

**Company Registration No. 03818321**

**ANNINGTON RENTALS (HOLDINGS)  
LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 March 2017**

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# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

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# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT**

Annington Rentals (Holdings) Limited (“the Company”) is the holding company of nine subsidiaries. Of these subsidiaries, eight own property; two that own properties that help generate comparison data which the Annington Limited Group uses in rent negotiations with the Ministry of Defence (“MoD”) during rent reviews, two that let properties to the MoD at market value and four that let properties to third parties on the open market. Annington Rentals Management Limited lets certain properties on the open market on behalf of the MoD. As a holding company, the Company’s performance is dependent on that of its subsidiaries, whose performance, strategy and principal risks and uncertainties are described below.

### **THE BUSINESS**

The Company and its subsidiaries (“the Group”) own a property portfolio of private rented sector accommodation, which, as at 31 March 2017, consisted of 1,375 (2016: 1,335) property units let on bulk or assured shorthold tenancies. In addition to this, the Group also manages a further 78 (2016: 109) properties as of 31 March 2017.

The Group was established in 1999 for the purpose of creating a residential investment portfolio, thereby diversifying and providing increased stability to the property portfolio of the wider Annington Limited Group. The Group seeks opportunities to maximise returns through strategic acquisitions of residential property from third parties and Annington Property Limited.

The portfolios of properties, held within the subsidiaries, each have different characteristics and are 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 Group given the geographic spread of properties, and enables the in-house portfolio managers to maintain a strategic focus.

As at 31 March 2017, annual passing rent in respect of the Group was £14.1 million (2016: £14.1 million). At the same date, the fair value of the Group’s investment properties was estimated to be £297.5 million (2016: £271.7 million).

### **PROPERTY MARKET OVERVIEW**

The UK housing market has been notable for its long-term growth in average house prices, which has generally exceeded both wage and retail price inflation. Demand for housing remains strong, by the continuing policy of low interest rates and increasing consumer confidence during a period of stable economic growth and stable employment.

The cost of an average house in the UK was £215,828 in March 2017 (according to the Land Registry), which represented annual growth of 4.1%. The areas of strongest growth have been those in which the Group has its highest concentrations of property, namely the East of England, the South East, the South West and London. The East of England experienced the greatest increase in property prices over the year to March 2017, with an average increase of 7.2%.

Going forward, the imbalance between supply and demand continues to be the most significant factor affecting the housing market. The UK housing market has been in a long-term position of structural undersupply for over 25 years as the number of new completions has failed to keep pace with the number of new household formations and the replacement of redundant stock.

Given the supply constraints, which include land availability, planning, capacity in the house building sector, skilled labour shortages, and material and labour costs, the shortfall in housing production is not expected to materially change in the short- to medium-term, notwithstanding the efforts being made by Government to stimulate production. Delivery of the Government’s million new homes ambition by 2020 alone will require 174,000 net additions each year. Current new build starts in England totalled only 162,880 in the year to March 2017, up 15% on the previous year. Annual new build completions for the same period totalled 147,960, both significantly short of the numbers required to meet current demand and historic shortfall. Although Government initiatives and the reaction of the house building industry may lead to modest increased output, it is not expected to be capable of remedying the housing shortage.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STRATEGIC REPORT (continued)

### PROPERTY MARKET OVERVIEW (continued)

The continued lack of supply is expected to continue adding upward pressure on prices but this is expected to be moderated over the next 12 months by concerns regarding the outcome of the Brexit negotiations. However, expectations for sales and prices remain in positive territory for both the three and twelve month forecasts according to the RICS's Residential Market Survey. Savills predicts that house prices on average across the UK will not rise during 2017, but projects growth for the UK of 13% over the next five years.

The current projection for house prices and the market over the short- to medium-term, underpinned by the continued lack of supply and continued demand, mean that the forecast for the housing market in England and Wales remains positive, although rising interest rates or an outcome from the Brexit negotiations that has a major impact on the UK economy may have an adverse effect.

#### The Rental Market

The state of the housing market has a clear and direct impact on the rental market. House price inflation over the past five years has resulted in an increasing number of people, particularly the young, being unable to afford to purchase a house. According to the Local Government Association, average property prices are now at 7.9 times average earnings and the average size of a deposit required to obtain a mortgage is 62% of annual income.

