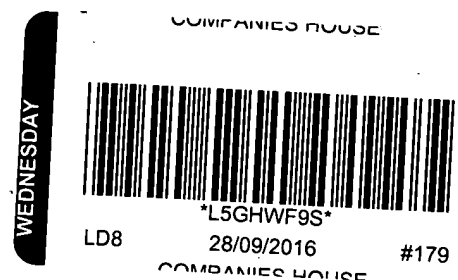


**ANNINGTON RENTALS (HOLDINGS)  
LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 March 2016**



# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

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# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT**

Annington Rentals (Holdings) Limited (“the Company”) is the holding company of nine subsidiaries making up the Rentals subgroup of the Annington Group of companies. As a holding company, its performance is dependent on that of its subsidiaries, whose performance, objectives and principal risks and uncertainties are described below.

### **PROPERTY MARKET OVERVIEW**

The year started with continued demand in the housing market with prices increasing and price growth being supported by a number of factors including economic improvement, rising employment and low mortgage rates the United Kingdom. All major indices (Halifax, Nationwide, the Land Registry, the Office for National Statistics (“ONS”), and Rightmove) recorded growth in house prices in a range from 5.7% to 10.0% to March 2016, not dissimilar to the 5.1% to 9.6% recorded in 2015. According to the ONS, annual house price inflation to March 2016 was 10.1% in England and 2.1% in Wales, with annual house price increases in England driven by an annual increase in London (13.0%), the East (12.2%) and the South East (12.1%). Excluding London and the South East, UK house prices increased by 5.9% to March 2016, emphasising the large regional variations. The Land Registry confirmed the ONS’s findings with London, the South East, East Anglia and the South West all showing strong growth. It is fortunate that both the Retained and Surplus Estates are situated mostly in areas showing the strongest growth; more than 80% of Annington’s stock is located in the Greater South East.

The upward trend in the number of home sales continued during 2015 as did total mortgage lending but availability of stock remains a recurring issue. Knight Frank’s research revealed that the number of homes available for sale dropped to a new record low in October 2015. Construction activity improved and although by December quarterly housing starts were nearly double the trough of 2009, they remain below the peak of March 2007. Demand and supply criteria remain a dominant factor in the market, pushing up prices, and there is no prospect of this changing in the short to medium term. The Government is announcing new initiatives on an almost weekly basis and the Autumn Statement and Budget were full of proposals to stimulate growth and accelerate the number of houses being built. However, the fact remains that not enough homes are being built in the UK to cope with the demand, even though the output of the construction sector reached unprecedented levels in 2015 (£135.3 billion against the previous peak of £133.7 billion during the pre-recession boom of 2007 (Source: Leading Edge, Construction Market Forecast 2015-16). According to House Builders Federation’s (“HBF”) research, 181,300 homes (of which 155,080 represented new build) were added to the national housing stock in 2014/15, up 22% on the previous year and 33% on 2012-13. Whilst initial planning permission for 255,032 new homes was granted in 2015, a definite increase on prior years, early estimates of the number of homes actually built is not much greater than 2014/15. The empty housing stock is being depleted, according to Department for Communities and Local Government (“DCLG”) figures, with the number of empty homes at its lowest levels since records began. This equates to a drop of over a third, from 318,642 empty homes in 2004 to 203,596 in 2015. Meanwhile, the historic backlog of under-supply, estimated at 100,000 homes per annum over the last 12 years, is only getting worse and the housing situation more acute (Source: HBF Report, “Barker Ten years on”).

# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT (continued)**

### **PROPERTY MARKET OVERVIEW (continued)**

More worryingly, there are questions as to whether the industry has the capacity to build the number of homes needed with the Royal Institution of Chartered Surveyors ("RICS") (UK Construction Survey) reporting in October the highest skills shortage since they started recording it in 1998. This will undoubtedly impact on growth potential for the industry and is only leading to construction cost increases and price rises. According to the Centre for Policy Studies' Report "What's behind the Housing Crisis?", at least 320,000 homes a year are now needed to improve England's chronic shortage of housing. This lack of stock is impacting activity levels, but is also one of the factors serving to underpin prices, alongside the economy, rising wages, continued low interest rates and high levels of consumer confidence.

