

ANNINGTON RENTALS (NO.4) LIMITED

Report and Financial Statements

31 March 2009

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ANNINGTON RENTALS (NO.4) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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ANNINGTON RENTALS (NO.4) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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
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 2009.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 (4) of the Companies Act 1985.

PRINCIPAL ACTIVITY

The principal activity of the company is that of property investment.

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

The Company is wholly funded by another Group entity Annington Rentals (Holdings) Limited which is partly funded by a £66 million Revolving Seven Year Facility Agreement to September 2012 with The Royal Bank of Scotland plc which requires two covenant tests to be maintained - Loan to Value and Interest Coverage Ratio. As a result of the depressed property values the Loan to Value ratio of 70% within the Annington Rentals (Holdings) Limited facility has been exceeded. Agreement has been reached with the Lender, and this breach has now been remedied by an amended agreement signed on 14 October 2009. 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 this covenant in the foreseeable future. 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 annual report and accounts. Further details regarding the adoption of the going concern basis are to be found in Note 1 to the Financial Statements.

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). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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)

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



J B Chambers

Director

22 October 2009

INDEPENDENT AUDITORS' 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 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. 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 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 (NO.4) LIMITED (continued)**

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 2009 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

22 OCTOBER 2009

ANNINGTON RENTALS (NO.4) LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2009

	Note	2009 £	2008 £
TURNOVER	1	1,860,922	2,180,437
Cost of sales		(807,038)	(90,781)
Gross profit		1,053,884	2,089,656
Interest payable and similar charges	4	(1,876,860)	(1,855,078)
Interest receivable and similar income	5	6,940	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(816,036)	234,578
Tax on (loss)/profit on ordinary activities	6	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	(816,036)	234,578

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2009

	2009 £	2008 £
(Loss)/profit for the financial year	(816,036)	234,578
Unrealised deficit on revaluation of properties	(14,112,524)	(281,439)
Total recognised gains and losses for the financial year	(14,928,560)	(46,861)

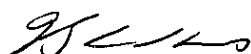
ANNINGTON RENTALS (NO.4) LIMITED

BALANCE SHEET As of 31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	27,039,670	41,152,194
CURRENT ASSETS			
Debtors	8	766,737	25
CREDITORS: amounts falling due within one year	9	(336,428)	(76,757)
NET CURRENT ASSETS (LIABILITIES)		430,309	(76,732)
TOTAL ASSETS LESS CURRENT LIABILITIES		27,469,979	41,075,462
CREDITORS: amounts falling due after more than one year	10	(29,325,318)	(28,002,241)
NET (LIABILITIES) / ASSETS		(1,855,339)	13,073,221
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Revaluation reserve	12	(1,371,271)	12,741,253
Profit and loss account	12	(484,069)	331,967
SHAREHOLDERS' (DEFICIT)/FUNDS	13	(1,855,339)	13,073,221

The financial statements of Annington Rentals (No.4) Limited, registered number 5417120, were approved by the Board of Directors and authorised for issue on 22 October 2009.

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 2009

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 10) which is partly funded by a £66 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.

As a result of the depressed property values the Loan to Value ratio of 70% within the Annington Rentals (Holdings) Limited facility has been exceeded. Agreement has been reached with the Lender, and this breach has now been remedied by an amended agreement signed on 14 October 2009. 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 this covenant in the foreseeable future.

Although the rental market demand and rent achieved has been depressed due to the current economic conditions, the Company operates a long term business strategy within its specific market sector that is considered appropriate due to the volume and mix of properties held.

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 substantively 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.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 "Accounting for investment properties". The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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 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 (2008 - nil). The cost of performing work for the company is borne by another group company, Annington Management Limited, in the current and preceding year.

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditors' remuneration was £7,500 (2008 - £5,000) for the audit of the company's annual accounts, £2,300 (2008 - £2,200) for other services relating to taxation and £1,100 (2008 - £1,000) for other accounting services and was borne by another group company, Annington Management Limited, in the current and preceding year.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2009

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Interest payable on inter-company balances	1,876,830	1,854,493
Other interest payable	-	555
Bank charges	30	30
	<u>1,876,860</u>	<u>1,855,078</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Interest received	<u>6,940</u>	<u>-</u>

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current tax		
United Kingdom corporation tax at 28% (2008 - 28%)	<u>-</u>	<u>-</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (2008 - 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:

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	<u>(816,036)</u>	<u>234,578</u>
Tax on (loss)/profit on ordinary activities at standard rate	<u>(228,490)</u>	<u>65,682</u>
Factors affecting credit for the year:		
Group relief claimed	(336,121)	(584,940)
Expenses not deductible for tax purposes	<u>564,611</u>	<u>519,258</u>
Total actual amount of current tax	<u>-</u>	<u>-</u>

There is no charge for corporation tax or deferred tax. The amount of tax losses carried forward at 31 March 2009 is £nil (2008 - £nil). A deferred tax asset has not been recognised in respect of timing differences relating to future benefits of tax losses.