The Redfern Review (2016) identified three key drivers in the fall in home ownership: the higher cost, and restrictions on, mortgage lending for first time buyers, the increase in house prices, and the decline in incomes of younger people. Even if mortgage payments are affordable, funding a deposit represents a significant impediment to purchasing. Over a third of first-time buyers in England now obtain financial assistance from family members to purchase a house compared to a fifth seven years ago.

The UK's private rented sector ("PRS") has expanded rapidly in recent years at the expense of home ownership and social rented housing. In 2016, the PRS accounted for approximately 4.5 million, or 20%, of all households, the second largest tenure behind home ownership and ahead of social and affordable rented stock (3.9 million). Home ownership fell from approximately 71% to 63% in the period 2003 to 2016 whilst those in the PRS has doubled. The PRS has been the fastest growing sector over the last 10 years and is projected to continue that trajectory over the next 10 years.

According to Savills, the total residential stock in the UK was valued at £6,790 billion in 2016, with private rented residential stock (including buy-to-let investors) amounting to £1,400 billion. Whilst the demand for private rented accommodation has continued to grow, the increase in the supply of rental properties has lagged behind and this has resulted in increased rents. Supply constraints have meant that institutional investors are resorting to build-to-rent to enter the PRS market. According to the British Property Federation, there are 69,824 build-to-rent units either completed or in the pipeline in the UK, as at the end of March 2017, with 38,648 in London and 31,176 in the regions. Local authorities are also now actively seeking investment in the private rented sector as a means of providing new good quality housing for local residents as well as generating a reliable income stream to cross-subsidise social and affordable housing.

In such circumstances, Savills' current forecast is that rents will continue to rise over the next five years. Private rental prices paid by tenants in England rose by 2% in the 12 months to the end of March 2017 and in Wales by 0.7%. Savills have also predicted steady growth in UK mainstream rents over the next five years totaling 19%.

## STRATEGY

The key strategy of the Group is to actively manage and expand the private rented sector property portfolio. The key elements of the Group's business strategy, aiming at maximising returns across all activities, are described below.

#### *Diversify and expand private rental portfolio*

The Group intends to continue diversifying its property portfolio, by letting at market rates to the Ministry of Defence or third parties on the open market, and improve the Group's returns through actively managing the Group's tenancies and rental levels. The Group intends to continue acquiring properties, either from Annington Property Limited, or from third parties, in order to grow its private rental sector. Reviews of such properties are conducted regularly to identify where there may be a void occupancy in the short-term and to assess what rental level should be achieved on re-letting. If it becomes uneconomic to retain such properties, potential options to maximise value will be considered, including refurbishment, redevelopment and disposal. The Group intends to target locations where a particular housing demand is identified or where housing market conditions are anticipated to improve.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STRATEGIC REPORT (continued)

### FINANCIAL PERFORMANCE AND REVIEW

The Group generated rental income of £14.3 million (2016: £14.1 million). During the year, 112 properties were sold by the Group (2016: 107 properties), resulting in income of £21.8 million (2016: £27.8 million). The majority of the units sold were from various sites owned by Annington Rentals (No. 6) Limited, where 76 units were surrendered early by the MoD. At 31 March 2017, all units had been exchanged.

Voids have been kept well below set targets during the year and Annington Rental (Holdings) Limited is still managing 10 properties for Annington Property Limited, the majority being held for planning and development at Mill Hill.

The Group continues to operate a mixed portfolio of rental units on Assured Short-hold Tenancies and bulk leases. Bulk lettings to the MoD (representing over half of the properties) are at fixed rental values for the first five years of the lease. 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.

At 31 March 2017, the Company's total assets amounted to £286.4 million (2016: £284.0 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 £363.5 million (2016: £350.7 million), comprising intra-group loans with its immediate parent, Annington Homes Limited, and external debt financing (Note 11). The Group 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 (2016: £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.

### FINANCING

On 24 December 2013, Annington Rentals (Holdings) Limited entered into a £165 million Five Year Revolving Facility Agreement ending in December 2018 with The Royal Bank of Scotland plc. Further details on the facilities are available in Note 11.