The inexorable rise in house prices is having a continuing social impact with house purchase no longer an option for many whose only alternative option is rental. According to the ONS's Economic Review (April 2016), the three-decade long trend towards increased home ownership has reversed since the economic downturn; the rate of owner occupation fell between 2008 and 2014. DCLG's Home Statistics confirm that home ownership is levelling out after a fall from a peak of 69.5% in 2002 to 62.5% in 2015. At the same time, the prevalence of private rentals increased over the same period. These changes were particularly pronounced for young independent householders with significantly higher percentages of household disposable income being spent on rent but renting is now subject to the same demand/supply constraints as house purchase to the extent that, in some areas, renting is becoming unaffordable for many as well.

As in previous years, the same demand/supply pressures are going to continue to push pricing for the foreseeable future. There may be some political or economic interruptions along the way but the fundamentals will remain the same. Some commentators are trying hard to persuade themselves that the prospect of a 'Brexit' result in the EU Referendum will have a dampening effect on prices, but according to Capital Economics it would have little impact, particularly in the prime markets. Regardless of the EU, the UK and particularly London are regarded as safe havens for investment. There was a notable and unseasonal acceleration in house price growth from the New Year on, which was attributed to a temporary increase in demand from those looking to beat the stamp duty increase for second homes from April. According to the RICS, both buyer demand and sales growth have eased in the aftermath of the buy-to-let rush but this softening is only expected in the near term with confidence that house prices will continue to rise firmly at the UK wide level.

Annington has seen increases in value on all its sites and house sales, partly due to market conditions and partly due to aggressive pricing. Value realised on all sales year to date, including private sales, means Annington is tracking the market almost directly. Whilst values achieved reflect the sites and locations in which they are released, value realised on all sales since 1996 also show that our sales price tracking is generally in line with nearest market comparables. Other KPI's, are running ahead of long term averages; for example, time taken from reservation to exchange has improved by 2 days on last year.

It remains Annington's view that the private rental sector will continue to perform strongly. Property purchase affordability will continue to be an issue particularly in Greater London and the Home Counties, where renting from the private sector remains the only option for many low to middle income families.

### **OBJECTIVES AND STRATEGY**

A series of subsidiaries has been established to hold residential properties with different commercial characteristics, each requiring slightly different management decisions to achieve their individual objectives. The Rentals Subgroup provides a number of offerings including letting properties to provide comparable evidence for market rents in key locations for the Homes Subgroup and letting properties on short leases to individuals or on bulk leases to organisations (such as universities, housing associations and local authorities) on longer term rental contracts with a view to making capital gains in the medium-term. It also bulk lets properties on long leases to the MoD in response for demand for units in locations not adequately serviced by the MoD's current housing provision.

# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT (continued)**

### **OBJECTIVES AND STRATEGY (continued)**

Since the Homes Subgroup cannot influence which or how many properties are released by the MoD, the Rentals Subgroup was created to provide both diversification and a more stable business model in which workflow and resources could be more evenly managed. The Rentals Subgroup continues to seek appropriate opportunities to grow and to improve returns through actively managing tenancies and rental levels. It has the financial resources to acquire portfolios or bulk purchase new build properties in areas where it has identified a known need or where market improvements are anticipated. To date, the Rentals Subgroup has concentrated on acquiring houses in areas generally associated with MQE locations, rather than blocks of flats in city centre locations. There is currently no intention to change this strategy.

The portfolio is subject to ongoing review to ensure that the underlying assets are providing returns in accordance with the investment rationale. This review process seeks to identify the best investment return for the Group, whether through continued rental, disposal or development in part or whole.

### **PRINCIPAL ACTIVITIES AND PERFORMANCE**

#### **Principal activities**

The Rentals Subgroup now owns 1,335 (2015: 1,442) properties and manages a further 109 (2015: 110) properties. There are nine subsidiaries within the Rentals Subgroup, eight of which own properties, with the remaining company managing properties. Each portfolio has a different characteristic and is therefore subject to different management considerations. Strategic decisions, such as acquisitions, refurbishment programmes, letting criteria and disposals are all taken by the rentals management team. The day-to-day letting, billing, rent collection and maintenance activities are outsourced to Touchstone Corporate Property Services, who in turn use a network of local letting agents to arrange inspections and individual lettings. This structure works well for the Rentals Subgroup given the geographic spread of properties, and enables the in-house portfolio managers to maintain a strategic focus. The portfolio managers meet weekly to consider issues arising and maintain fortnightly meetings with the Touchstone Corporate Property Services team, in order to progress lettings and ensure appropriate action is taken with regards to void units, arrears etc.

The strategic review of units within the portfolio for long-term returns has continued during the 2015/16 year, with 107 (2015: 105) units sold by the Rentals Subgroup following such reviews, many of these singletons. The majority of the units sold were from the site at Balham where a successful joint venture with Fairview Homes saw the refurbishment and new build of 74 properties. At 31 March 2016, all units had been exchanged.

