. All properties subject to these arrangements continue to be maintained by and remain entirely under the control of the Ministry of Defence dependent upon their operational needs from time to time.

Within the Agreements, there are certain obligations on the part of the Secretary of State for Defence with regard to guaranteed payment arrangements and a pre-set minimum number of units to be transferred to the Group by the end of each year during the first twenty five years following the initial acquisition. The identification of surplus properties and the timing of their release to the Group is entirely at the discretion of the Secretary of State for Defence and upon not less than six months' notice the Group is obliged to accept any properties declared surplus.

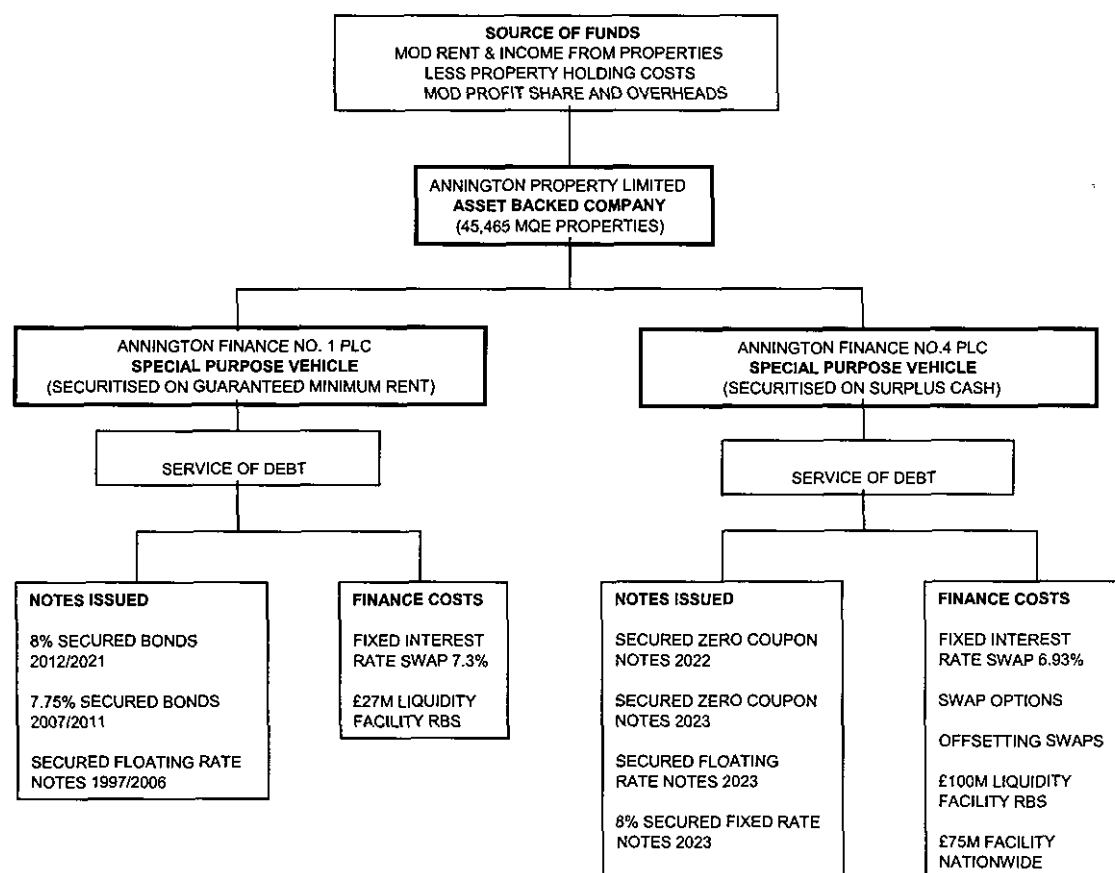
Once units are transferred, all options, including third party disposal, rental or redevelopment are rigorously appraised to optimise returns to the Group. The Group is obliged to make arrangements/provide for utility supplies necessary to make the units available for third party occupation. In addition, the Group assesses what level of refurbishment might be undertaken to create added value. The Group bears the cost of both categories of work before lettings or sales are achieved. A proportion of costs of returning the units to tenantable condition are recoverable by way of claims for dilapidations.

At the time of acquisition, the Secretary of State for Defence and the Group entered into a Profit Share Agreement whereby companies within the Group are obliged to make payments to the Secretary of State for Defence calculated on a percentage of certain gains made or deemed to have been made on the disposal of units or sites (including by way of letting, sale or otherwise). The percentage share of such gains reduces over the period to 2011.

A simplified diagram of the principal sources and application of funds is shown overleaf:

# Le Grand Annington Limited

## Directors' Report For The Year Ended 31 March 2004



### Borrowings Risk Management

As will be seen from above and Note 19, 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.

### Significant Events During the Year

During the year, the Group repurchased floating rate notes with a par value of £142 million (2003: £87.3 million) issued by Annington Finance No. 4 plc in December 1997 and February 2002. All other scheduled debt payments of £36.3 million (2003: £36.3 million) were made without recourse to the Group's liquidity facilities.

