

Annington Rentals (Holdings) Limited
(Registered Number: 3818321)

Annual Report and Accounts
For the Year Ended 31 March 2006

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Annington Rentals (Holdings) Limited

Directors' Report For The Year Ended 31 March 2006

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

This Report has been prepared in accordance with the special provisions relating to small companies under S246 Companies Act 1985.

Principal activities

The principal purpose of the Company is that of a holding company. The activity of the Company is expected to continue at similar levels for the foreseeable future.

Results and dividends

The Company did not trade during the year. The Company's loss for the year after taxation for the year is £9,102,944 (2005: £nil).

No dividend has been paid or proposed (2005: £nil).

Directors and their interests

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

C. O'Haire
T. Quigley

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

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls and 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 For The Year Ended 31 March 2006

Disclosure of information to auditors

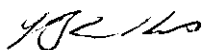
Each of the persons who is a director at the date of approval of the report confirms that:

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

Auditors

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

By Order of the Board



J.B. Chambers

Secretary

14 December 2006

Registered Office:

1 James Street
London
W1U 1DR

Independent Auditors' 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 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the company balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report To The Members of Annington Rentals (Holdings) Limited

Opinion

In our opinion:

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

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

Date: *18 December 2006*

Annington Rentals (Holdings) Limited

Profit And Loss Account For The Year Ended 31 March 2006

	Notes	2006 £	2005 £
Turnover		-	-
Administration expenses		(860,559)	-
Operating loss	2	(860,599)	-
Loss on ordinary activities before finance charges		(860,559)	-
Provision for cash warrants	11	(8,706,495)	-
Interest receivable and similar income	3	3,413,272	144,927
Interest payable and similar charges	4	(2,949,162)	(144,927)
Loss on ordinary activities before taxation		(9,102,944)	-
Tax on profit on ordinary activities	5	-	-
Loss on ordinary activities after taxation		(9,102,944)	-
Retained loss for the financial year		(9,102,944)	-

All results were derived from within the United Kingdom and from continuing operations.

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

	2006	2005 £
Loss for the financial year	(9,102,944)	-
Surplus on revaluation of investment in subsidiary undertakings	9,102,944	-
Total recognised gains and losses for the financial year	-	-

Annington Rentals (Holdings) Limited

Balance Sheet as at 31 March 2006

	Notes	31 March 2006 £	31 March 2005 £
Fixed assets			
Investments	6	9,102,947	-
Current assets			
Debtors:			
Due within one year	7	54,640	65
Due after one year	8	75,565,261	3,039,160
Cash at bank		12,857,531	935
		88,477,432	3,040,160
Creditors:			
Amounts falling due within one year	9	(4,426,762)	-
Net current assets		84,050,670	3,040,160
Total assets less current liabilities		93,153,617	3,040,160
Creditors			
Amounts falling due after one year	10	(84,446,122)	(3,039,160)
Provisions for liabilities	11	(8,706,495)	-
Net assets		1,000	1,000
Capital and reserves:			
Called up share capital	14	-	-
Warrants	15	1,000	1,000
Revaluation reserve	16	9,102,944	-
Profit and loss account	16	(9,102,944)	-
Total equity shareholders' funds	17	1,000	1,000

Approved by the Board on 14 December 2006 and signed on its behalf by:

C. O'Haire

Director

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

1 Accounting policies

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

Basis of accounting

These financial statements are prepared under the historical cost convention as modified to include the revaluation of certain fixed asset investments and in accordance with applicable United Kingdom accounting standards.

The Company has taken advantage of the exemption from preparing consolidated account afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of another company and for which consolidated accounts are prepared.

For the current year, the Company has adopted Financial Reporting Standards 25 and 26 which are effective for accounting periods beginning on or after 1 January 2005. The adoption of FRS 25 and FRS 26 has had no effect on the previous year financial statements.

Taxation

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

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.

Investments in subsidiary undertakings

The Company's investments in the shares of subsidiary undertakings are stated at net asset value, surpluses and deficits arising from the valuation are taken to the revaluation reserve. Where a deficit on revaluation exceeds the balance on the revaluation reserve, the excess is shown in provisions for liabilities and charges.

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 Warrantholders 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 movement. The Company does not hold or issue derivative financial instruments for speculative purposes.

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

Derivative financial instruments (continued)

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.

Derivative financial instruments (continued)

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.

2 Operating Loss

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

3 Interest receivable and similar income

	2006 £	2005 £
Interest receivable	317,456	-
Interest receivable on inter-company balances	2,542,255	144,927
Fair value profit on interest rate swaps	553,561	-
	3,413,272	144,927

4 Interest payable and similar charges

	2006 £	2005 £
Interest payable on debenture loan	1,618,573	-
Interest payable on inter-company balances	1,325,722	144,927
Other finance charges	4,867	-
	2,949,162	144,927

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

5 Tax on ordinary activities

There is no tax in the current or preceding year.

Factors affecting the tax charge for the year.

	2006 £	2005 £
Loss on ordinary activities before tax	(9,102,944)	-
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2005: 30%)	(2,730,883)	-
Non-taxable income	(432,699)	-
Creation of tax losses	3,027,040	-
Group relief surrendered	136,542	-
Current tax charge for the year	-	-

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 recovered is £3,027,040 (2005: £nil).

The amount of tax losses carried forward at 31 March 2006 is £10,090,132 (31 March 2005: £nil).