The Rentals Subgroup continues to operate a mixed portfolio of rental units on Assured Short-hold Tenancies ("AST") and bulk leases. Bulk leasing to the MoD remains unchanged in the year and is likely to remain so until the MoD's long-term estate strategy becomes clear.

#### **Performance**

Gross rents have decreased marginally to £15.1 million (2015: £15.4 million), reflecting disposals made in the year. Voids have been kept well below set targets during the year and Annington Rental (Holdings) Limited is still managing 86 properties for Annington Property Limited, the majority being held for planning and development at Brize Norton and Mill Hill. Bulk lettings to the MoD (representing over one half of the properties) are at fixed rental values for the first five years of the lease.

During the year, 107 property disposals were made by the Rentals Subgroup (2015: 105). This resulted in income of £27.8 million (2015: £24.6 million) and gross profit of £0.4 million (2015: £2.7 million). The uplift in disposals income reflects the disposal values achieved at the Balham development, with many sales completed early in the year, meaning that sales values were close to the March 2015 book values, reducing the gross profit.

£5.0 million (2015: £6.5 million) was made available to Annington Homes Limited for Group debt service or investment purposes, through net rentals and sale proceeds.

### **FINANCING**

On 24 December 2013, Annington Rentals (Holdings) Limited entered into a £165 million Five Year Term and Revolving Facility Agreement ending in December 2018 with The Royal Bank of Scotland plc. Further details on the facilities are available in note 12.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STRATEGIC REPORT (continued)

### FINANCIAL POSITION AND ACCOUNTING POLICIES

The significant accounting policies are stated in Note 1 to the financial statements.

The Company transitioned to FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” during the year. As required by that standard the comparative financial information for the year ended 31 March 2015 have been restated. The principal changes effecting the entity are:

- Investments in subsidiaries are now stated at fair value with the gains and losses recognised in equity through other comprehensive income. If a revaluation decrease exceeds the accumulated revaluation gains in equity, the excess is recognised in profit or loss. Any subsequent increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. This has resulted in a loss on ordinary activities for the year ended 31 March 2016 (2015: profit) where previously a profit (2015: loss) would have been reported.
- Deferred tax liabilities and assets are now recognised on the Balance Sheet. This has resulted in a higher accounting value of net assets of the company in comparison to what would have been reported under the old UK GAAP.

Details of the effect of the change on the entity’s financial position and financial performance for the year ended 31 March 2015 are reported at Note 18 “Transition to FRS 102”. At 31 March 2016, the Company’s total assets amounted to £284.0 million (2015: £288.1 million), with the investment properties underpinning this value located in England and Wales. The market value of these properties is reassessed annually.

On the same date, the Company’s combined liabilities totalled £350.7 million (2015: £339.5 million), comprising intra-group loans with its immediate parent, Annington Homes Limited (note 11), and external debt financing (note 12). The Rentals Subgroup has entered into funding arrangements consistent with a residential investment portfolio with medium-term investment time horizons.

The Company’s £165 million Five Year Term Revolving Facility is drawn down to a value of £141.7 million (2015: £141.7 million) and the covenants attaching to Rentals Subgroup debt facilities have not been breached during the year or subsequently, with the current forecast not indicating any covenant breaches within the term of the loan.

### 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	2015/2016	2014/2015	Basis of calculation
To manage costs within pre-defined targets.	(9.80)%	(3.59)%	To compare actual expenditure levels against predetermined forecasts, to ensure adequate control over expenditure. The KPI is measured as the percentage (overspend)/underspend from forecast.
To maintain void levels below 5.0%	0.07%	1.21%	To measure the amount of potential rent lost arising from properties being void as a percentage of total potential rent.

## ANNINGTON RENTALS (HOLDINGS) LIMITED

### STRATEGIC REPORT (continued)

#### PRINCIPAL RISKS AND UNCERTAINTIES

The Company is financed by its immediate parent, Annington Homes Limited (note 11), and external debt financing (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 December 2018 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.	<p>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.</p> <p>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.</p>

# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT (continued)**

### **OUTLOOK**

Annington's financial year to 31 March 2016 began with the rate of growth remaining subdued, particularly in London and the South East. Economic conditions have remained supportive however market conditions continue to remain tight as the imbalance between supply and demand persists.