#### Refinancing of the Annington Limited Group

As detailed within Note 2 of the financial statements, in July 2017, the Annington Rentals (Holdings) group was part of a wider refinancing of the Annington Limited group, involving an injection of new capital into the Annington Group, the issuance of new debt instruments and the early redemption of all the existing debt within the Annington Group. This included the repayment of the Five Year Revolving Facility at Annington Rentals (Holdings) Limited. The new financing structure gives the Group significant operational flexibility to diversify the business and pursue a growth strategy in the private residential sector or other areas as it deems fit.

### 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	2017	2016	Basis of calculation
To manage costs within pre-defined targets.	(2.42)%	(9.80)%	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%	0.03%	0.07%	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, and external debt financing. 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
The UK housing market may be significantly affected by changes in general and local economic conditions (including "Brexit").	<p>The property market has a history of experiencing periods of rising values followed by a slowdown in growth rates and even falling values. The realisable value of the Group's property portfolio at any given time can be affected by many factors outside the Group's control.</p> <p>The Group can be expected to experience periods of both increasing and falling values as well as periods of inactivity, as it is a long-term investor.</p> <p>Both capital and rental values are of significant importance to the valuation of the Group's investment properties.</p> <p>During periods of low demand, low prices and poor sales rates, land and properties may become particularly illiquid, which could lead the Group to experience difficulty in successfully disposing of properties in a timely fashion, without extensive marketing efforts, or without reducing the price of the properties.</p>	<p>The Board reviews the capital values and rental levels achieved and considers any changes that have occurred to the expected levels alongside prevailing market conditions.</p> <p>Where deviations are noted, these will be incorporated into future appraisals to ensure realistic and rational forecasting which forms the basis for all business decisions.</p> <p>In unfavourable conditions where chosen sales strategies may be difficult to execute, the Group could implement alternative strategies, including renting units on a short-term basis until market conditions become more favourable.</p>
Property valuation is inherently subjective and uncertain.	<p>Valuations are inherently subjective due to the individual nature of each property and are based on assumptions that may not prove to be accurate.</p> <p>There is a risk that the valuations of the Group's properties will not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date. Failure to achieve successful sales of properties in the future at commercially acceptable prices could have an adverse effect on the Group's business, results of operations and financial condition. Unsound valuations could also undermine the Annington Limited Group's ability to negotiate favourable rent increases during the five-yearly rent reviews with the MoD.</p>	The Group manages this risk by ensuring that regular valuations of the Group's properties are performed by external, independent, third party professional valuers, registered with the Royal Institute of Chartered Surveyors.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STRATEGIC REPORT (continued)

Area of Potential Uncertainty	Risk	Strategy
<p>The Group may face substantial damages or be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims.</p>	<p>The Group may become exposed to potentially significant litigation, arbitration proceedings and other claims in connection with the Group's business. Disputes could arise in connection with the Group's contracts for the provision of property management services or otherwise. Due to the uncertainty inherent in litigation, there can be no assurance that the ultimate outcome of any legal proceedings will not result in an award of substantial damages against the Group, including one beyond its financial resources. Further, should an issue arise in connection with a large proportion of the Group's properties, plaintiffs may seek class action status. The Group's insurance policies may not be available or adequate to cover any liability for damages, the cost of repairs, or the expense of litigation surrounding future claims. This may have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>The Group maintains policies and procedures to ensure it is compliant with laws and ethical standards to minimise the risk of significant litigation.</p> <p>In addition, the Group employs respected companies to advise on transactions and other legal matters.</p>
<p>The Group's senior management team is critical to the Group's continued performance.</p>	<p>The Group relies to a significant extent on the discretion and judgment of the management team. The Group's performance and success is dependent, in part, upon the members of the Group's senior management team and, in particular, their relationships with relevant public and regulatory authorities in the industry and other persons with whom the Group regularly deals in the conduct of the Group's business. While the Group has put in place policies and remuneration packages that are designed to retain and properly incentivise management, should senior management leave in significant numbers, or if a critical member of senior management were to leave unexpectedly, the Group's business, results of operations and financial condition could be adversely affected.</p>	<p>Knowledge is shared between senior staff members at weekly Directors Meetings and monthly Senior Managers Meetings (described in the Directors' Report). This mitigates this risk by passing knowledge between the members of the management team. Additionally, if release levels suddenly pick up, management is confident it can be controlled and the business managed effectively through a combination of recruitment and outsourcing to provide the resource needed.</p>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STRATEGIC REPORT (continued)

