

ANNINGTON RENTALS (NO.4) LIMITED

Report and Financial Statements

31 March 2011

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ANNINGTON RENTALS (NO.4) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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ANNINGTON RENTALS (NO.4) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J B Chambers
J C Hopkins
A R J Needham

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 ½ Devonshire Square
London
EC2M 4XJ

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

ANNINGTON RENTALS (NO.4) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

PRINCIPAL ACTIVITY

The principal activity of the company is that of property investment. The profit for the year was £939,276 (2010 - £374,412 profit)

DIRECTORS

The directors who served throughout the year were

J B Chambers
J C Hopkins
A R J Needham

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

GOING CONCERN

After making enquiries the directors have a reasonable expectation that the Company has 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, 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 (NO.4) LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

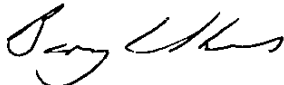
Each of the persons who is a director at the date of approval of this annual report confirms that

- 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

Director

12 August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON RENTALS (NO.4) LIMITED

We have audited the financial statements of Annington Rentals (No 4) Limited for the year ended 31 March 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 15. 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 2011 and of its profit 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 (NO.4) 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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Claire Faulkner (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
12 August 2011

ANNINGTON RENTALS (NO.4) LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2011

	Note	2011 £	2010 £
TURNOVER	1	1,713,480	2,008,517
Cost of sales		(162,119)	(178,254)
OPERATING PROFIT		1,551,361	1,830,263
Profit on sale of fixed assets		-	336,175
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		1,551,361	2,166,438
Interest payable and similar charges	4	(612,085)	(1,792,026)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	939,276	374,412
Tax on profit on ordinary activities	5	-	-
PROFIT FOR THE FINANCIAL YEAR		939,276	374,412

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2011

	2011 £	2010 £
Profit for the financial year	939,276	374,412
Unrealised surplus on revaluation of properties	1,337,938	7,222,954
Total recognised gains and losses for the financial year	2,277,214	7,597,366

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 March 2011

	2011 £	2010 £
Reported profit before taxation for the financial year	939,276	374,412
Realisation of property revaluation gains of previous years	-	459,442
Historical cost profit on ordinary activities before taxation	939,276	833,854
Historical cost profit on ordinary activities after taxation	939,276	833,854

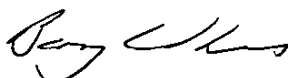
ANNINGTON RENTALS (NO.4) LIMITED

BALANCE SHEET As of 31 March 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Investment properties	6	<u>33,267,300</u>	<u>31,215,800</u>
CURRENT ASSETS			
Debtors	7	13,638	9,926
CREDITORS: amounts falling due within one year	8	<u>(602,150)</u>	<u>(62,073)</u>
NET CURRENT LIABILITIES		<u>(588,512)</u>	<u>(52,147)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,678,788	31,163,653
CREDITORS: amounts falling due after more than one year	9	<u>(7,659,547)</u>	<u>(25,421,626)</u>
NET ASSETS		<u>25,019,241</u>	<u>5,742,027</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Capital reserve	11	17,000,000	-
Revaluation reserve	11	6,730,179	5,392,241
Profit and loss account	11	<u>1,289,061</u>	<u>349,785</u>
SHAREHOLDERS' FUNDS	12	<u>25,019,241</u>	<u>5,742,027</u>

The financial statements of Annington Rentals (No 4) Limited, registered number 5417120, were approved by the Board of Directors and authorised for issue on 12 August 2011

Signed on behalf of the Board of Directors



J B Chambers

Director

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 the going concern basis and in accordance with applicable United Kingdom accounting standards.

Going Concern

The Company holds properties for rent on 'bulk' leases for fixed terms. The Company has no external debt and is wholly funded by another Group entity Annington Rentals (Holdings) Limited (Note 9) which is partly funded by a £55.9 million (2010 - £63 million) Revolving Seven Year Facility Agreement to September 2012 with The Royal Bank of Scotland plc, to which the Company is a guarantor, which requires two covenant tests to be maintained - Loan to Value and Interest Coverage Ratio.

The Loan to Value ratio of 65% within the Annington Rentals (Holdings) Limited facility has been met for the current year and the interest coverage ratio has been maintained, and 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.

After making enquiries and having assessed the responses of the directors of the Company's parent Annington Rentals (Holdings) 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 accounts.

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.

Turnover

Income from tenants is accounted for on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with the tenants. All turnover is generated in the property rental market in the United Kingdom.

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.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are revalued annually. The surpluses or deficits on the properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the Companies Act, is necessary to provide a true and fair view as required under SSAP 19 "Accounting for investment properties". The financial effect of the departure from the Companies Act cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The net book value of investment properties transferred from Annington Property Limited is shown net of Profit Share disposal costs calculated in accordance with the Profit Share Agreement which the Company would have incurred had the assets been disposed of at the balance sheet date.

Sales are accounted for on legal completion of contract basis.

Profit share

As part of the Transfer Agreement for certain properties acquired from Annington Property Limited, the company has covenanted to take over certain obligations under the Profit Share Agreement signed by Annington Property Limited and the Secretary of State for Defence on 5 November 1996. The applicable Profit Share percentage becomes payable on the date of legal exchange for property disposals by the company.