Sales of a total number of 1,734 (2003: 2,008) unit sales were completed during the year of which 207 (2003: 148) were bulk sales. The strategy of restricting the number of bulk sales, as in previous years, is leading to greater added value being retained by the Group.

The Group continued to improve its marketing initiatives, including targeted advertising and PR, together with incentives targeted at first-time buyers. This has maintained sales performance and increased awareness of the Group's product.

## **Le Grand Annington Limited**

### **Directors' Report For The Year Ended 31 March 2004**

#### **Operations**

As at 31 March 2004, 12,053 (2003: 11,509) of properties in the Retained Estate have been released, in addition to the original 2,374 (Surplus Estate). A total of 12,147 properties (2003: 10,623) have been sold or were in the process of being sold and a further 694 (2003: 811) were rented to third party companies and private individuals. Under the terms of the Agreement with the MoD a Guaranteed Minimum Release of 13,213 units would occur before November 2022. Consequently, only a further 1,160 units need to be released to meet the MoD obligation.

Of the units sold to private purchasers 27% (2003: 32%) were sold to serving or former military personnel.

During the year the Group continued to refine its strategies for dealing with future sites to ensure units are prepared for disposal more efficiently.

The Group continues to increase the number of private rental opportunities, as a means of establishing market comparables for use in the rent review and to achieve positive cashflow whilst awaiting grant of planning permission. In addition, successful achievement of planning consent for redevelopment opportunities is resulting in a number of sites being sold with the benefit of planning permission. Attention has been focused on these operations to establish more aggressive pursuit of these opportunities to achieve longer term financial benefit for the Group.

Further, third party relationships continue to assist potential purchasers in the process of acquiring properties from Annington, particularly for first-time buyers. These include relationships with an Independent Financial Adviser, conveyancing solicitors, etc. to ensure that sales progress smoothly.

The Profit Share Agreement with the Secretary of State for Defence has resulted in payments amounting to £26.8 million (2003: £28.2 million) being made to H.M. Treasury for the year.

The Group made a loss of £19.4 million after taxation and before minority interests during the year ended 31 March 2004 (2003: profit after taxation £7.4 million).

Through the various arrangements outlined on the previous page, the Group is protected against adverse movements in interest rates and is protected in the short term from either delays in receipt of the Guaranteed Minimum Rental payment from the MoD or shortfalls in operational cashflow as a result of adverse market conditions.

#### **Prior year adjustment**

The calculation of Group minority interest and Company fixed asset investment in Group undertakings was reassessed during the year. Following their review of the financial statements, the directors consider that the value attributable to the shareholders of Le Grand Annington Limited is restricted due to Nomura Investment (AH) Limited's holding of warrants in relation to the shares of Annington Homes Limited. Consequently, the balance sheet at 31 March 2003 has been restated to reflect the value attributable to the shareholders of Le Grand Annington Limited and the minority interests respectively (note 10).

#### **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.

## **Le Grand Annington Limited**

### **Directors' Report For The Year Ended 31 March 2004**

As the Group owed £1.6 million to trade creditors at 31 March 2004 (2003: £1.9 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 the Group and of the profit or loss of the Group 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 Group 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 Group 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.

It is proposed that Deloitte & Touche LLP be reappointed as auditors to the Company.

By Order of the Board



J.B. Chambers  
**Secretary**

19 October 2004

**Registered Office:**  
1 James Street  
London W1U 1DR

## **Independent Auditors' Report To The Members of Le Grand Annington Limited**

We have audited the financial statements of Le Grand Annington Limited for the year ended 31 March 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement, and the related notes 1 to 35. 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**

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 accounting provisions of 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 and other members of the Group 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.

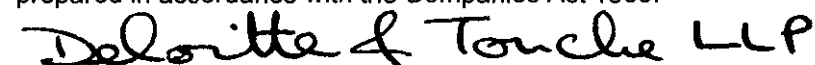
### **Basis of audit opinion**

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 circumstances of the Company and the Group, 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 affairs of the Company and the Group as at 31 March 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

Date 

# Le Grand Annington Limited

## Consolidated Profit And Loss Account For The Year Ended 31 March 2004

	Note	2004 £'000	2003 £'000 As restated (note 10)
<b>Turnover</b>		137,008	130,610
Cost of sales		(23,689)	(30,368)
<b>Gross profit</b>		113,319	100,242
Administration expenses		(9,142)	(10,166)
<b>Operating profit</b>	3	<b>104,177</b>	<b>90,076</b>
Profit on sale of properties	5	47,362	79,432
<b>Profit on ordinary activities before finance charges and taxation</b>		<b>151,539</b>	<b>169,508</b>
Profit on repurchase of Bonds		1,990	728
Interest receivable and similar income	6	1,247	1,112
Interest payable and similar charges	7	(174,174)	(163,960)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(19,398)</b>	<b>7,388</b>
Tax on (loss)/profit on ordinary activities	8	-	-
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(19,398)</b>	<b>7,388</b>
Minority interest	25	19,398	(7,388)
<b>Retained loss for the financial year</b>	23	<b>-</b>	<b>-</b>

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

The directors consider that direct property costs represent cost of sales and have amended the comparative figures, the effect of which has been a transfer of £30.4 million from administration expenses to cost of sales.



