

**ANNINGTON RENTALS (HOLDINGS)
LIMITED**

Annual Report and Financial Statements

For the year ended 31 March 2018



ANNINGTON RENTALS (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS	Page
Strategic report	1
Directors' report	9
Statement of directors' responsibilities	10
Independent auditor's report	11
Income statement	13
Statement of comprehensive income	13
Statement of changes in equity	14
Balance sheet	15
Notes to the financial statements	16

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, from time to time, lets certain unoccupied Units within the Retained Estate 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 2018, consisted of 1,365 (2017: 1,375) property units let on bulk or assured shorthold tenancies. In addition to this, the Group also manages a further 78 (2017: 78) properties as of 31 March 2018.

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 2018, annual passing rent in respect of the Group was £14.6 million (2017: £14.1 million). At the same date, the fair value of the Group's investment properties was estimated to be £334.7 million (2017: £297.5 million).

PROPERTY MARKET OVERVIEW

High house price inflation has been a major characteristic of the UK housing market over the last 20 years. Lack of supply and high demand for residential stock has supported robust price growth. Following the Brexit referendum in mid-2016, the trend of the market has been one of softening house price inflation, which continued into 2017 and 2018. This slowdown has not been the rapid deceleration that was previously predicted by property market analysts. There is still house price growth, but it is slower than the strong growth of previous years.

In March 2018, the Land Registry announced an increase in average annual house prices in the UK of 4.2% and Hometrack 5.5% (March 2017: 6.4%) in its UK Cities Index. The Nationwide reported that UK annual house price growth in March 2018 had slowed to 2.1% (March 2017: 3.5%). The cost of an average house in the UK was £224,144 in March 2018 (2017: £215,828) based on information published by the Land Registry. In the prior year, the areas of strongest growth were the ones in which the Group has its highest concentrations of property, namely the South East, the South West, the East of England and London. In the current year, average house prices in London decreased by 0.7% in the year to March 2018, according to the ONS. London experienced negative growth across 42% of its postcodes whilst five cities (Birmingham, Edinburgh, Leicester, Liverpool and Manchester) registered House Prices Index ("HPI") in excess of 7%. Clear regional variation is evident, with strong divergence in growth rates between Southern England and regional cities.

There has been a continuing shortage of stock in the market. Supply constraints include land availability, planning, capacity in the house building sector, skilled labour shortages, and material and labour costs. Current new build starts in England totalled only 157,480 in the year to March 2018, down 8% on the previous year and annual new build completions for the same period totalled 160,470 (2017: 147,960). 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. The shortfall in housing is not expected to materially change in the short- to medium-term.

In March 2018, buyer demand has fallen for the twelfth consecutive month according to The RICS UK Residential Market Survey as buyers struggle with affordability, deposits, and apprehension of rising interest rates. Buying a property has become less affordable because house price growth has exceeded average earnings growth in each of the last five years, according to the ONS. This has had a significant impact on the demographic of home ownership. In the last ten years, the proportion of 25 to 34 year olds residing in owned properties decreased from 57% to 37%.

**STRATEGIC REPORT
PROPERTY MARKET OVERVIEW**

PROPERTY MARKET OVERVIEW (Continued)

The Rental Market

According to the English Housing Survey issued in January 2018, the state of the sales market for housing has a clear and direct impact on the rental market. The Local Government Association reveals that in 2000 the average house price was four times the average income, whereas last year a house was worth 7.7 times the average wage. According to Savills, the average size of a deposit required to obtain a mortgage is 63.7% of annual income. These trends have resulted in the PRS market expanding to encompass segments of the population who have not traditionally rented, notably families and older single individuals. Renting instead of buying has become a more affordable option to some and has become the only option for many.

The UK's PRS has expanded rapidly in recent years at the expense of home ownership and social rented housing. According to the Ministry of Housing, Communities & Local Government's Housing Survey 2016-2017, in 2017 the PRS accounted for approximately 4.7 million, or 20%, of all households, the second largest tenure behind home ownership and ahead of social and affordable rented stock (3.9 million).

