

**ANNINGTON RENTALS (HOLDINGS)
LIMITED**

Report and Financial Statements

31 March 2012



ANNINGTON RENTALS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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ANNINGTON RENTALS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J C Hopkins
R N Barr (Resigned 26 January 2012)
A P Chadd (Appointed 26 January 2012)

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

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

ANNINGTON RENTALS (HOLDINGS) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The principal purpose of Annington Rentals (Holdings) Limited (the company) is that of a holding company

DIRECTORS

The directors, except as noted, who served throughout the year were

J C Hopkins

R N Barr (Resigned 26 January 2012)

A P Chadd (Appointed 26 January 2012)

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

BUSINESS REVIEW

This Business Review describes the current and future trends and factors affecting the development, performance and position of the company and its subsidiaries during the year ended 31 March 2012

This Business Review has been prepared solely to assist members to assess the Board's strategies and their potential to succeed. This Review should not be relied upon by any other party, or for any other purpose. Forward-looking statements are made by the Directors in good faith based on information available to them up until the date on which the Report was approved. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

THE GROUP

The Annington Rentals (Holdings) Limited Group (ARHG) was established in 1999 with the purpose of creating a residential investment portfolio, free of the constraints and conditions governing the Annington Homes Limited Group (AHLG) portfolio.

A series of subsidiaries has been established to hold properties with different commercial characteristics, each requiring slightly different management decisions to achieve their individual objectives. The ARHG provides a number of 'products' including, letting properties to 'prove' market rents in key locations for the AHLG portfolio, letting properties to individuals with a view to making strategic gains in the medium term, bulk letting properties to 'institutions' (such as universities, housing associations and local authorities) to secure longer term rental contracts, and longer-term bulk letting to the Secretary of State for Defence (SoSD). Annington Rentals Management Limited (ARML) does not own properties, but refurbishes and lets vacant properties on behalf of SoSD.

ANNINGTON RENTALS (HOLDINGS) LIMITED

DIRECTORS' REPORT (continued)

PERFORMANCE AND DIVIDENDS

Operations

As at 31 March 2012, the ARHG controlled 1,614 (2011 1,569) properties. During the current year, operations have expanded through acquisitions in Annington Rentals (No 7) Limited of an additional 26 units and through the transfer of 10 units from Annington Property Limited (APL) to Annington Rentals (No 2) Limited (AR2).

During the year, a redevelopment of 84 units at Uxbridge was undertaken within Annington Rentals (No 4) Limited (AR4). A development scheme with a national house builder to add an additional 24 units and refurbish the existing 84 units was assessed as providing the best return for the group. The programme is now complete, with sales up to 31 March 2012 of 98 properties (2011 nil). This resulted in turnover of £19,654K (2011 £nil) and gross profit of £558K (2011 £nil).

The ARHG continues to operate a mixed portfolio of rental units on Assured Short-hold Tenancies (AST) and bulk leases. Bulk leasing to the Ministry of Defence is continuing to expand where opportunities arise for the group to provide properties on 10-year leases in areas of high demand.

Performance

The ARHG again has seen low numbers of void properties and costs maintained below forecast (see KPIs below). Gross rents have increased to £15,108K (2011 £14,625K), primarily through the acquisition of a further 123 properties in 2011 by Annington Rentals (No 6) Limited (AR6) and an additional 26 properties in 2012 in Annington Rentals (No 7) Limited (AR7), all are now let to the SoSD on ten-year leases. Rents have continued to be monitored and maintained at market levels on ASTs. Bulk lettings to the MoD (representing over one third of the properties) are at fixed rental values for the first five years of the lease.

During the year, nine property disposals were made by Annington Rentals (No 2) Limited (2011 12 disposals by Annington Rentals (No 2) Limited). This resulted in a turnover of £1,466K (2011 £2,071K) and gross profit of £48K (2011 £114K). Sales made by AR4 are noted above in the Operations section. Sale proceeds have been used to reduce the group's borrowings, including a total of £10,900K which was released to RBS to pay down debt (2011 £7,100K).

Dividends

No dividend was proposed or paid in the year to 31 March 2012 (2011 nil).