6 Investment in group undertaking

Valuation	2006 £	2005 £
Value brought forward	-	-
Additions at cost	3	-
Revaluations	9,102,944	-
Value carried forward	9,102,947	-

The historical cost of the investment in subsidiaries was £3 (2005: £nil).

The principal undertakings at 31 March 2006, which are wholly owned, are shown below:

Name of Subsidiary Undertaking	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 (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

7 Debtors: due within one year

	2006 £	2005 £
Amounts due from Group undertakings	-	65
Prepayments	54,640	-
	54,640	65

Amounts owed from Group undertakings are unsecured, interest free and repayable on demand.

8 Debtors: due after one year

	2006 £	2005 £
Interest rate swap (Notes 12,13)	553,561	-
Amounts due from Group undertakings	75,011,700	3,039,160
	75,565,261	3,039,160

The valuation of the interest rate swap is based on actual valuations as at 31 March 2006.

Amounts owed by Group undertakings are unsecured, interest bearing at 6.82% and have a fixed date of repayment of 31 March 2025.

9 Creditors: due within one year

	2006 £	2005 £
Bank loan (note 12)	3,000,000	-
Amounts due to Group undertakings	901,354	-
Accruals	525,408	-
	4,426,762	-

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

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

10 Creditors: due after more than one year

	2006 £	2005 £
Bank loan (note 12)	52,475,096	-
Amounts due to Group undertakings	31,971,026	3,039,160
	84,446,122	3,039,160

Amounts owed to Group undertakings are unsecured, interest bearing at a weighted average rate of 6.2% and have a fixed date of repayment of 31 March 2025.

11 Provision for liabilities

	2006 £
As at 1 April 2005	-
Current year provision	8,706,495
As at 31 March 2006	8,706,495

The provision for Warrants relates to cash Warrants held by Nomura Investments (AH) Limited (note 15). Provision is calculated based on the cash settlement amount as at 31 March 2006 of £8,706,495 being the excess of the Open Market Value of the ordinary shares over the par value of the ordinary shares issued. The Warrants are exercisable at any time in whole or in part.

12 Loans and other borrowings

The Company has entered into a Revolving Seven Year Facility Agreement dated 13 September 2005 with The Royal Bank of Scotland enabling it to borrow up to a maximum of £61 million against residential properties held by its subsidiaries (note 6) using a loan to value ratio of 70%. Repayment of principal and interest are covered by two swap agreements which end 13 September 2012 (Note 13).

	2006 £
Maturity of debt	
On demand or within one year	3,000,000
After five years	52,475,096
	55,475,096

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

13 Financial liabilities and instruments

	Par Value of debt £	31 March 2006 Balance Sheet Value £	Fair Value £
Bank loan (note 12)	55,900,000	55,475,096	-
Interest rate swaps (note 8)			
£46 million pay fixed 5.1925% and receive floating	-	(505,352)	(505,352)
£9.9 million pay fixed 5.18688% and receive floating	-	(48,209)	(48,209)

14 Share capital

	2006 £	2005 £
Authorised - 100,000 ordinary shares of 1p	1,000	1,000
Allotted and nil paid		
1 ordinary share of 1p - nil paid	-	-
	-	-

15 Warrants

	2006 £	2005 £
Allotted and fully paid (99,999 warrants issued)	1,000	1,000
	1,000	1,000

There are 99,999 warrants in force in relation to the Company's shares, exercisable at a strike price of £0.01 per warrant. The warrants are for cash settlement only and upon exercise of the warrants, the cash settlement amount of a warrant shall be the price which is in excess (if any) of the open market value of an ordinary share over the cost to the subscriber at par for the ordinary share over which the warrant is being exercised.

The warrants were issued to Nomura International plc in a prior period. On 27 March 2002, Nomura International plc transferred the rights under these warrants to Nomura Investments (AH) Limited, a wholly owned subsidiary of Nomura International plc.

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

16 Reserves

Company	Profit and Loss Account £'000	Revaluation Reserve £'000
At 1 April 2005	-	-
Retained loss for the financial year	(9,102,944)	-
Revaluation of Investments	-	9,102,944
At 31 March 2006	(9,102,944)	9,102,944

17 Reconciliation of movements in equity shareholders' funds

Company	2006 £'000	2005 £'000
Loss for the financial year	(9,102,944)	-
Movement in revaluation reserve	9,102,944	-
Net change in equity shareholders' funds	-	-
Equity shareholders' funds brought forward	1,000	1,000
Equity shareholders' funds carried forward	1,000	1,000

18 Employees

The Company had no employees during the year (2005: nil). The cost of the employees is borne by another Group company, Annington Management Limited, in the current and prior year.

19 Directors' emoluments

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

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

20 Cash flow statement exemption

The Company is a wholly owned subsidiary of Le Grand Annington Limited and is included in the consolidated financial statements of Le Grand Annington Limited which includes 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.

21 Related party transactions

The Company is a subsidiary of Le Grand Annington Limited and has taken advantage of the exemption provided in paragraph 3(c) of Financial Reporting Standard 8, "Related Party Disclosures", not to make disclosure of transactions with other entities that are part of the Group.

Annington Rentals (Holdings) Limited

Notes To The Accounts For Year Ended 31 March 2006

22 Parent company

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

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

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

23 Post balance sheet events

The remaining Facility Agreement with The Royal Bank of Scotland has been drawn down in two tranches; in August £3.1 million and October £2.0 million.