The Land Registry recorded an annual increase of 8.2% in house prices to April 2016 in England and Wales bringing the average price of a property to £209,054 compared with the peak of £181,014 in November 2007. The Nationwide reported a rise of 4.9%, representing a small decrease on the 5.7% recorded in March with both the RICS and the Halifax house price indices showing a marginal decrease.

Since the EU Referendum there has been much uncertainty in the UK housing market and wider economy as it remains impossible to accurately predict what will happen as a consequence of the Leave vote. Market indicators, such as RICS survey, suggest that a continuation of the uncertainty is likely to reduce price growth and transactions, especially with first-time buyers in the short term.

In the short to medium term the underlying supply and demand dynamics are unlikely to change radically and in the month since the vote commentators have noted that property price growth, whilst slight, has remained positive, with Nationwide reporting a monthly change of 0.2% in June 2016 and Rightmove reporting 0.8% for the same month. Other residential research reports that expectations are for mortgage lending to be robust in the medium term, as it is unlikely that lenders will follow should the base rate be reduced. The prospect of an increase in mortgage interest rates could place greater pressure on affordability drivers, this would likely have a greater effect on first home buyers. Due to the tighter lending criteria in recent years, those with fixed term fixed rate deals are unlikely to be as affected over this time frame.

With the EU exit process yet to be set in motion it is still too early to know what the impact will be once activated. Nonetheless, as commentators have articulated, the inherent undersupply of housing in the UK should continue to underpin the market, the fundamentals have not changed. This situation is unlikely to improve either, given current population growth. The ONS has reported that the UK population is increasing with the number of people resident in the UK up by 513,200 (2014: 491,100) in the year to 30 June 2015. The UK does not have an issue with demand, however there is a question over how confident sellers feel to participate in the market when a clear picture in the near term remains elusive.

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



A P Chadd  
Director

29 July 2016

### **REGISTERED OFFICE**

1 James Street  
London, United Kingdom  
W1U 1DR



# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

### **DIRECTORS**

The directors who served throughout the year and to the date of this report were:

J C Hopkins  
S Webber  
A P Chadd  
N P Vaughan

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

### **DIVIDENDS**

No dividend was proposed or paid in the year to 31 March 2016 (2015: nil).

### **FINANCIAL RISK MANAGEMENT**

The Company is funded by its immediate parent, Annington Homes Limited (note 11) and an external Loan facility (note 12). Please refer to Note 1 to the Financial Statements regarding this funding arrangement, as well as the Principal risks and Uncertainties section in the Strategic Report.

### **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.

### **STRATEGIC REPORT**

The Company's financial risk management and future developments are set out in the strategic report.

### **AUDITOR**

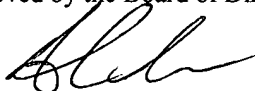
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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



A P Chadd  
Director

29 July 2016

### **REGISTERED OFFICE**

1 James Street  
London, United Kingdom  
W1U 1DR

## **ANNINGTON RENTALS (HOLDINGS) LIMITED**

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

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

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

## **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 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 18. 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 Statement of Directors' Responsibilities, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.



**Emma Cox BA, ACA (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

London, United Kingdom

29 July 2016

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 £	2015 £
Administrative expenses		(1,994,671)	(1,990,905)
<b>OPERATING LOSS</b>	2	<u>(1,994,671)</u>	<u>(1,990,905)</u>
Change in fair value of investments through profit and loss	7	(18,350,001)	8,310,002
Dividend received		<u>16,500,000</u>	<u>8,000,000</u>
<b>(LOSS)/PROFIT BEFORE FINANCE CHARGES</b>		(3,844,672)	14,319,097
Interest receivable and similar income	4	11,815,626	12,421,128
Interest payable and similar charges	5	<u>(21,650,849)</u>	<u>(24,133,390)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(13,679,895)	2,606,835
Tax on (loss)/profit on ordinary activities	6	<u>(30,913)</u>	<u>967,346</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>(13,710,808)</u></u>	<u><u>3,574,181</u></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Change in fair value of investments through other comprehensive income	7	<u>(1,589,999)</u>	<u>3,459,998</u>
<b>TOTAL (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>(15,300,807)</u></u>	<u><u>7,034,179</u></u>

All activities derive from continuing operations.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2015	-	(51,436,370)	(51,436,370)
Loss for the year	-	(13,710,808)	(13,710,808)
Other comprehensive income for the year	-	(1,589,999)	(1,589,999)
At 31 March 2016	<u>-</u>	<u>(66,737,177)</u>	<u>(66,737,177)</u>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## BALANCE SHEET As at 31 March 2016