Demand in the PRS market has continued to be robust and is expected to grow as house price growth is predicted to be positive, albeit slow. Knight Frank forecast that the number of UK households renting privately will rise to 5.8 million (approximately 24% of households) by 2022 from c.5 million today. Rents have not moved as dramatically as house prices. The Office of National Statistics Index of private housing rental prices in Great Britain shows that rents across Great Britain increased by 1.1% in March 2018 with only 0.1% growth in London. This compares to current inflation figures of 2.3% CPI and 3.3% RPI.

However, given the Government's move to dismantle the individual tax benefits of Buy to Let, the supply of rented accommodation is going to rely more on institutional investment and large scale professional landlords. The number of Build to Rent schemes in the UK – complete, under construction or in planning – has increased by 30% in the past year.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT (continued)

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 strategy, aiming at maximising returns across all activities, are described below.

Diversify and expand private rental portfolio

Through the Non-MQE Portfolio, the Group intends thereby to continue diversifying its property portfolio, by letting at market rates to the MoD or third parties on the open market, and improve its returns through actively managing tenancies and rental levels. The Group is in a unique position to leverage its management expertise and operating platform developed through running its existing Non-MQE Portfolio to expand further into the UK PRS sector. We see significant opportunity over the medium- to long-term; we are open to considering opportunities that fit our strategy to provide UK families with more affordable, quality homes. The Group intends to continue to grow its private rental sector offering.

Proactive management of existing rental portfolio

The Group is an established provider of private rental housing, with plans to grow and provide more affordable, quality, family homes in the UK. Our target tenants are households who want to transition from small flats to affordable, good quality family houses. Our disciplined and value enhancing approach means we offer a long-term solution to help address the UK's housing crisis. Where there may be an upcoming void property, we perform a review of the local property market to determine the optimal solution for that property. This includes assessing what rental level should be achieved on re-letting and potential alternate options 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.

Seek out development opportunities

The Group will continue to pursue investment opportunities when market conditions and the terms of its financing arrangements permit, including entering into joint venture arrangements where a sharing of skills, assets and resources provides the possibility of increased returns.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT (continued)

FINANCIAL PERFORMANCE AND REVIEW

The Group generated rental income of £14.3 million (2017: £14.3 million). During the year, 10 properties were sold by the Group (2017: 112 properties), resulting in income of £2.3 million (2017: £21.8 million).

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 2018, the Company's total assets amounted to £329.7 million (2017: £286.4 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 £415.6 million (2017: £363.5 million), comprising intra-group loans with its immediate parent, Annington Homes Limited.

FINANCING

Refinancing of the Annington Limited Group

In July 2017, the Group was part of a wider refinancing of the Annington Limited Group, involving an injection of new capital into the Annington Limited Group, the issuance of new debt instruments and the early redemption of all the existing debt within the Annington Limited Group.

The new financing structure gives the Annington Limited 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	2018	2017	Basis of calculation
To manage costs within pre-defined targets	(3.29)%	(2.42)%	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%	2.74.%	0.03%	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 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>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.</p>	<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.</p>

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Area of Potential Uncertainty	Risk	Strategy
The pursuit of a PRS growth strategy increases the Group's exposure to this market.	<p>The PRS sector in the UK is in its infancy and there are few external benchmarks against which the Group can measure its performance. To grow this business, the Group will have to acquire assets on acceptable terms, gather quality information to support decision making and manage the PRS expansion in the Group.</p> <p>The Group will be exposed to increased market forces and competitive pressures, which may impact returns and/or decrease asset values.</p>	<p>The Group scrutinizes potential opportunities and project plans utilising the 20+ years of experience gained in the residential rental market, meaning we have in-depth knowledge of local market dynamics, including rents, valuations and occupancy rates. Multiple courses of action are considered and investment appraisals are carried out before new property is purchased to ensure that there are sufficient returns or that a strategic advantage can be gained.</p> <p>The Group limits its exposure to market forces by expanding its portfolio incrementally so that negative effects are limited.</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>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>