Area of Potential Uncertainty	Risk	Strategy
<p>Changing demand for rental and bulk residential rental properties.</p>	<p>A number of 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.</p> <p>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>	<p>Management constantly reviews properties that 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.</p> <p>In-house staff maintain regular contact with tenants in order that any potential lease terminations are noted as early as possible, to facilitate timely consideration of options to re-let, refurbish and/or sell.</p>
<p>The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged.</p>	<p>The Group uses several information technology tools, platforms and systems to support, among other things, its operations, billing, expenses and financial information and reporting processes. The Group's business and operations could be adversely impacted if these information systems or databases and any back-up systems were to fail, or if the databases were to be destroyed or damaged.</p>	<p>The Group has taken measures to mitigate potential information technology security risks and information technology failures.</p>



# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **STRATEGIC REPORT (continued)**

### **OUTLOOK**

The financial year to 31 March 2017 has been stable, with economic conditions remaining supportive. The imbalance between supply and demand will likely continue to drive positive growth in property values and rental income.

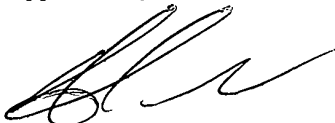
Since the EU Referendum, there has been much uncertainty about the direction of travel in the UK housing market and wider economy, as it remains impossible to accurately predict the outcome of the negotiations that have now begun. In the short- to medium-term the underlying supply and demand dynamics are unlikely to change radically.

The Group's operational strategy is largely unchanged from previous years. The business will continue to define and benefit from the best options on a site-by-site basis and continue to operate dual sales and rental strategies where appropriate.

The Company is funded by its immediate parent, Annington Homes Limited, which is ultimately funded by Annington Funding plc ("AFP"). On 12 July 2017 the Company repaid all existing debt including the bank loan, as a result of a Group wide refinancing process involving the issuance of new debt instruments and the early redemption of all the existing debt within the Annington Limited Group. AFP issued five tranches totalling £3 billion of corporate, unsecured bonds and drew down a term loan totalling £400 million, also unsecured. A £300 million five-year revolving credit facility has been made available to AFP, which is currently undrawn. The group's forecasts do not indicate any of the covenants associated with the new debt will be breached in the foreseeable future. The Company has sought and received commitment for future support from Annington Homes Limited.

The refinancing undertaken post year-end has meant that the Annington Limited Group will be able to benefit from less onerous covenant requirements, lower interest payments, and longer and staggered maturities of debt. These benefits allow the Annington Group to expand its footprint in the private rented sector.

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



A P Chadd  
Director

6 October 2017

### **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 2017.

### **DIRECTORS**

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

A P Chadd  
J C Hopkins  
N P Vaughan  
S Webber

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 2017 (2016: nil).

### **FINANCIAL RISK MANAGEMENT**

The Company is funded by its immediate parent, Annington Homes Limited and an external loan facility (Note 11). Please refer to Note 2 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 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 2 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

6 October 2017

### **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), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2017 which comprise the income statement, statement of comprehensive income, balance sheet, 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) including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the Company's member, 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 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 2017 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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

### **Matters on which we are required to report by exception**

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

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



**Richard Howe (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
London  
United Kingdom  
6 October 2017

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## INCOME STATEMENT

For the year ended 31 March 2017

	Note	2017 £	2016 £
Administrative expenses		(2,272,774)	(1,994,671)
Impairment of investment in subsidiary companies	7	(7,100,001)	(18,350,001)
Dividend received		9,350,000	16,500,000
<b>Operating loss</b>	3	(22,775)	(3,844,672)
Finance income	5	13,354,322	11,815,626
Finance costs	5	(22,826,839)	(21,650,849)
<b>Loss before taxation</b>		(9,495,292)	(13,679,895)
Taxation	6	(264,215)	(30,913)
<b>Loss for the year after taxation</b>		(9,759,507)	(13,710,808)
<b>Loss attributable to shareholder</b>		(9,759,507)	(13,710,808)

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 £	2016 £
<b>Items that may subsequently be recycled through the income statement</b>			
Change in fair value of investment in subsidiary companies	7	(519,999)	(1,589,999)
<b>Total other comprehensive loss</b>		(519,999)	(1,589,999)
Loss for the year		(9,759,507)	(13,710,808)
<b>Total comprehensive loss for the year</b>		(10,279,506)	(15,300,807)
<b>Total comprehensive loss attributable to shareholder</b>		(10,279,506)	(15,300,807)