# Le Grand Annington Limited

## Consolidated Profit And Loss Account For The Year Ended 31 March 2004

### Consolidated Statement Of Total Recognised Gains And Losses For The Year Ended 31 March 2004

	Note	2004 £'000	2003 £'000 As restated (note 10)
Loss attributable to shareholders		-	-
Surplus on revaluation of properties	23	1	3
<b>Total recognised gains for the financial year</b>		<b>1</b>	<b>3</b>
Prior year adjustment (as explained in note 10)		(330,830)	
<b>Total gains and losses recognised since last annual report and financial statements</b>		<b>(330,829)</b>	

## Le Grand Annington Limited

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

	2004 £'000	2003 £'000 As restated (note 10)
Reported (loss)/profit on ordinary activities before taxation	(19,398)	7,388
Realisation of property revaluation gains of previous years	40,126	18,389
	20,728	25,777
Historical cost (loss)/profit for the year retained after taxation and minority interests	-	-


# Le Grand Annington Limited

## Consolidated Balance Sheet as at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£'000	£'000	£'000	£'000
				As restated (note 10)	As restated (note 10)
<b>Fixed assets</b>					
Tangible assets	11	630		162	
Investment properties	11	3,171,801		3,146,610	
			<b>3,172,431</b>		<b>3,146,772</b>
<b>Current assets</b>					
Debtors due within one year	14	13,073		3,939	
Investments	15	55,566		107,047	
Cash at bank and in hand		413		2,778	
		<b>69,052</b>		<b>113,764</b>	
<b>Creditors – Amounts falling due within one year</b>	16	<b>(106,124)</b>		<b>(143,602)</b>	
<b>Net current liabilities</b>			<b>(37,072)</b>		<b>(29,838)</b>
<b>Total assets less current liabilities</b>			<b>3,135,359</b>		<b>3,116,934</b>
<b>Creditors – Amounts falling due after more than one year</b>	17		<b>(2,236,829)</b>		<b>(2,341,979)</b>
<b>Provision for liabilities</b>	18		<b>(3,257)</b>		<b>(1,786)</b>
<b>Net assets</b>			<b>895,273</b>		<b>773,169</b>
<b>Capital and reserves:</b>					
Called up share capital	21		-		-
Revaluation reserve	23		7		6
Profit and loss account	23		5		5
<b>Total equity shareholders' funds</b>	24		<b>12</b>		<b>11</b>
<b>Minority interest</b>	25		<b>895,261</b>		<b>773,158</b>
<b>Total capital employed</b>			<b>895,273</b>		<b>773,169</b>

The directors consider that the liabilities for utility costs are provisions and have amended the comparative figures, the effect of which is to transfer £1.8 million from accruals to provisions for liabilities.

Approved by the Board on 19 October 2004 and signed on its behalf by:

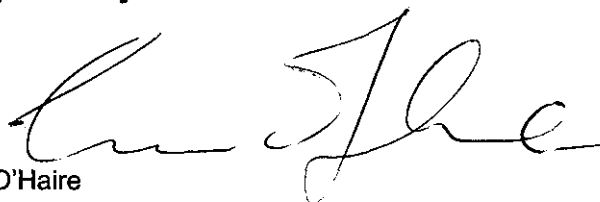
  
C. O'Haire  
Director

# Le Grand Annington Limited

## Company Balance Sheet as at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£'000	£'000	£'000	£'000
				As restated (note 10)	As restated (note 10)
<b>Fixed assets</b>					
Investments in Group undertakings	13	<u>6</u>	6	<u>5</u>	5
<b>Creditors – Amounts falling due Within one year</b>	16	<u>-</u>	-	<u>-</u>	-
<b>Net current assets</b>			<u>-</u>		<u>-</u>
<b>Total assets less current liabilities</b>			6		5
<b>Net assets</b>			6		5
<b>Capital and reserves:</b>					
Called up share capital	21		-		-
Revaluation reserve	23		6		5
Profit and loss account	23		-		-
<b>Total equity shareholders' funds</b>	24		6		5

Approved by the Board on 19 October 2004 and signed on its behalf by:



C. O'Haire  
Director

# Le Grand Annington Limited

## Consolidated Cashflow Statement For The Year Ended 31 March 2004

	Note	2004 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	30	81,629	100,472
<b>Returns on investments and servicing of finance</b>			
Interest received		1,263	1,085
Interest paid		(123,183)	(109,691)
Net cash outflow from returns on investments and servicing of finance		(121,920)	(108,606)
<b>Taxation</b>		-	(6)
<b>Capital expenditure</b>			
Sales of properties	5	191,683	208,298
Profit share		(26,757)	(28,213)
Purchase of tangible assets	11	(1,990)	(543)
Disposal of other tangible assets		37	79
Net cash inflow from capital expenditure		162,973	179,621
Net cash inflow before management of liquid resources and financing		122,682	171,481
<b>Management of liquid resources</b>			
Decrease / (Increase) in short term deposits	31	51,481	(45,203)
<b>Financing</b>			
Repayment of borrowings		(176,528)	(123,608)
Net cash outflow from financing	31	(176,528)	(123,608)
<b>(Decrease)/increase in net cash in the year</b>	31	<b>(2,365)</b>	<b>2,670</b>

# **Le Grand Annington 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, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable United Kingdom accounting standards.