KEY PERFORMANCE INDICATORS

The company is a holding company and is reliant on its subsidiaries to generate adequate returns. The main key performance indicators considered appropriate for the company and its subsidiaries are:

KPI	2011/2012	2010/2011	Basis of calculation
To manage costs within pre-defined targets	5.29%	-4.06%	To compare actual expenditure levels against predetermined forecasts, to ensure adequate control over expenditure exists. The KPI is measured as a percentage +/- from forecast.
To maintain void levels below 5.0%	0.77%	1.26%	To measure the amount of potential rent lost arising from properties being void as a percentage of total potential rent.

ANNINGTON RENTALS (HOLDINGS) LIMITED

DIRECTORS' REPORT (continued)

OUTLOOK

The ARHG has plans in place to continue its investment programme. These plans focus on the recently incorporated Annington Rentals (No 7) Limited, which will invest mainly in new build properties. External funding has been obtained to finance this expansion.

The programme of reviewing investment properties held within ARHG's subsidiaries continues on a rolling basis. Where properties are identified by management as being surplus to future requirements, they will be considered for sale and the funds raised used to reduce the group's borrowings.

FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The company is financed by another Annington Holdings plc group company, Annington Homes Limited (note 11), and has third party debt (note 12). Servicing of the debt is reliant on rental income and low void periods being achieved by the wholly owned subsidiaries.

The table below outlines the principal risks and uncertainties.

Area of Potential Uncertainty	Risk	Strategy
Fluctuating interest rates	The Rentals Subgroup has entered into medium term funding arrangements to fit with the medium-term investment strategy.	To counter the medium-term exposure to fluctuating interest rates, the Rentals Subgroup has fixed interest rates through to July 2014 by entering into facilities at a floating interest rate and simultaneously entering into interest rate swaps to fix the interest liability.
Changing demand for rental property	A number of Rental Subgroup subsidiaries let residential property using assured shorthold tenancies. There is a risk of changing demand, which could affect either or both void and rental levels.	Management constantly reviews properties, which may become void in the short-term and decide what rental levels should be achieved on re-letting. Should it become uneconomic to retain such properties then options, including potential refurbishment and / or disposal are considered.
Changing demand for bulk residential rental properties	Annington Rentals (No 4) Limited, Annington Rentals (No 6) Limited and Annington Rentals (No 7) Limited let blocks of properties to 'corporate' organisations. If the demand reduces then the relevant rental company could have a significant number of void units to deal with.	Annington Rentals (No 4) Limited lets blocks of property for periods of 3 – 5 years. In-house staff maintain regular contact with the 'tenant organisation' in order that any potential lease terminations are noted as early as possible, in order to facilitate timely consideration of options to re-let, refurbish and / or sell. With regards Annington Rentals (No 6) Limited and Annington Rentals (No 7) Limited lettings, each property is let on an individual lease for 10 years with a 5-year break. Again regular contact is maintained with the 'tenant organisation' to monitor demand and changing requirements.

ANNINGTON RENTALS (HOLDINGS) LIMITED

DIRECTORS' REPORT (continued)

GOING CONCERN

After making enquiries the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis are to be found in Note 1 to the Financial Statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 RENTALS (HOLDINGS) LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

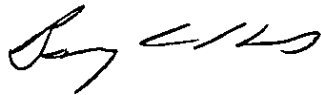
Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting

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



J B Chambers

Secretary

29 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON RENTALS (HOLDINGS) LIMITED

We have audited the financial statements of Annington Rentals (Holdings) Limited for the year ended 31 March 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

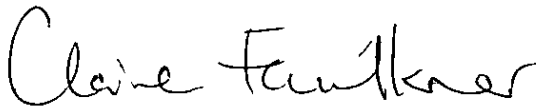
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ANNINGTON RENTALS (HOLDINGS) LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Claire Faulkner (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
29 June 2012