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2017

	Share capital £	Revaluation reserve £	Retained earnings £	Total deficit £
<b>At 1 April 2015</b>	-	13,339,994	(64,776,364)	(51,436,370)
Loss attributable to shareholder	-	-	(13,710,808)	(13,710,808)
Other comprehensive loss for the year	-	(1,589,999)	-	(1,589,999)
<b>Balance at 31 March 2016</b>	-	11,749,995	(78,487,172)	(66,737,177)
Loss attributable to shareholder	-	-	(9,759,507)	(9,759,507)
Other comprehensive loss for the year	-	(519,999)	-	(519,999)
<b>Balance at 31 March 2017</b>	-	11,229,996	(88,246,679)	(77,016,683)

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## BALANCE SHEET At 31 March 2017

	Note	2017 £	2016 £
<b>Non-current assets</b>			
Investment in subsidiary companies	7	92,190,000	99,810,000
Receivables	8	175,442,276	150,585,643
Deferred tax	6	650,127	914,342
		<u>268,282,403</u>	<u>251,309,985</u>
<b>Current assets</b>			
Receivables	8	129	181
Cash equivalents and restricted cash	9	18,163,273	32,677,398
		<u>18,163,402</u>	<u>32,677,579</u>
<b>Total assets</b>		<u>286,445,805</u>	<u>283,987,564</u>
<b>Current liabilities</b>			
Trade and other payables	10	(1,261,402)	(1,096,053)
Loans and borrowings	11	(1,247,112)	(2,188,502)
		<u>(2,508,514)</u>	<u>(3,284,555)</u>
<b>Net current assets</b>		<u>15,654,888</u>	<u>29,393,024</u>
<b>Total assets less current liabilities</b>		<u>283,937,291</u>	<u>280,703,009</u>
<b>Non-current liabilities</b>			
Loans and borrowings	11	(357,129,698)	(342,360,508)
Derivative financial instruments	12	(3,824,276)	(5,079,678)
		<u>(360,953,974)</u>	<u>(347,440,186)</u>
<b>Total liabilities</b>		<u>(363,462,488)</u>	<u>(350,724,741)</u>
<b>Net liabilities</b>		<u>(77,016,683)</u>	<u>(66,737,177)</u>
<b>Capital and reserves</b>			
Share capital	13	-	-
Revaluation reserve		11,229,996	11,749,995
Retained Earnings	14	(88,246,679)	(78,487,172)
<b>Total deficit</b>		<u>(77,016,683)</u>	<u>(66,737,177)</u>

The accompanying notes (1 to 18) should be read in conjunction with these financial statements.

The financial statements of Annington Rentals (Holdings) Limited, registered number 03818321, were approved by the Board of Directors and authorised for issue on 6 October 2017.

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 2017**

### **1. CORPORATE INFORMATION**

Annington Rentals (Holdings) Limited (“the Company”) is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of its registered office is 1 James Street, London W1U 1DR. Information on the Company’s ultimate parent is presented in Note 16.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (“FRS 101”), and with the Companies Act 2006.

For the year ended 31 March 2016, the Company prepared its financial statements in accordance with the Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (“FRS 102”). These financial statements for the year ended 31 March 2017 are the first the Company has prepared in accordance with FRS 101. There were no adjustments to total comprehensive income or equity on transition. Further details of how the Company adopted FRS 101 are disclosed in Note 18.

The financial statements are presented in pound sterling (£). They have been prepared on the historical cost basis, except for investment in subsidiary companies that is measured at fair value at the end of each reporting period.

#### **Exemptions for qualifying entities under FRS 101**

FRS 101 permits a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied by the Company. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-adopted International Financial Reporting Standards, including an opening Statement of Financial Position;
- certain disclosures regarding the Company’s capital;
- a statement of cash flows;
- certain disclosures in respect of financial instruments;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with wholly-owned members of the Group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Annington Limited, which are publicly available.