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Investments	7	<u>99,810,000</u>	<u>119,750,000</u>
<b>CURRENT ASSETS</b>			
Debtors			
- due within one year	8	181	630
- due after one year	8	151,499,985	156,814,043
Investments – short term deposits		1,900,589	5,301,974
Cash at bank and in hand	9	<u>30,776,809</u>	<u>6,227,341</u>
		184,177,564	168,343,988
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(3,284,555)</u>	<u>(2,922,436)</u>
<b>NET CURRENT ASSETS</b>		<u>180,893,009</u>	<u>165,421,552</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		280,703,009	285,171,552
<b>CREDITORS: amounts falling due after more than one year</b>	11	(347,440,186)	(336,607,922)
<b>NET LIABILITIES</b>		<u>(66,737,177)</u>	<u>(51,436,370)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Retained Earnings	15	<u>(66,737,177)</u>	<u>(51,436,370)</u>
<b>SHAREHOLDER'S DEFICIT</b>		<u>(66,737,177)</u>	<u>(51,436,370)</u>

The notes on pages 12 to 21 should be read in conjunction with these financial statements.

The financial statements of Annington Rentals (Holdings) Limited, registered number 3818321, were approved by the Board of Directors and authorised for issue on 29 July 2016.

Signed on behalf of the Board of Directors



A P Chadd

Director

# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared under the historical cost basis except for the modification to a fair value basis for certain fixed assets. This is the first year in which the financial statements have been prepared under FRS 102. Details of the transition to FRS 102 are disclosed in note 18.

The Company financial statements are presented in pounds sterling (£).

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 permits a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied by the Company. The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, as the Company is a wholly owned subsidiary of Annington Limited and is included in the consolidated financial statements of Annington Limited which includes a consolidated statement of cash flows which are publicly available; and
- from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the Annington Limited consolidated financial statement disclosures.

#### **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 Strategic Report and the Directors' Report which describe the financial position of the Company; 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 its immediate parent, Annington Homes Limited (Note 11) and an external Loan facility (Note 12). This facility was entered into on 24 December 2013, and is a £165 million Five Year Term and Revolving Facility Agreement ending in December 2018 with The Royal Bank of Scotland plc. The facility 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 65% 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 Homes Limited 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 financial statements.

#### **Group financial statements**

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

#### **Dividend income**

Dividend income is recognised when the right the right to receive payment is established.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016 (continued)

### 1. SIGNIFICANT 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 arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is not recognised on timing differences arising from the accounting for investments in subsidiaries at fair value, as the Company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Financial liabilities

At initial recognition, financial liabilities are classified as loans and borrowings, payables, derivative financial instruments or financial liabilities at fair value through profit or loss, as appropriate. Financial liabilities are classified according to the substance of the contractual arrangements entered into. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities subsequently carried at amortised cost are accounted for such that 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. At the balance sheet date, the estimation of the period of repayment of debt and interest is updated, to take into account the future anticipated cash flows. Where the anticipated future cash flows used to calculate the amortised cost of borrowings are re-estimated, any consequent adjustment in carrying value is recognised within the profit and loss. Where floating rate interest is re-estimated, any consequent adjustment in effective interest rate is updated.

The debt and associated accrued interest is classified as current and non-current based on the contractual payments required within 12 months at the balance sheet date. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### 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 and the derivative financial instruments are not designated as hedging instruments.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value are recognised in the statement of comprehensive income 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.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016 (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in subsidiary undertakings

The Company has elected to account for its investments in subsidiaries at fair value. Fair value is determined by estimating implied values through an analysis of similar publicly traded companies' trading and operating metrics.

If the carrying amount is increased or decreased as a result of a revaluation, the change is recognised in other comprehensive income and accumulated in equity. If a revaluation decrease exceeds the accumulated revaluation gains in equity, the excess is recognised in profit or loss. Any subsequent increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

#### Accounting judgements and estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results.

In the calculation of the fair value of investments in subsidiaries, the selection of comparable companies is made subjectively by reviewing publicly available information. Further, the underlying asset values within the group are subject to judgements and estimates, changes in which could change the valuation base.

To determine the book value of the debt balances held at amortised cost, the future cash flows are estimated. In doing so, assumptions are made relating to the future performance of the Company. The amortisation of finance costs and the related balances may be impacted if financial instruments are not repaid in line with current forecasts.

### 2. OPERATING LOSS

The auditors' remuneration was £15,200 (2015: £14,100) for the audit of the Company's annual financial statements, and was borne by another group company, in the current and preceding year.