#### **Basis of Consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 31 March 2004. The results of the subsidiaries acquired or sold are consolidated for the period from or on the date on which control passed. Acquisitions are accounted for under the acquisition method.

#### **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 such that individual property calculations are not performed. 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, such that individual property valuations are not performed. 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.

# **Le Grand Annington 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 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.

#### **Depreciation**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life, as follows:

Plant, equipment and vehicles:	3 years
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#### **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.

#### **Pension costs**

The cost of providing contributions to employees' personal defined contribution schemes are charged to the profit and loss account as contributions are made. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Borrowings**

Borrowings are carried at their net issue proceeds plus finance costs less amounts paid. Finance costs, which comprise interest, discounts and issue costs, are allocated over the period of the borrowing to achieve a constant rate on the carrying amount. In 1997, the Company entered into a cash equalisation swap to provide funds in respect of anticipated cash shortfalls in the early periods. Borrowing costs are shown net of receipts or payments from this swap arrangement.

#### **Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time. Discounts achieved on the repurchase of notes and offsetting swap costs are therefore recognised in the profit and loss account.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 1 Accounting policies (continued)

#### Investments in Group undertakings

The Company's investments in the shares of the Group undertakings are stated at net asset value at 31 March 2004 and after reflecting warrants held by Nomura International (AH) Limited which has the effect of restricting the value that could be attributed to Le Grand Annington Limited. This includes, where applicable, the professional valuation of properties.

Surpluses and deficits arising from changes in net asset value are taken to the revaluation reserve.

### 2 Segmental reporting

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

### 3 Operating profit

Operating profit is stated after charging.

	2004 £'000	2003 £'000
<b>Operating lease payments:</b>		
Plant and machinery	107	40
Other	333	226
<b>Depreciation</b>	232	179
<b>Auditors' remuneration</b>		
Audit services	115	104
Non-audit services	150	88

The auditor's remuneration for Le Grand Annington Limited is borne by another Group company, Annington Management Limited, in the current and prior year.

### 4 Staff costs

The aggregate remuneration comprised:

	2004 £'000	2003 £'000
Wages and salaries including directors' emoluments (see notes 25 and 27)	4,301	6,192
Social security costs	345	334
Other pension costs	226	202



# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 5 Profit on disposal of properties

	2004 £'000	2003 £'000
Sale proceeds	195,318	212,276
Selling costs	(3,635)	(3,978)
<b>Sale of properties</b>	<b>191,683</b>	<b>208,298</b>
Profit share payment under Profit Share Agreement	(26,757)	(28,213)
Cost of sales	(117,564)	(100,653)
	<b>47,362</b>	<b>79,432</b>

### 6 Interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable	1,110	1,047
Other income	137	65
	<b>1,247</b>	<b>1,112</b>

### 7 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on secured floating and fixed rate notes	95,088	107,602
Amortisation of discount and issue costs	58,888	55,609
Other finance charges	20,198	749
	<b>174,174</b>	<b>163,960</b>

### 8 Tax on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)	-	-

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 8 Tax on ordinary activities (continued)

	2004 £'000	2003 £'000
<b>Factors affecting the tax charge for the year</b>		
Loss/profit on ordinary activities before tax	(19,398)	7,388
Loss/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2003: 30%)	(5,819)	2,216
Expenses not deductible for tax purposes	243	2,159
Reversal of fair value adjustment to debt valuation	(6,414)	(5,530)
Short term timing differences	172	1,015
Group relief claimed for no consideration	(335)	(1,192)
Tax on disposal of property	21,952	4,446
Utilisation of tax losses	(9,799)	(3,114)
Current tax charge for the year	-	-

The amount of tax losses carried forward at 31 March 2004 is approximately £123 million (2003: £157 million).

On acquisition of Annington Holdings plc the value of the debt in the acquired Group was revalued to fair value in accordance with Financial Reporting Standard 7. A deferred tax asset has not been recognised in respect of this adjustment, timing differences relating to the long term incentive plan (note 28), or in respect of losses carried forward, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £123,420,000 (2003: £141,403,000).

	2004 £'000	2003 £'000
Fair value adjustment to debt	83,725	90,139
LTIP provision	2,681	4,117
Non-trading deficit	37,014	47,147
	<b>123,420</b>	<b>141,403</b>

The historical cost of the Group's properties is £2,117,280,000 (2003: £2,193,465,000). The tax which would be payable on the surplus arising on the revaluation of fixed asset in the event of their sale at such valuation, is approximately £537,155,000 (2003: £516,447,000).

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 9 Profit for the Company

As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented for Le Grand Annington Limited. The Company made a loss of £65 for the year ended 31 March 2004 (2003: loss £48).