2. 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 (2010 - nil). The cost of performing work for the company is borne by another group company, in the current and preceding year.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £	2010 £
Profit on ordinary activities before taxation is stated after charging:		
Impairment of tangible fixed assets	40,200	-
Reversal of past impairment losses	-	(459,442)

The auditors' remuneration was £3,600 (2010 - £7,700) for the audit of the company's annual accounts, £9,800 (2010 - £2,400) for other services relating to taxation and £100 (2010 - £1,150) for other accounting services and was borne by another group company, in the current and preceding year.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2011

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
Interest payable on inter-company balances	612,085	1,791,515
Other interest payable	-	511
	<u>612,085</u>	<u>1,792,026</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £	2010 £
Current tax		
United Kingdom corporation tax at 28% (2010 - 28%)	-	-
The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (2010 - 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		
	2011 £	2010 £
Profit on ordinary activities before tax	939,276	374,412
Tax on profit on ordinary activities at standard rate	262,997	104,835
Factors affecting credit for the year		
Group relief claimed	(309,086)	(1,125,444)
Tax on disposal of property	-	518,985
Expenses not deductible for tax purposes	46,089	501,624
Total actual amount of current tax	-	-

There is no charge for corporation tax or deferred tax. The amount of tax losses carried forward at 31 March 2011 is £nil (2010 - £nil). A deferred tax asset has not been recognised in respect of timing differences relating to future benefits of tax losses.

A deferred tax liability has not been recognised in respect of revalued fixed assets which are currently standing at a profit. If the assets were to be sold the estimated tax charge would be in the region of £1,749,847 (2010 £1,638,471).

From April 2011, the headline rate of corporation tax reduces from 28% to 26%, with further 1% reductions expected each year until a rate of 23% is in place by April 2014, as declared in the 2011 Budget Announcement.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2011

6. INVESTMENT PROPERTIES

	Investment properties £
Cost or valuation	
At 1 April 2010	31,215,800
Additions – capital expenditure	753,762
Impairment	(40,200)
Revaluation	1,337,938
At 31 March 2011	<u>33,267,300</u>
Net book value	
At 31 March 2011	<u>33,267,300</u>
At 31 March 2010	<u>31,215,800</u>

All investment properties are held for investment potential, which may be realised through rental or capital growth over time. All the investment properties shown above are held for use in operating leases, as and when this is determined to best meet the company's investment strategy.

The investment properties have been valued by the directors on the basis of market value. The basis for market value for this valuation is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The directors have considered the valuation of the properties as at 31 March 2011, with reference to an external valuation performed by Allsop LLP. The valuer was given a representative sample of properties to value to ensure the whole portfolio is valued every five years. The valuer was instructed to value such similar properties by way of external inspections and in accordance with the requirements of the RICS Appraisal Valuation Standards. The valuation was then extrapolated internally using a "Desktop" financial model to provide the movement for the whole portfolio.

Properties would have been included on an historical cost basis at £26,577,320 (2010 - £25,823,559).

These assets are security for external bank debt held with Annington Rentals (Holdings) Limited.

	2011 £	2010 £
The net book amount of properties comprises		
Freehold	<u>33,267,300</u>	<u>31,215,800</u>

7. DEBTORS

	2011 £	2010 £
Other debtors	<u>13,638</u>	<u>9,926</u>
All amount are due within one year		

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2011

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade creditors	-	1,705
Other creditors	58,241	-
Accruals and deferred income	543,909	60,368
	<u>602,150</u>	<u>62,073</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Amounts due to group undertakings	<u>7,659,547</u>	<u>25,421,626</u>

Amounts due to group undertakings are unsecured, interest bearing at 8.02% (2010 - 6.82%) and have a fixed repayment date of 31 March 2020 (2010 - 31 March 2025)

10. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Called up, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11. MOVEMENTS IN RESERVES

	Profit and loss account £	Revalu- ation reserve £	Capital reserve £	Total £
At 1 April 2010	349,785	5,392,241	-	5,742,026
Retained profit for the financial year	939,276	-	-	939,276
Surplus on revaluation of properties	-	1,337,938	-	1,337,938
Contribution by owner	-	-	17,000,000	17,000,000
At 31 March 2011	<u>1,289,061</u>	<u>6,730,179</u>	<u>17,000,000</u>	<u>25,019,240</u>

The capital reserve relates to a capital contribution made by the Company's shareholder, Annington Rentals (Holdings) Limited during the year

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2011**

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Profit for the financial year	939,276	374,412
Surplus on revaluation of properties	1,337,938	7,222,954
Contribution by owner	17,000,000	-
	<u>19,277,214</u>	<u>7,597,366</u>
Net increase in shareholders' funds	19,277,214	7,597,366
Opening shareholders' funds/(deficit)	5,742,027	(1,855,339)
	<u>25,019,241</u>	<u>5,742,027</u>
Closing shareholders' funds	25,019,241	5,742,027

13. CAPITAL COMMITMENTS

The company has entered into a contract for the construction of 24 new units and significant refurbishment of 84 existing units at Uxbridge. The company is committed to pay a contractual percentage of the total build costs. Until construction is completed, the total amount to which the company is committed is uncertain. Based on the terms of the contract, at 31 March 2011, the amount committed was not less than £3,854,388.

14. RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary within the Annington Holdings plc group 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.

15. CONTROLLING PARTY

Annington Rentals (Holdings) Limited, a company incorporated in Great Britain, is the immediate parent company. Annington Holdings plc, a company incorporated in Great Britain, is the intermediary parent 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.