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for 'Other services' as this information is included in the consolidated financial statements of Annington Limited.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

The Company had no employees of its own during the year (2015 - none). The cost of performing work for the Company is borne by another group company, Annington Management Limited, in the current and preceding year.

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£	£
Bank interest receivable	83,643	50,922
Interest receivable on intercompany balances	11,731,983	12,370,206
	<u>11,815,626</u>	<u>12,421,128</u>



# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016 (continued)

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Interest payable on bank loan	5,452,721	5,887,669
Amortisation of issue costs	477,978	475,580
Interest payable on intercompany balances	15,098,657	14,387,094
Fair value loss on interest rate swaps	353,405	3,204,718
Other finance charges	268,088	178,259
	<u>21,650,849</u>	<u>24,133,390</u>

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2016 £	2015 £
<b>Current tax</b>		
United Kingdom corporation tax at 20% (2015 - 21%)	-	(326,402)
<b>Deferred tax</b>		
Deferred taxation: origination and reversal of timing differences	(70,681)	(672,991)
Impact of change of tax rate	101,594	32,047
Total deferred tax	<u>30,913</u>	<u>(640,944)</u>
<b>Total tax charge/(credit) on gain/(loss) on ordinary activities</b>	<u>30,913</u>	<u>(967,346)</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015 - 21%). The tax charge/(credit) for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	<u>(13,679,895)</u>	<u>2,606,835</u>
Tax on (loss)/profit on ordinary activities at standard rate	<u>(2,735,979)</u>	<u>547,435</u>
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	1,134,969	2,785,028
Revaluation of subsidiaries	3,670,000	(1,745,100)
Income not assessable for tax purposes	(4,184,726)	(3,221,830)
Group relief surrendered	2,045,055	961,476
Change of tax rate	101,594	32,047
Consideration received for consortium relief	-	(326,402)
Tax charge/(credit) for the year	<u>30,913</u>	<u>(967,346)</u>

The amount of tax losses carried forward at 31 March 2016 is £nil (2015: £nil).

From 1 April 2015, the headline rate of corporation tax reduced from 21% to 20%. It will be further reduced to 19% from 1 April 2017, and 18% from 1 April 2020, with these rates substantively enacted at the current balance sheet date. Deferred tax balances at 31 March 2016 are measured at 18% (2015: 20%).

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016 (continued)

### 7. INVESTMENT IN GROUP UNDERTAKINGS

	2016 £	2015 £
<b>Valuation</b>		
At 1 April 2015	119,750,000	107,980,000
Change in fair value of investments	(19,940,000)	11,770,000
At 31 March 2016	<u>99,810,000</u>	<u>119,750,000</u>

The historical cost of the investment in subsidiaries was £120,000,008 (2015 - £120,000,008).

Fair value is measured by applying to the net asset value of investees an estimated discount or premium determined through an analysis of comparable FTSE 100 and FTSE 250 companies. The selection criteria for comparable companies was applied to entities operating within the property sector and took into account factors including the size of the company and the presence of residential operations within the company. The discount or premium was determined based on market capitalisation and the resultant discount to/premium over the net asset value. The result, a 12% discount (2015: 9% premium), was applied to the net asset values (adjusted to bring book values to fair values for classes of assets and liabilities carried at book value) of each of the Company's subsidiaries to arrive at fair value.

Of the fair value movement, a loss of £1.6 million (2015: profit of £3.5 million) was recognised through other comprehensive income and a further loss of £18.3 million was recognised through profit and loss as a decrease in excess of previously recognised gains in equity (2015: profit of £8.3 million recognised through profit and loss as a reversal of losses previously recognised through profit and loss).

The Company's subsidiary undertakings at 31 March 2016, in which the Company holds all the ordinary share capital and 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 (No.8) Limited	Great Britain	Property investment
Annington Rentals Management Limited	Great Britain	Real estate management

The registered office for all subsidiary undertakings is 1 James Street, London W1U 1DR.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016 (continued)

### 8. DEBTORS

	2016 £	2015 £
<b>Due within one year</b>		
Other debtors	181	630
<b>Due after more than one year</b>		
Amounts due from group undertakings	150,585,643	155,868,788
Deferred tax	914,342	945,255
	<u>151,499,985</u>	<u>156,814,043</u>
<b>Total Debtors</b>	<u>151,500,166</u>	<u>156,814,673</u>

£150.6 million (2015: £155.9 million) of loans are unsecured, interest bearing at 8.02% (2015: 8.02%) and have a fixed date of repayment of 31 March 2020 (2015: 31 March 2020).