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Area of Potential Uncertainty	Risk	Strategy
The Group's senior management team is critical to the Group's continued performance.	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.	The Group has devised remuneration packages that are designed to retain and properly incentivise management. Knowledge is shared between senior staff members at formal and informal meetings. Additionally, if there is sudden increased activity within the business, it can managed effectively through a combination of recruitment and outsourcing to provide the resource needed.
The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged.	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.	The Group has taken measures to mitigate potential information technology security risks and information technology failures. The Group takes regular back ups and tests its IT disaster recovery plan on an annual basis.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT (continued)

OUTLOOK

The housing market trends of the last 12 to 18 months is characterised by continued, if slowing, house price growth with regional price divergence continuing. In most areas, we expect house price growth to remain resilient, outstripping wage growth and the perennial problems of affordability will continue to be features of the market. The persistent lack of supply is expected to continue, adding upward pressure on prices but this is expected to be moderated by the minimal decrease in demand due to unaffordability, uncertainty in the economy and expectation of interest rate rises. The recent interest rate rises are a greater risk to short-term price stability, as previously transaction volume in the market has been underpinned by favourable lending rates. The construction industry will mirror the housing market and most likely remain subdued.

Buying a property has become less affordable because house price growth has exceeded average earnings growth in each of the last five years, according to the ONS. This has had a significant impact on the demographic of home ownership. In the last ten years, the proportion of 25 to 34 year olds residing in owned properties decreased from 57% to 37%. This unaffordability of housing has driven growth in demand for renting.

At a time when demand for private rented housing is growing, we believe we can play a positive role in helping the UK address its housing crisis. There are very few companies in PRS with our scale and experience and the Group intends to use this experience to provide affordable, good quality housing to households who want to transition from small flats to family homes.

The refinancing undertaken in July 2017 by the Annington Limited Group means the Group now benefits from lower interest payments, with longer and staggered debt maturities. These benefits allow the Group to expand its footprint in the private rented sector.

The Group's expansion into PRS has continued at a steady pace up to the date of this report. In May 2018, the Group completed the purchase of 104 homes from the Mill Group's Oak Portfolio for £23.5 million and in April 2018 agreed to purchase 73 homes from Taylor Wimpey under a development agreement for £23.5 million. This acquisition will be phased based on completion of development between May 2018 and December 2018. The Group is maintaining a watching brief for further opportunities to expand into this sector.

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



A P Chadd
Director

30 August 2018

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 2018.

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 K 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 2018 (2017: 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

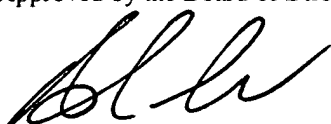
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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
30 August 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Annington Rentals (Holdings) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related Notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Richard Howe FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 August 2018

ANNINGTON RENTALS (HOLDINGS) LIMITED

INCOME STATEMENT

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Administrative expenses		(3,111)	(2,273)
Impairment of investment in subsidiary companies	7	-	(7,100)
Dividend received		3,530	9,350
Operating profit/(loss)	3	419	(23)
Finance income	5	14,561	13,354
Finance costs	5	(18,052)	(22,827)
Loss before taxation		(3,072)	(9,496)
Taxation	6	(650)	(264)
Loss for the year after taxation		(3,722)	(9,760)
Loss attributable to shareholder		(3,722)	(9,760)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Items that may not subsequently be recycled through the income statement			
Change in fair value of investment in subsidiary companies	7	(5,130)	(520)
Total other comprehensive loss		(5,130)	(520)
Loss for the year		(3,722)	(9,760)
Total comprehensive loss for the year		(8,852)	(10,280)
Total comprehensive loss attributable to shareholder		(8,852)	(10,280)

ANNINGTON RENTALS (HOLDINGS) LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2018