### 10 Prior year adjustment

The calculation of Group minority interest and Company fixed asset investment in Group undertakings was reassessed during the year. Following their review of the financial statements the directors consider that the value attributable to the shareholders of Le Grand Annington Limited is restricted due to Nomura Investment (AH) Limited's holding of warrants in relation to the shares of Annington Homes Limited (note 35). Consequently, the balance sheet at 31 March 2003 has been restated to reflect the value attributable to the shareholders of Le Grand Annington Limited and the minority interests respectively. The calculation of negative goodwill has been reassessed such that no goodwill, negative or positive, is attributable to the minority interests. The financial effect of the restatement is set out below.

	2003 £'000
<b>Group</b>	
<b>Profit and loss account</b>	
Administration expenses - elimination of negative goodwill release	(2,666)
Increase in minority interest	(3,842)
<b>Decrease in retained profit for the financial year</b>	<b>(6,508)</b>
<b>Balance Sheet</b>	
Intangible assets - elimination of negative goodwill	74,838
Increase in net assets	74,838
<b>Decrease in equity shareholders' funds</b>	<b>(330,830)</b>
Increase in minority interest	405,668
<b>Increase/(decrease) in capital employed</b>	<b>74,838</b>
<b>Company</b>	
<b>Balance sheet</b>	
Decrease in fixed assets investments in Group undertakings	(398,109)
<b>Decrease in net assets</b>	<b>(398,109)</b>
Decrease in revaluation reserve	(398,109)
<b>Decrease in equity shareholders' funds</b>	<b>(398,109)</b>

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 11 Fixed assets (Group)

	Investment Properties	Plant Equipment and Vehicles	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 April 2003	3,146,610	946	3,147,556
Additions	1,253	737	1,990
Disposals	(117,564)	(107)	(117,671)
Revaluation	141,502	-	141,502
<b>At 31 March 2004</b>	<b>3,171,801</b>	<b>1,576</b>	<b>3,173,377</b>
<b>Accumulated depreciation</b>			
At 1 April 2003	-	784	784
Charge for the year	-	232	232
Disposals	-	(70)	(70)
<b>At 31 March 2004</b>	<b>-</b>	<b>946</b>	<b>946</b>
<b>Net book value at 31 March 2004</b>	<b>3,171,801</b>	<b>630</b>	<b>3,172,431</b>
Net book value at 31 March 2003	3,146,610	162	3,146,772

Allsop & Co. have prepared a portfolio valuation of the investment properties held by Annington Property Limited in the MoD Married Quarters Retained and Surplus Estate as 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, save 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 Property 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, Allsop & Co. confirms 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 £3,172 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 and includes £549,000 of properties valued by the directors on the basis of market value.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 11 Fixed assets (Group) (continued)

	2004 £'000	2003 £'000
<b>The net book amount of properties comprises</b>		
Freehold	194,775	235,302
Very long leaseholds (over 900 years)	2,977,026	2,911,308
	<b>3,171,801</b>	<b>3,146,610</b>

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

	<b>Properties</b>	
	2004 £'000	2003 £'000
Cost	2,117,280	2,193,465
<b>Net book amount</b>	<b>2,117,280</b>	<b>2,193,465</b>

### 12 Operating lease commitments (Group)

Annual commitments under non-cancellable bases, are as follows:

	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Leases which expire :				
within 1 year	-	-	38	-
within 2-5 years	-	123	-	73
After more than 5 years	371	-	83	-
	<b>371</b>	<b>123</b>	<b>121</b>	<b>73</b>

### 13 Investment in Group undertaking

	2004 £'000	2003 £'000 As restated (note 10)
Value brought forward	5	2
Revaluations	1	3
<b>Value carried forward</b>	<b>6</b>	<b>5</b>

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 13 Investment in Group undertaking (continued)

Le Grand Annington Limited owns 52% of Annington Holdings plc, the principal undertakings of Annington Holdings plc at 31 March 2004, all of which are wholly owned and included in the consolidated financial statements, are shown below:

Name of subsidiary undertaking	Country of Incorporation	Principal Activity
Annington Holdings plc*	Great Britain	Intermediate Group Holding company
Annington Homes Limited	Great Britain	Intermediate Group Holding Company
Annington Property Limited	Great Britain	Property investment
Annington Management Limited	Great Britain	Management
Annington Receivables Limited	Great Britain	Income management
Annington Group Finance Limited	Great Britain	Finance
Annington Finance No.1 plc	Great Britain	Finance
Annington Finance No.4 plc	Great Britain	Finance
Annington Developments (Holdings) Limited	Great Britain	Intermediate Holding Company
Annington Rentals (Holdings) Limited	Great Britain	Intermediate Holding Company

\* The shares in these undertakings are directly owned by the Company.

As permitted by Section 231(5) of the Companies Act 1985, particulars of other subsidiary undertakings are not shown above on the grounds that the information would be of an unduly excessive length. A complete list of Group undertakings will, however, be filed with the Annual Return.

Annington Homes Limited has issued 75,636 warrants to Nomura Investments (AH) Limited, allotted and fully paid amounting to £7,563,600 at an exercise price of £19,696 each. If the warrants are not exercised before 1 January 2015 the exercise price will increase to £21,666. Each warrant entitles the holder to subscribe for one ordinary share in Annington Homes Limited when exercised.

These warrants are exercisable at any time and Nomura Investments (AH) Limited has no other rights to take up shares in the Company.