### 9. CASH AT BANK

	2016 £	2015 £
Blocked and restricted cash	<u>30,776,809</u>	<u>6,227,341</u>

In compliance with the RBS funding arrangements and to act as a mechanism to reduce the bank's exposure to the Company, three (2015 – 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

	2016 £	2015 £
Trade creditors	55,260	50,524
Amounts due to group undertakings	2,188,502	1,926,295
Accruals	<u>1,040,793</u>	<u>945,617</u>
	<u>3,284,555</u>	<u>2,922,436</u>

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

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

	2016 £	2015 £
Bank loans (note 12)	140,405,750	139,927,772
Amounts due to group undertakings	201,954,758	191,953,877
Interest rate swap (notes 12,13)	<u>5,079,678</u>	<u>4,726,273</u>
	<u>347,440,186</u>	<u>336,607,922</u>

Amounts due by the Company to group undertakings include £202.0 million (2015: £192.0 million) loans which are unsecured, interest bearing at fixed rates of 8% (2015: 8%) and have a fixed date of repayment of 31 March 2020 (2015: 31 March 2020).

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016 (continued)

### 12. BANK LOANS

On 24 December 2013, the Company entered a £165 million Five Year Term and Revolving Facility Agreement ending in December 2018 with The Royal Bank of Scotland plc, 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 65% within the Company's facility has been met for the current year. The first drawdown made on 31 January 2014 was mainly used to settle the old £42 million loan in the Company, the £85.3 million loan outstanding in Annington Rentals (No.6) Limited and the £8.9 million loan outstanding in Annington Rentals (No.7) Limited. Unmatured SWAPS in Annington Rentals (No.6) Limited and Annington Rentals (No.7) Limited have been novated to the Company.

The Company previously held a Revolving Two and a 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%.

#### Security

The facility is secured by way of a fixed and floating charge on all assets and undertakings present and future of the Company and its subsidiary undertakings.

	2016 £	Amortis- ation £	Reval- uation £	2015 £
Bank loans secured:				
RBS Plc – 5 year	140,405,750	477,978	-	139,927,772
Interest rate swaps	5,079,678	-	353,405	4,726,273
	<u>145,485,428</u>	<u>477,978</u>	<u>353,405</u>	<u>144,654,045</u>

### 13. FINANCIAL LIABILITIES AND INSTRUMENTS

	31 March 2016		
	Par value of debt £	Balance sheet value £	Fair value £
<b>Bank loan (note 12)</b>	<u>141,688,000</u>	<u>140,405,750</u>	<u>141,688,000</u>
<b>Interest rate swaps (note 11)</b>			
Interest rate swaps with total nominal of £103.9 million (pay fixed interest at 1.8% (average) and receive floating under agreements to 2016/18)	-	5,092,898	5,092,898
Interest rate swaps with total nominal of £7.1 million (at 1.8% (average) strike price under agreements to 2016/18)	-	(13,220)	(13,220)
	<u>-</u>	<u>5,079,678</u>	<u>5,079,678</u>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016 (continued)

### 13. FINANCIAL LIABILITIES AND INSTRUMENTS (continued)

	31 March 2015		
	Par value of debt £	Balance sheet value £	Fair value £
<b>Bank loan (note 12)</b>	<u>141,688,000</u>	<u>139,927,772</u>	<u>141,688,000</u>
<b>Interest rate swaps (note 11)</b>			
Interest rate swaps with total nominal of £113.6 million (pay fixed interest at 1.8% (average) and receive floating under agreements to 2016/18)	-	4,882,002	4,882,002
Interest rate swaps with total nominal of £28.4 million (at 1.8% (average) strike price under agreements to 2016/18)	-	(155,729)	(155,729)
	<u>-</u>	<u>4,726,273</u>	<u>4,726,273</u>

The bank loan balance sheet value includes unamortised costs of £1,282,250 (2015: £1,760,227).

### 14. CALLED UP SHARE CAPITAL

	2016 £	2015 £
<b>Called up, allotted and fully paid</b>		
1 ordinary share of 1p	<u>-</u>	<u>-</u>

### 15. RETAINED EARNINGS

Retained earnings include all current and prior period retained profits and losses. The components of this are:

	2016 £	2015 £
Distributable reserves	(78,487,172)	(64,776,364)
Non-distributable reserves	<u>11,749,995</u>	<u>13,339,994</u>
	<u>(66,737,177)</u>	<u>(51,436,370)</u>

### 16. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary within the Annington Limited Group and is included in the consolidated financial statements of Annington Limited. The Company has taken advantage of the exemption provided in FRS 102 section 33 not to make disclosure of transactions with other wholly-owned entities that are part of the same group.