# **ANNINGTON RENTALS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 2017 (continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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, which is ultimately funded by Annington Funding plc ("AFP"). On 12 July 2017 the Company repaid all existing external debt, as a result of a Group wide refinancing process involving the issuance of new debt instruments and the early redemption of all the existing debt within the Annington Limited Group. AFP issued five tranches totalling £3 billion of corporate, unsecured bonds and drew down a term loan totalling £400 million, also unsecured. A £300 million five-year revolving credit facility has been made available to AFP, which is currently undrawn. The group's forecasts do not indicate any of the covenants associated with the new debt will be breached 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.

#### **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.

#### *Investment in subsidiary companies' valuations*

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.

#### *Accounting for debt at amortised cost*

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.

## ANNINGTON RENTALS (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017 (continued)

#### 3. OPERATING LOSS

The auditors' remuneration was £14,500 (2016: £15,200) 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.

#### 4. 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 (2016: none). The cost of performing work for the Company is borne by another group company, Annington Management Limited, in the current and preceding year.

#### 5. FINANCE INCOME AND COSTS

##### ACCOUNTING POLICY

Interest income is recognised over time, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs, including any transaction costs, are charged to the income statement using the effective interest rate method.

	2017 £	2016 £
<b>Finance income</b>		
Bank interest receivable	67,041	83,643
Interest receivable on intercompany balances	12,031,879	11,731,983
Fair value gain on interest rate swaps	1,255,402	-
Total finance income	<u>13,354,322</u>	<u>11,815,626</u>
<b>Finance costs</b>		
Interest payable on bank loan	5,907,893	5,452,721
Amortisation of issue costs	512,959	477,978
Interest payable on intercompany balances	16,050,835	15,098,657
Fair value loss on interest rate swaps	-	353,405
Other finance expenses	355,152	268,088
Total finance costs	<u>22,826,839</u>	<u>21,650,849</u>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 6. TAXATION

#### ACCOUNTING POLICY

The taxation expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

##### *Current tax*

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Taxable profit differs from profit before tax as reported in the income statement because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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 assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

	2017 £	2016 £
<b>Current tax</b>		
United Kingdom corporation tax at 20% (2016: 20%)	-	-
<b>Deferred tax</b>		
Deferred taxation: origination and reversal of temporary differences	213,418	(63,612)
Effect of change in tax rate	50,797	94,525
Total deferred tax	264,215	30,913
<b>Total taxation for the year</b>	<b>264,215</b>	<b>30,913</b>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 6. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2016: 20%). The tax for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2017 £	2016 £
Loss before taxation	(9,495,292)	(13,679,895)
Taxation on loss at standard rate	(1,899,058)	(2,735,979)
Factors affecting the current tax for the year:		
Expenses not deductible for tax purposes	2,985,155	1,134,969
Revaluation of subsidiaries	1,420,000	3,670,000
Income not assessable for tax purposes	(3,331,367)	(4,184,726)
Group relief surrendered	1,076,350	2,045,055
Effect of tax rate differential between current and deferred tax	(37,662)	7,069
Effect of change in tax rate	50,797	94,525
<b>Total taxation for the year</b>	<b>264,215</b>	<b>30,913</b>

From 1 April 2016, the headline rate of corporation tax was 20%. It will be reduced to 19% from 1 April 2017, and further reduced to 17% from 1 April 2020, with these rates substantively enacted at the current balance sheet date.

#### Deferred tax

The movement in deferred tax asset is as set out below:

	2017 £	2016 £
At 1 April	914,342	945,255
(Credit)/charge to profit or loss	(213,418)	63,612
Effect of change in tax rate	(50,797)	(94,525)
<b>At 31 March</b>	<b>650,127</b>	<b>914,342</b>

No deferred tax liabilities are recognised on temporary differences associated with investments in subsidiaries for the current and preceding year in accordance with the accounting policy. At the balance sheet date, the Company has unrecognised deferred tax liabilities relating to the investment in subsidiaries of £15.7 million (2016: £18.0 million).

Deferred tax balance relates to temporary differences between the tax base and the carrying value of deferred finance costs. Deferred tax balances at 31 March 2017 are measured at 17% (2016: 18%).

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 7. INVESTMENT IN SUBSIDIARY COMPANIES

#### ACCOUNTING POLICY

The Company has elected to account for its investments in subsidiaries at fair value. Fair value is determined by reference to the discount or premium to net asset value of similar investments listed on the London Stock Exchange. 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 and there is objective evidence of impairment, the excess is recognised in profit or loss.