The eventual date on which the warrants may be exercised is currently not determined and consequently no value has been attributed to these warrants in the balance sheet other than the original subscription monies paid in 1996. These warrants have been included as part of minority interests (note 24).

### 14 Debtors

	Group 2004 £'000	Group 2003 £'000
Other debtors	12,707	3,665
Prepayments and accrued income	366	274
	<b>13,073</b>	<b>3,939</b>

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 15 Current asset investments

	Group 2004 £'000	Group 2003 £'000
Short term deposits	55,566	107,047

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

### 16 Creditors - Amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000
Debenture loans (Note 19)	36,318	58,342
Trade creditors	1,618	1,932
Other creditors	3,956	10,377
Accruals and deferred income	64,232	72,951
	106,124	143,602

### 17 Creditors - Amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000
Debenture loans (Note 19)	2,233,159	2,333,701
Accruals and deferred income	3,670	8,278
	2,236,829	2,341,979

### 18 Provision for liabilities (Group)

	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

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 18 Provision for liabilities (Group) (continued)

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 31).

### 19 Loans and other borrowings (Group)

Reconciliation of Movements	2004 £'000	Amortisation £'000	Fair value adjustment/ swaps £'000	Repayments £'000	2003 £'000
<b>Annington Finance No. 1 plc</b>					
7.75% Secured bonds 2007/2011	198,287	1,164	(4,102)	-	201,225
8% Secured bonds 2012/2021	452,032	2,443	(6,834)	-	456,423
Secured Floating Rate Notes 1997/2006	102,075	494	(2,418)	(36,318)	140,317
	<b>752,394</b>	<b>4,101</b>	<b>(13,354)</b>	<b>(36,318)</b>	<b>797,965</b>
<b>Annington Finance No. 4 plc</b>					
Secured Zero Coupon Notes 2022	478,036	28,149	-	-	449,887
Secured Zero Coupon Notes 2023	265,212	18,159	-	-	247,053
Secured Floating Rate Notes 2023	628,087	8,253	10,418	(142,200)	751,616
Secured Fixed Rate Notes 2023	145,748	226	-	-	145,522
	<b>1,517,083</b>	<b>54,787</b>	<b>10,418</b>	<b>(142,200)</b>	<b>1,594,078</b>
	<b>2,269,477</b>	<b>58,888</b>	<b>(2,936)</b>	<b>(178,518)</b>	<b>2,392,043</b>

	2004 £'000	2003 £'000
<b>Maturity of debt</b>		
In one year or less, or on demand	36,318	58,342
Between one and two years	36,318	56,875
Between two and five years	108,040	108,266
In five years or more	2,088,801	2,168,560
	<b>2,269,477</b>	<b>2,392,043</b>



# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 20 Financial liabilities and instruments

	Par value of debt £'000	31 March 2004 Balance sheet value £'000	Fair value £'000
7.75% Secured bonds 2007/2011	180,400	198,287	201,418
8% Secured bonds 2012/2021	369,300	452,032	466,420
Secured Floating Rate Notes 1997/2006	99,874	102,075	102,525
Interest rate swap – pay fixed 7.30% and receiving floating	-	-	3,093
<b>Annington Finance No. 1 plc</b>	<b>649,574</b>	<b>752,394</b>	<b>773,456</b>
Secured Zero Coupon Notes 2022	1,480,000	478,036	511,501
Secured Zero Coupon Notes 2023	1,000,000	265,212	279,968
Secured Floating Rate Notes 2023	686,570	628,087	679,636
Secured Fixed Rate Notes 2023	150,000	145,748	153,908
Interest rate swap – pay fixed 6.93% and receiving floating	-	-	55,649
Swap options	-	-	(7,438)
<b>Annington Finance No. 4 plc</b>	<b>3,316,570</b>	<b>1,517,083</b>	<b>1,673,224</b>
	<b>3,966,144</b>	<b>2,269,477</b>	<b>2,446,680</b>
<b>Weighted average interest rate</b>	<b>7.25%</b>		
<b>Weighted average period of fixed interest rates (years)</b>	<b>14.9 years</b>		

	Par value of debt £'000	31 March 2003 Balance sheet value £'000	Fair value £'000
7.75% Secured bonds 2007/2011	180,400	201,225	206,817
8% Secured bonds 2012/2021	369,300	456,423	479,653
Secured Floating Rate Notes 1997/2006	136,192	140,317	141,597
Interest rate swap – pay fixed 7.30% and receiving floating	-	-	8,163
<b>Annington Finance No. 1 plc</b>	<b>685,892</b>	<b>797,965</b>	<b>836,230</b>
Secured Zero Coupon Notes 2022	1,480,000	449,887	500,785
Secured Zero Coupon Notes 2023	1,000,000	247,053	271,304
Secured Floating Rate Notes 2023	828,770	751,616	816,200
8% Secured Fixed Rate Notes 2023	150,000	145,522	156,997
Interest rate swap – pay fixed 6.93% and receiving floating	-	-	94,532
Swap options	-	-	(15,617)
<b>Annington Finance No. 4 plc</b>	<b>3,458,770</b>	<b>1,594,078</b>	<b>1,824,201</b>
	<b>4,144,662</b>	<b>2,392,043</b>	<b>2,660,431</b>
<b>Weighted average interest rate</b>	<b>7.27%</b>		
<b>Weighted average period of fixed interest rates</b>	<b>19.2 years</b>		

The Group's policy in regard to Borrowers' Risk Management is set out on page 3 of the Accounts.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 20 Financial liabilities and instruments (continued)

#### Annington Finance No. 1 plc

Three classes of secured bonds were issued in November 1996. The interest rates and maturity dates are shown in the illustration on page 3 of the Directors' Report.