### 17. ENTITY INFORMATION AND CONTROLLING PARTY

The Company is incorporated in Great Britain and the address of its registered office is 1 James Street, London W1U 1DR.

Annington Homes Limited, a company incorporated in Great Britain, is the immediate parent company.

The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

Annington Limited is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. The Annual Report and Financial Statements for Annington Limited are available on request from the registered office at 1 James Street, London W1U 1DR.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016 (continued)

### 18. TRANSITION TO FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out overleaf are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

<b>RESTATED BALANCE SHEET</b>		<b>At 1 April 2014 £</b>			<b>At 31 March 2015 £</b>		
	<b>Note</b>	<b>As previously stated</b>	<b>Effect of transition</b>	<b>FRS 102 (as restated)</b>	<b>As previously stated</b>	<b>Effect of transition</b>	<b>FRS 102 (as restated)</b>
<b>Fixed Assets</b>							
Investments	A	115,797,165	(7,817,165)	107,980,000	118,407,472	1,342,528	119,750,000
<b>CURRENT ASSETS</b>							
Debtors							
Due within one year		1,474	-	1,474	630	-	630
Due after one year	B	166,959,653	304,311	167,263,964	155,868,788	945,255	156,814,043
Investments – short term deposits		2,500,000	-	2,500,000	5,301,974	-	5,301,974
Cash at bank and in hand		4,486,413	-	4,486,413	6,227,341	-	6,227,341
		173,947,540	304,311	174,251,851	167,398,733	945,255	168,343,988
<b>CREDITORS: amounts falling due within one year</b>		(4,295,370)	-	(4,295,370)	(2,922,436)	-	(2,922,436)
<b>NET CURRENT ASSETS</b>		169,652,170	304,311	169,956,481	164,476,297	945,255	165,421,552
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		285,449,335	(7,512,854)	277,936,481	282,883,769	2,287,783	285,171,552
<b>CREDITORS: amounts falling due after more than one year</b>		(336,407,030)	-	(336,407,030)	(336,607,922)	-	(336,607,922)
<b>NET ASSETS</b>		(50,957,695)	(7,512,854)	(58,470,549)	(53,724,153)	2,287,783	(51,436,370)
<b>CAPITAL AND RESERVES</b>							
Called up share capital		-	-	-	-	-	-
Revaluation reserve	A	(4,202,843)	4,202,843	-	(1,592,536)	1,592,536	-
Retained earnings (previously Profit and loss account)	A	(46,754,852)	(11,715,697)	(58,470,549)	(52,131,617)	695,247	(51,436,370)
<b>Shareholder's Funds</b>		(50,957,695)	(7,512,854)	(58,470,549)	(53,724,153)	2,287,783	(51,436,370)

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016 (continued)

### 18. TRANSITION TO FRS 102 (continued)

	Note	31 March 2015 £
<b>RESTATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015</b>		
Original loss on ordinary activities before taxation		(5,703,167)
Revaluation of investments through profit and loss	A	8,310,002
<b>Restated profit on ordinary activities before tax</b>		<b>2,606,835</b>
Original tax on ordinary activities		326,402
Deferred tax on fair value movement of interest rate swaps	B	640,944
<b>Restated tax on profit on ordinary activities</b>		<b>967,346</b>
<b>Restated profit for the year</b>		<b>3,574,181</b>
Original other comprehensive income		-
Revaluation of investments through other comprehensive income	A	3,459,998
<b>Restated other comprehensive income</b>		<b>3,459,998</b>

#### A Investments in subsidiaries

FRS 102 requires an entity to account for its investments in subsidiaries either at cost less impairment or at fair value. The Company has elected to account for its investments in subsidiaries at fair value through other comprehensive income. If a revaluation decrease exceeds the accumulated revaluation gains in equity, the excess is recognised in profit or loss. Any subsequent increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. The fair value of the investments at 31 March 2015 has been determined as £119.8 million. Refer to note 7 for further details.

#### B Recognition of deferred tax assets and liabilities

FRS 102 removes some of the exemptions available under previous UK GAAP with respect to recognising deferred tax. As a result a deferred tax asset has been recognised on the fair value movement of interest rate swaps. Deferred tax assets have been recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.