A deferred tax asset has not been recognised in respect of revalued fixed assets which are currently standing at a loss. If the assets were to be sold the estimated tax loss would be in the region of £383,956.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2009

7. TANGIBLE FIXED ASSETS

	Investment properties £
Cost or valuation	
At 1 April 2008	41,152,194
Revaluation	<u>(14,112,524)</u>
At 31 March 2009	<u>27,039,670</u>
Net book value	
At 31 March 2009	<u>27,039,670</u>
At 31 March 2008	<u>41,152,194</u>

All investment properties are held for use in operating leases with tenants.

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 2009, based on the existing leases for the whole portfolio. Allsop LLP were provided with copies of these leases and instructed to provide their view of the impact that these existing leases would have on the vacant possession values determined by the directors.

At the time of the valuation, the market was facing exceptionally difficult conditions on account of very low levels of available credit and much reduced (or in some cases almost non-existent) volumes of sales. Consequently the volume of transactional evidence available to support the external valuation are lower or more historic than preferred. In accordance with the guidance set out at GN5 of the RICS Valuation Standards, Allsop LLP advised that on this occasion they have a lower than normal level of confidence in the certainty of individual external valuations, however given the nature of the portfolio they have a higher level of confidence of the overall valuation of the sample undertaken.

Properties would have been included on an historical cost basis at £28,410,941 (2008 - £28,410,941).

	2009 £	2008 £
The net book amount of properties comprises		
Freehold	<u>27,039,670</u>	<u>41,152,194</u>

8. DEBTORS

	2009 £	2008 £
Other debtors	<u>766,737</u>	<u>25</u>

All amount are due within one year.

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2009

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	8,982	11,537
Amounts due to group undertakings	19,458	1,060
Other creditors	248,804	10,650
Accruals and deferred income	59,184	53,510
	<u>336,428</u>	<u>76,757</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

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

	2009 £	2008 £
Amounts due to group undertakings	<u>29,325,318</u>	<u>28,002,241</u>

Amounts due to group undertakings are unsecured, interest bearing at 6.82% and have a fixed repayment date of 31 March 2025.

11. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

12. MOVEMENTS IN RESERVES

	Profit and loss account £	Revalu- ation reserve £	Total £
At 1 April 2008	331,967	12,741,253	13,073,220
Retained loss for the financial year	(816,036)	-	(816,036)
Deficit on revaluation of properties	-	(14,112,524)	(14,112,524)
	<u>(484,069)</u>	<u>(1,371,271)</u>	<u>(1,855,340)</u>
At 31 March 2009			

ANNINGTON RENTALS (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	2009 £	2008 £
(Loss)/profit for the financial year	(816,036)	234,578
Deficit on revaluation of properties	(14,112,524)	(281,439)
Net reduction in shareholders' funds	(14,928,560)	(46,861)
Opening shareholders' funds	13,073,221	13,120,082
Closing shareholders' (deficit)/funds	(1,855,339)	13,073,221

14. RELATED PARTY DISCLOSURES

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 No.8, "Related Party Disclosures", not to make disclosure of transactions with other entities that are part 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 largest and Annington Holdings plc is the smallest parent company of which the company is a member and for which group financial statements are drawn up.

Group accounts for both these companies are available on request from the registered office at 1 James Street, London W1U 1DR.

16. POST BALANCE SHEET EVENTS

On 14 October 2009 an agreement to amend Annington Rentals (Holdings) Limited facility agreement with the Royal Bank of Scotland plc, to which the Company is a guarantor, was signed. This amendment agreed revised terms for securing the loans, including providing additional security in the form of properties held by the Annington Rentals (Holdings) Limited's subsidiary, Annington Rentals No 5 Limited, and an amount of cash being committed to a security deposit bank account.