	2017 £	2016 £
<b>Valuation</b>		
At 1 April	99,810,000	119,750,000
Impairment recognised in profit and loss	(7,100,001)	(18,350,001)
Change in fair value of investments through OCI	(519,999)	(1,589,999)
At 31 March	92,190,000	99,810,000

The historical cost of the investment in subsidiaries was £120,000,008 (2016: £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 19% discount (2016: 12% discount), 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 £0.5 million (2016: loss of £1.6 million) was recognised through other comprehensive income and an impairment of £7.1 million was recognised through profit and loss as a decrease in excess of previously recognised gains in equity (2016: impairment of £18.3 million).

The Company's subsidiary undertakings at 31 March 2017, 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	United Kingdom	Property investment
Annington Rentals (No.2) Limited	United Kingdom	Property investment
Annington Rentals (No.3) Limited	United Kingdom	Property investment
Annington Rentals (No.4) Limited	United Kingdom	Property investment
Annington Rentals (No. 5) Limited	United Kingdom	Property investment
Annington Rentals (No. 6) Limited	United Kingdom	Property investment
Annington Rentals (No. 7) Limited	United Kingdom	Property investment
Annington Rentals (No. 8) Limited	United Kingdom	Property investment
Annington Rentals Management Limited	United Kingdom	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 2017 (continued)

### 8. RECEIVABLES

#### ACCOUNTING POLICY

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Sundry receivables	129	181
<b>Amounts falling due after one year</b>		
Amounts due from group undertakings	175,442,276	150,585,643
<b>Total receivables</b>	<u>175,442,405</u>	<u>150,585,824</u>

Amounts due from group undertakings include £175.4 million (2016: £150.6 million) of loans are unsecured, interest bearing at 8.02% (2016: 8.02%) and have a fixed date of repayment of 31 March 2020 (2016: 31 March 2020).

The carrying value of receivables approximates the fair value.

### 9. CASH EQUIVALENTS AND RESTRICTED CASH

#### ACCOUNTING POLICY

Cash and cash equivalents comprise, cash at bank and short-term deposits. Cash and cash equivalents are limited to instruments with a maturity of less than three months.

	2017 £	2016 £
Short-term deposits	2,903,235	1,900,589
Restricted cash	15,260,038	30,776,809
	<u>18,163,273</u>	<u>32,677,398</u>

In compliance with the RBS funding arrangements and to act as a mechanism to reduce the bank's exposure to the Company, three (2016: 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.

In July 2017, as part of the Annington Group refinancing, the RBS funding arrangements came to an end, together with the restrictions on the bank accounts described above.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 10. TRADE AND OTHER PAYABLES

#### ACCOUNTING POLICY

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2017 £	2016 £
Trade payables	53,122	55,260
Accruals	1,208,280	1,040,793
	<u>1,261,402</u>	<u>1,096,053</u>

The carrying value of trade and other payables approximates the fair value.

### 11. LOANS AND BORROWINGS

#### ACCOUNTING POLICY

After initial recognition at fair value, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method, such that discounts and costs are charged to the income statement over the term of the borrowing at a constant return on the carrying amount of the liability. The debt and associated accrued interest is classified as current and non-current based on the contractual payments required within 12 months of the balance sheet date.

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Amounts owed to group undertakings	<u>1,247,112</u>	<u>2,188,502</u>
<b>Amounts falling due after one year</b>		
Bank loans	140,918,709	140,405,750
Amounts owed to group undertakings	<u>216,210,989</u>	<u>201,954,758</u>
	<u>357,129,698</u>	<u>342,360,508</u>
<b>Total loans and borrowings</b>	<u>358,376,810</u>	<u>344,549,010</u>

#### Amounts owed to group undertakings

Amounts due by the Company to group undertakings include £216.2 million (2016: £202.0 million) loans which are unsecured, interest bearing at fixed rates of 8% (2016: 8%) and have a fixed date of repayment of 31 March 2020 (2016: 31 March 2020).

The bank loan balance sheet value includes unamortised costs of £769,291 (2016: £1,282,250). The par value of the bank loan approximates the fair value.



# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 11. LOANS AND BORROWINGS (continued)

#### 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.

	Loan to value	Gross Interest cover	Net Interest cover
Annington Rentals (Holdings) Limited	65%	175%	150%

All of these covenant tests have been complied with during the years ended 31 March 2017 and 31 March 2016.