ANNINGTON RENTALS (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover		-	-
Administration expenses		(2,116,453)	(1,923,464)
OPERATING LOSS	2	(2,116,453)	(1,923,464)
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		(2,116,453)	(1,923,464)
Interest receivable and similar income	4	7,469,946	8,000,545
Interest payable and similar charges	5	(16,894,279)	(16,214,156)
Dividend received		5,484,275	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,056,511)	(10,137,075)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR		(6,056,511)	(10,137,075)

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2012

	2012 £	2011 £
Loss for the financial year	(6,056,511)	(10,137,075)
Deficit on revaluation of investment in group undertakings	(12,991,230)	(42,583,271)
Total recognised losses for the financial year	(19,047,741)	(52,720,346)

ANNINGTON RENTALS (HOLDINGS) LIMITED

BALANCE SHEET As of 31 March 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investments	7	<u>93,384,803</u>	<u>85,877,848</u>
CURRENT ASSETS			
Debtors			
Due within one year	8	6,496	218,652
Due after one year	8	74,319,486	76,626,860
Cash at bank and in hand	9	<u>1,146,921</u>	<u>6,079,495</u>
		75,472,903	82,925,007
CREDITORS: amounts falling due within one year	10	<u>(1,430,529)</u>	<u>(681,872)</u>
NET CURRENT ASSETS		<u>74,042,374</u>	<u>82,243,135</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		167,427,177	168,120,983
CREDITORS: amounts falling due after more than one year	11	(222,323,236)	(224,467,486)
NET LIABILITIES		<u>(54,896,059)</u>	<u>(56,346,503)</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Warrants	15	1,000	1,000
Revaluation reserve	16	(26,615,204)	(34,122,159)
Profit and loss account	16	<u>(28,281,855)</u>	<u>(22,225,344)</u>
SHAREHOLDERS' DEFICIT	17	<u>(54,896,059)</u>	<u>(56,346,503)</u>

The financial statements of Annington Rentals (Holdings) Limited, registered number 3818321, were approved by the Board of Directors and authorised for issue on 29 June 2012

Signed on behalf of the Board of Directors



J C Hopkins

Director

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets on a going concern basis, and in accordance with applicable United Kingdom accounting standards.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 2 to 6 which describes the financial position of the company, its cash flows and liquidity position, its objectives, policies and process for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities.

The Company is funded by another group undertaking Annington Homes Limited (Note 11) and an existing Loan facility (Note 12) which requires three covenant tests to be maintained - Loan to Value, Gross Interest Coverage and Net Interest Coverage Ratios. On 16 February 2012 the Company entered a £45 million Facility Agreement with a final repayment date of 31 July 2014 with The Royal Bank of Scotland plc (2011 - £55.9 million Revolving Seven Year Facility Agreement expiring in September 2012), which requires three covenant tests to be maintained - Loan to Value, Gross Interest Coverage Ratio and Net Interest Coverage Ratio.

The Loan to Value ratio of 55% within the company's facility has been met for the current year. The Gross and Net Interest Cover Ratios have been maintained within their limits. Given that the interest rate is mostly fixed, using interest rate swaps, there is not expected to be any breach of these covenants in the foreseeable future.

The company has sought and received commitment for future support from Annington Homes Limited.

After making enquiries and having assessed the responses of the directors of the company's parent Annington Holdings plc to their enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and accounts.

Group accounts

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company for which consolidated accounts are prepared.

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 includes a consolidated cash flow statement and are publicly available.

The company has therefore taken advantage of the exemption under Financial Reporting Standard No 1 (revised 1996) and has not prepared a cash flow statement.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (continued)

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 tax rates and laws that have been enacted or substantially enacted by the balance sheet date. 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.

Borrowings and finance costs

Borrowings are carried at loan proceeds plus finance costs less amounts paid. Finance costs, which comprise interest and issue costs are allocated over the period of the borrowing to achieve a constant rate on the carrying amount.

FRS 29

The company is a subsidiary of Annington Holding plc and has taken advantage of the exemption provided in Financial Reporting Standard No 29 "Financial Instruments: Disclosures", not to make disclosure of financial instruments that are disclosed in the consolidated financial statements.

Investments in subsidiary undertakings

The company's investments in the shares of the subsidiary undertakings are stated at net asset value. Surpluses and deficits arising from changes in net asset value are taken to the revaluation reserve.