During the year, floating rate notes with a nominal value of £36.3 million (2003: £36.3 million) were repurchased.

The Notes issued under this securitisation are rarely traded and therefore there is no published market value. Given the nature of these Notes, a discounted cashflow approach has been used to arrive at a 'fair value'. These Notes are secured on the Guaranteed Minimum Rent, payable by the Ministry of Defence, over the 25 years ending 2021 currently comprising of 43,025 Retained Estate properties upon which rent is payable (2003: 43,853). The applied discount rate is 5.23% and has been based on the risk assessment of this income. The fair values of interest rate swaps are based on actual market valuations as at 31 March 2004.

#### Facilities

The Group has one undrawn committed borrowing facility relating to the Annington Finance No. 1 plc funding.

	2004 £'000	2003 £'000
Expiring in one year or less	26,700	26,700

#### Annington Finance No. 4 plc

Four classes of Secured Bonds have been issued (original issue in December 1997 with a Tap Issue in February 2002). The interest rates and maturity dates are shown in the illustration on page 3 of the Directors' Report.

During the year, Floating Rate Notes 2023 with a nominal value of £142,000,000 (2003: £87,290,000) were repurchased for £140,210,050 (2003: £85,844,350).

All the Annington Finance No. 4 plc Notes are secured on the proceeds from the disposal of the Surplus Estate, rentals from the surplus estate and excess rental income from the Retained Estate after deducting any guaranteed minimum rent received from the MoD. The Zero and Fixed Rate Notes are rarely traded and therefore there is no published market value. Given the nature of these Notes, a discounted cash flow approach has been used to arrive at a 'fair value'. The applied discount rates shown below have been based on the risk assessment of this income.

Secured Zero Coupon Notes 2022	5.83%
Secured Zero Coupon Notes 2023	6.93%
Secured Fixed Rate Notes 2023	8.03%

The value of the Secured Floating Rate Notes 2023 was based on the market rate applied to the repurchase of the respective bonds on the 10 April 2004. The valuation of the interest rate swap and swap options are based on actual market valuations as at 31 March 2004.

These Notes are also secured on the remaining Married Quarters Estate.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 20 Financial liabilities and instruments (continued)

#### Facilities

The Group has two undrawn committed borrowing facilities relating to the Annington Finance No. 4 plc funding.

	2004 £'000	2003 £'000
Expiring in one year or less	175,000	175,000

### 21 Called up share capital

	2004 £	2003 £
<b>Authorised</b>	<b>14</b>	<b>14</b>
<b>Allotted, called up and fully paid</b>		
13 ordinary shares of £1 each - fully paid	13	13
	<b>13</b>	<b>13</b>

### 22 Warrants (Group)

	2004 £
As previously stated	7,566
Prior year adjustment (note 10)	(7,566)
At 1 April 2003 as restated and 31 March 2004	-

### 23 Reserves

Group	Profit and Loss Account £'000	Revaluation Reserve £'000
At 31 March 2003 as previously stated	(172,360)	495,635
Prior year adjustment (note 10)	172,365	(495,629)
At 1 April 2003 as restated	5	6
Surplus on valuation of properties	-	1
Valuation on properties realised	-	-
Retained loss for the financial year	-	-
<b>At 31 March 2004</b>	<b>5</b>	<b>7</b>

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 23 Reserves (continued)

<b>Company</b>	<b>Profit and Loss Account £'000</b>	<b>Revaluation Reserve £'000</b>
At 31 March 2003 as previously stated	-	398,114
Prior year adjustment (note 10)	-	(398,109)
At 1 April 2003 as restated	-	-
	-	5
Retained loss for the financial year	-	-
Revaluation of Investments	-	1
<b>At 31 March 2004</b>	-	<b>6</b>

### 24 Reconciliation of movements in shareholders' funds

<b>Group</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Loss for the year	-	-
Movement in revaluation reserve	1	3
<b>Net change in shareholders' funds</b>	<b>1</b>	<b>3</b>
Shareholders' funds brought forward as previously stated	330,841	62,075
Prior year adjustment (note 10)	(330,830)	(62,067)
Shareholders' funds brought forward as restated	11	8
<b>Shareholders' funds carried forward</b>	<b>12</b>	<b>11</b>

<b>Company</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Loss for the year	-	-
Movement in revaluation reserve	1	3
<b>Net change in shareholders' funds</b>	<b>1</b>	<b>3</b>
Shareholders' funds brought forward as previously stated	398,114	132,014
Prior year adjustment (note 10)	(398,109)	(132,012)
Shareholders' funds brought forward as restated	5	2
<b>Shareholders' funds carried forward</b>	<b>6</b>	<b>5</b>

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 25 Minority interests

	2004 £'000	2003 £'000
At 31 March 2003 as previously stated	367,490	121,859
Prior year adjustment (note 10)	405,668	139,571
At 1 April 2003 as restated	773,158	261,430
(Loss)/profit for the year	(19,398)	7,388
Surplus on valuation of properties	141,501	504,340
<b>At 31 March 2004</b>	<b>895,261</b>	<b>773,158</b>

Minority interest comprises of equity interests only.