#### 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.

	2017 £	Amortisation £	Revaluation £	2016 £
Bank loans secured:				
RBS Plc – 5 year	140,918,709	512,959	-	140,405,750

### 12. DERIVATIVE FINANCIAL INSTRUMENTS

#### ACCOUNTING POLICY

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 balance sheet date. Changes in the fair value are recognised in the income statement. 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.

	2017 £	2016 £
<b>Financial liabilities carried at fair value through profit or loss (FVTPL)</b>		
Interest rate swaps that are not designated in hedge accounting relationships	3,824,276	5,079,678

	2017 £	Revaluation adjustment £	Issued /Drawn /(Repaid) £	2016 £
<b>Reconciliation of movements</b>				
Interest rate swaps	3,824,276	(1,255,402)	-	5,079,678
<b>Total derivative financial instruments</b>	<b>3,824,276</b>	<b>(1,255,402)</b>	<b>-</b>	<b>5,079,678</b>

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 13. SHARE CAPITAL

	2017	2016
	£	£
Called up, allotted and fully paid		
1 ordinary share of 1p	0.01	0.01

### 14. RETAINED EARNINGS

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

	2017	2016
	£	£
Distributable reserves	-	-
Non-distributable reserves	(88,246,679)	(78,487,172)
	<u>(88,246,679)</u>	<u>(78,487,172)</u>

### 15. RELATED PARTY DISCLOSURE

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 by paragraph 8(k) of FRS 101 not to make disclosure of transactions with other wholly-owned entities that are part of the same group.

### 16. CONTROLLING PARTY

Annington Homes Limited, a company incorporated in the United Kingdom, 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.

### 17. POST BALANCE SHEET EVENTS

On 10 July 2017, the Company used existing funds to cancel the swap arrangements set out in Note 12. On 12 July 2017, the Company borrowed £142 million from Annington Homes Limited under a new intercompany loan agreement. On the same day, this balance was used to facilitate the full repayment of Annington Rentals (Holdings) Limited's borrowings from The Royal Bank of Scotland plc (Note 11) and the associated accrued interest balance, with the security attaching to this debt released on the same day.

# ANNINGTON RENTALS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2017 (continued)

### 18. FIRST TIME ADOPTION OF FRS 101

These financial statements, for the year ended 31 March 2017, are the first the Company has prepared in accordance with FRS 101. For the year ended 31 March 2016, the Company prepared its financial statements in accordance with FRS 102.

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 March 2017, together with the comparative data for the year ended 31 March 2016, as described in the summary of significant accounting policies. There were no adjustments to total comprehensive income or total equity on transition.

#### Estimates

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies). The estimates used by the Company to present these amounts in accordance with FRS 101 reflect conditions at 1 April 2015, the date of transition to FRS 101 and as at 31 March 2016.

#### FRS 101 adjustments on transition date

		FRS 102 as at 1 April 2015 £	Effect of transition £	FRS 101 as at 1 April 2015 £
<b>Capital and reserves</b>				
Revaluation reserve	i	-	13,339,994	13,339,994
Retained earnings	i	(51,436,370)	(13,339,994)	(64,776,364)
<b>Total equity</b>		<u>(51,436,370)</u>	<u>-</u>	<u>(51,436,370)</u>

#### FRS 101 adjustments for 31 March 2016

	Note	FRS 102 as at 31 March 2016 £	Effect of transition £	FRS 101 as at 31 March 2016 £
<b>Capital and reserves</b>				
Revaluation reserve	i	-	11,749,995	11,749,995
Retained earnings	i	(66,737,177)	(11,749,995)	(78,487,172)
<b>Total equity</b>		<u>(66,737,177)</u>	<u>-</u>	<u>(66,737,177)</u>

i Revaluation reserve

For the purpose of preparing separate financial statements, FRS 101 requires an entity to account for its investment in subsidiary companies either at cost less impairment or at fair value. The Company has elected to account for its investment in subsidiary companies at fair value through other comprehensive income, with changes in fair value being recognised in a revaluation reserve. If a revaluation decrease exceeds the accumulated revaluations in equity and there is objective evidence of impairment, the excess is recognised in profit or loss. When applying FRS 102, the fair value changes were recognised in profit and loss and therefore the cumulative gain was reclassified.