Provision for warrants

The value attributable to the shareholders in Annington Rentals (Holdings) Limited is restricted due to Nomura Investments (AH) Limited's holding of cash warrants in the company. A provision is made, where necessary, to reflect the amount due to the warrant holders based on the cash settlement amount, being the excess of the open market value of the ordinary shares over the par value of the ordinary shares issued.

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.

The company's derivative instruments are not designated as hedging instruments and are held on the balance sheet at fair value. Changes in the fair value are recognised in the profit and loss account as they arise. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

2. OPERATING LOSS

The auditors' remuneration was £12,300 (2011 - £11,900) for the audit of the company's annual accounts, £9,100 (2011 - £9,800) for other services relating to taxation and £nil (2011 - £200) for other accounting services and was borne by another group company, Annington Management Limited, in the current and preceding year.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to this company in the current and preceding year.

The company had no employees of its own during the year (2011 - nil). The cost of performing work for the company is borne by another group company, Annington Management Limited, in the current and preceding year.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2012

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Bank interest receivable	40,084	39,252
Interest receivable on intercompany balances	5,917,351	6,073,453
Fair value gain on interest rate swaps	1,512,511	1,887,840
	<u>7,469,946</u>	<u>8,000,545</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Interest payable on bank loan	3,014,665	3,290,095
Amortisation of issue costs	133,397	65,925
Swap break costs	276,001	455,000
Interest payable on intercompany balances	13,469,780	12,403,092
Other finance charges	436	44
	<u>16,894,279</u>	<u>16,214,156</u>

The prior year figure for interest payable on bank loan has been updated to show the amortisation of issue costs separately

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current tax		
United Kingdom corporation tax at 26% (2011 - 28%)	<u>-</u>	<u>-</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 26% (2011 - 28%) The current tax credit for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

	2012 £	2011 £
Loss on ordinary activities before tax	(6,056,511)	(10,137,075)
Tax on loss on ordinary activities at standard rate	(1,574,693)	(2,838,381)
Factors affecting credit for the year		
Expenses not deductible for tax purposes	2,325,609	3,077,599
Non-taxable income	(1,819,164)	(1,412,867)
Group relief surrendered	1,068,248	1,173,649
Total actual amount of current tax	-	-

The amount of tax losses carried forward at 31 March 2012 is £6,758,186 (2011 - £22,839,230)

A deferred tax asset has not been recognised 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 £1,621,965 (2011 - £5,938,200)

In April 2012, the headline rate of corporation tax reduced from 26% to 24%, with further 1% reductions expected each year until a rate of 22% is in place from April 2014, as declared in the 2012 Budget Announcement

7. INVESTMENT IN GROUP UNDERTAKINGS

	2012 £	2011 £
Valuation		
At 1 April	85,877,848	8,461,117
Additions	-	120,000,002
Revaluations	7,506,955	(42,583,271)
At 31 March	93,384,803	85,877,848

The historical cost of the investment in subsidiaries was £120,000,007 (2011 - £120,000,007)

The principal undertakings at 31 March 2012, which are wholly owned, are shown below

Name of subsidiary undertakings	Country of incorporation	Principal activity
Annington Rentals Limited	Great Britain	Property investment
Annington Rentals (No 2) Limited	Great Britain	Property investment
Annington Rentals (No 3) Limited	Great Britain	Property investment
Annington Rentals (No 4) Limited	Great Britain	Property investment
Annington Rentals (No 5) Limited	Great Britain	Property investment
Annington Rentals (No 6) Limited	Great Britain	Property investment
Annington Rentals (No 7) Limited	Great Britain	Property investment
Annington Rentals Management Limited	Great Britain	Real estate management

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. DEBTORS

	2012 £	2011 £
Due within one year		
Other debtors	6,496	4,435
Amounts due from group undertakings	-	214,217
	<u>6,496</u>	<u>218,652</u>
Due after more than one year		
Amounts due from group undertakings	<u>74,319,486</u>	<u>76,626,860</u>

Amounts due to the company from group undertakings within one year include £nil (2011 - £214K) which are unsecured, interest free and have no fixed date of repayment