### 26 Pension commitments

The Group contributes to employees' personal defined contribution pension schemes. The contributions made for the year were £225,910 (2003: £202,244).

### 27 Employees

The average number of persons employed by the Group during the year was 64 (2003: 63).

### 28 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	1,514	1,451
Amounts receivable under the Long Term Incentive Plan	4,172	4,172
	<b>5,686</b>	<b>5,623</b>

No retirement benefits are accruing to directors. The emoluments, for the highest paid director amounted to £2,485,210 (2003: £2,475,103). Amounts receivable under the Long Term Incentive Plan include amounts which were accrued in earlier years.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 29 Long term incentive plan

Wages and salaries include an accrual for the future payments of the discretionary Long Term Incentive Plans (LTIPs). The first scheme matured in March 2002 and one further payment instalment arising from this scheme is scheduled for March 2005. The accrual is based on annual bonuses paid to staff and directors over the five year period ended 31 March 2002 and remaining payments are conditional upon certain valuation targets being maintained. A second scheme has been established for the period from 1 April 2002 to 31 March 2007. Payments will be made in three instalments starting in April 2007. The accrual is based on a percentage of any excess value achieved above a minimum threshold and percentages allotted to individuals each year through to 31 March 2007.

### 30 Cash flow from operating activities

	2004 £'000	2003 £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities:</b>		
Group operating profit	104,177	90,076
Depreciation charge	232	179
(Increase)/decrease in debtors	(9,150)	1,397
(Decrease)/increase in creditors	(15,101)	7,034
Increase in provisions	1,471	1,786
<b>Net cash inflow from operating activities</b>	<b>81,629</b>	<b>100,472</b>

### 31 Reconciliation of movement in net debt

	At 31 March 2003 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2004 £'000
Cash in hand and at bank	2,778	(2,365)	-	413
Debt due within 1 year	(58,342)	58,342	(36,318)	(36,318)
Debt due after 1 year	(2,333,701)	118,186	(17,644)	(2,233,159)
	(2,392,043)	176,528	(53,962)	(2,269,477)
Liquid resources	107,047	(51,481)	-	55,566
<b>Net Debt</b>	<b>(2,282,218)</b>	<b>122,682</b>	<b>(53,962)</b>	<b>(2,213,498)</b>

Liquid resources comprise short term deposits which mature within 12 months of the date of inception.  
Non-cash changes comprise amortisation of discounts and issue costs relating to debt issues.

# Le Grand Annington Limited

## Notes To The Accounts For The Year Ended 31 March 2004

### 31 Reconciliation of movement in net debt (continued)

#### Reconciliation of net cash flow movement in net debt

	2004 £'000
Decrease in cash in hand and at bank	(2,365)
Cash inflow from decrease in short term deposits	(51,481)
Cash outflow from reduction in debt	176,528
Amortisation of debt issue costs	(55,952)
Repurchase of bond	1,990
Movement in net debt	68,720
Net debt at 1 April 2003	(2,282,218)
Net debt at 31 March 2004	(2,213,498)

### 32 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 £20.0 million (2003: £19.1 million).

### 33 Post balance sheet events

Annington Finance No. 4 plc redeemed, in part, £21.6 million (2003: £87.3 million) of the Class B2 Secured Floating Rate Notes 2023 on the Interest Payment Dates falling in April and July 2004.

On 18 August 2004, Annington Finance No. 4 plc issued two further classes of notes at par, which were both fully subscribed:

- £664,950,000 Class B3 Secured Floating Rate Notes due 2023.
- £260,000,000 Class M Secured Fixed/Floating Rate Notes due 2023.

On 11 October 2004, £664,943,045 of the proceeds from the new notes issued on 18 August 2004 were used to redeem in full all outstanding Class B2 Secured Floating Rate Notes 2023.

### 34 Related party transactions

The directors consider the Nomura Group of companies, of which Nomura Investments (AH) Limited is the principal UK subsidiary, as a related party as during the year it had the ability to exercise a controlling influence over parts of the Annington Group through the Nomura Group's holding of warrants to subscribe for ordinary shares in Annington Homes Limited.

There were no transactions with related parties during the year.

## **Le Grand Annington Limited**

### **Notes To The Accounts For The Year Ended 31 March 2004**

#### **35 Controlling party**

Le Grand Annington Limited is the ultimate holding company for the consolidated Group. As at 31 March 2004, the Nomura Group of companies, of which Nomura Investments (AH) Limited is a subsidiary, had the ability to exercise a controlling influence over part of the Annington Group through Nomura Investment (AH) Limited's holding of warrants in relation to the shares of Annington Homes Limited (Note 13).