£74,319K (2011 - £76,627K) of loans are unsecured, interest bearing at 8.02% (2011 - 8.02%) and have a fixed date of repayment of 31 March 2020 (2011 - 31 March 2020)

9. CASH AT BANK

	2012 £	2011 £
Blocked and restricted cash	<u>1,146,921</u>	<u>6,079,495</u>

In compliance with the RBS funding arrangements and to act as a mechanism to reduce the bank's exposure to the company, three (2011 - three) bank accounts exist to cover various aspects of the company's operations. These are in the name of the company and administered by RBS. These arrangements are considered temporary and funds will be released provided certain conditions are met. There are no penalties associated with these arrangements.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	52,638	45,380
Amounts due to group undertakings	500,944	129,693
Accruals	<u>876,947</u>	<u>506,799</u>
	<u>1,430,529</u>	<u>681,872</u>

Amounts due by the company to group undertakings are unsecured, interest free and have no fixed date of repayment

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Bank loan (note 12)	44,507,615	55,803,931
Amounts due to group undertakings	176,731,132	166,066,555
Interest rate swap (notes 12,13)	1,084,489	2,597,000
	<u>222,323,236</u>	<u>224,467,486</u>

Amounts due by the company to group undertakings include £176,731K (2011 - £166,067K) loans which are unsecured, interest bearing at fixed rates of 8% (2011 - 8%) and have a fixed date of repayment of 31 March 2020 (2011 - 31 March 2020)

12. BANK LOANS

The company had entered into a Revolving Seven Year Facility Agreement dated 13 September 2005 with The Royal Bank of Scotland plc enabling it to borrow up to a maximum of £55.9 million (2011 - £55.9 million). This loan was closed out on 16 February 2012 and the company entered into a new Revolving Two and Half Year Facility dated 16 February 2012 with The Royal Bank of Scotland plc enabling it to borrow up to a maximum of £45 million to July 2014 against residential properties held by certain of its subsidiaries (note 7) using a loan to value ratio of 55%. Interest is payable on the loan at a floating rate. Interest rates are fixed by one (2011 - two) swap agreement which ends 31 July 2014 (note 13)

	2012 £	Finance Costs £	Amorti- sation £	Swaps £	Repayments / Issues £	2011 £
Bank loan secured						
RBS Plc - 7 year	-	-	96,069	-	(55,900,000)	55,803,931
RBS Plc - 2.5 year	44,507,615	(529,714)	37,329	-	45,000,000	-
Interest rate swaps	1,084,489	-	-	(1,512,511)	-	2,597,000
	<u>45,592,104</u>	<u>(529,714)</u>	<u>133,398</u>	<u>(1,512,511)</u>	<u>(10,900,000)</u>	<u>58,400,931</u>

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2012

16. MOVEMENTS IN RESERVES

	Profit and loss account £	Revalu- ation reserve £	Total £
At 1 April 2011	(22,225,344)	(34,122,159)	(56,347,503)
Loss for the financial year	(6,056,511)	-	(6,056,511)
Revaluation of investments	-	7,506,955	7,506,955
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2012	<u>(28,281,855)</u>	<u>(26,615,204)</u>	<u>(54,897,059)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2012 £	2011 £
Loss for the financial year	(6,056,511)	(10,137,075)
Movement in revaluation reserve	7,506,955	(42,583,271)
	<u> </u>	<u> </u>
Net increase/(decrease) in shareholders' deficit	1,450,444	(52,720,346)
Opening shareholders' deficit	(56,346,503)	(3,626,157)
	<u> </u>	<u> </u>
Closing shareholders' deficit	<u>(54,896,059)</u>	<u>(56,346,503)</u>

18. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Annington Holdings plc and is included in the consolidated financial statements of Annington Holdings plc. 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 same group, on the basis that all subsidiary undertakings party to the transactions are wholly owned by a member of the group.

19. CONTROLLING PARTY

Annington Holdings plc, a company incorporated in Great Britain, is the immediate parent company and Le Grand Annington Limited, a company incorporated in Great Britain, is the ultimate parent company and controlling party.

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