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total deficit £'000
At 1 April 2016	-	11,750	(78,487)	(66,737)
Loss attributable to shareholder	-	-	(9,760)	(9,760)
Other comprehensive loss for the year	-	(520)	-	(520)
Balance at 31 March 2017	-	11,230	(88,247)	(77,017)
Loss attributable to shareholder	-	-	(3,722)	(3,722)
Transfer of losses to revaluation reserve on adoption of IFRS 9	-	(36,440)	36,440	-
Other comprehensive loss for the year	-	(5,130)	-	(5,130)
Balance at 31 March 2018	-	(30,340)	(55,529)	(85,869)

ANNINGTON RENTALS (HOLDINGS) LIMITED

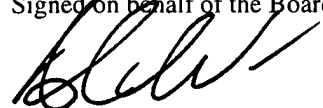
BALANCE SHEET At 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investment in subsidiary companies	7	87,060	92,190
Receivables	8	212,565	175,442
Deferred tax	6	-	650
		<u>299,625</u>	<u>268,282</u>
Current assets			
Receivables	8	1	-
Cash equivalents and restricted cash	9	30,123	18,163
		<u>30,124</u>	<u>18,163</u>
Total assets		<u>329,749</u>	<u>286,445</u>
Current liabilities			
Trade and other payables	10	(194)	(1,261)
Loans and borrowings	11	(1,330)	(1,247)
		<u>(1,524)</u>	<u>(2,508)</u>
Net current assets		<u>28,600</u>	<u>15,655</u>
Total assets less current liabilities		<u>328,225</u>	<u>283,937</u>
Non-current liabilities			
Loans and borrowings	11	(414,094)	(357,130)
Derivative financial instruments	12	-	(3,824)
		<u>(414,094)</u>	<u>(360,954)</u>
Total liabilities		<u>(415,618)</u>	<u>(363,462)</u>
Net liabilities		<u>(85,869)</u>	<u>(77,017)</u>
Capital and reserves			
Share capital	13	-	-
Revaluation reserve		(30,340)	11,230
Retained Earnings	14	(55,529)	(88,247)
Total deficit		<u>(85,869)</u>	<u>(77,017)</u>

The accompanying notes (1 to 17) 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 30 August 2018.

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 2018 (continued)

1. CORPORATE INFORMATION

Annington Rentals (Holdings) Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. 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 17.

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.

These financial statements are presented in pound sterling, which is the functional currency of the Company. All values are rounded to the nearest thousand (£'000), except where otherwise indicated. This is the first year in which the values have been stated in thousands and comparative information has been restated accordingly. The financial statements 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.

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.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2018 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Early adoption of IFRS 9

The Company has early adopted IFRS 9 *Financial Instruments* as of 1 April 2017. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of the early adoption of IFRS 9, the Company has changed its accounting policy for financial assets retrospectively, in line with the transitional provisions of the standard. The applicable changes are:

Classification and measurement of financial assets – The Company determines the classification of financial assets at initial recognition based on its business model for managing the financial assets and their contractual cash flow characteristics. Previously, the classification was based on the characteristics of the financial assets. Management have performed an assessment of its financial assets at transition date. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

Financial asset	Classification under IAS 39	Classification under IFRS 9
Receivables	Amortised cost	Amortised cost
Investment in subsidiaries	Fair value through other comprehensive income	Fair value through other comprehensive income

Upon adoption of IFRS 9, the Company made an irrevocable election to classify its investments in subsidiaries as fair value through other comprehensive income, as they are held as strategic investments. Under this option, all changes in fair value are recognised in other comprehensive income and are never reclassified to the income statement, even on derecognition. Previously, under IAS 39, decreases in fair value below cost were recognised as an expense in the income statement. The Company has taken advantage of the transitional provisions in IFRS 9 and has opted not to restate prior periods and recognise the effects of retrospective application to opening retained earnings for the year ended 31 March 2018. The effect of the change in policy results in a transfer of £36.4 million loss from opening retained earnings to the revaluation reserve. Details on the recognition and measurement of financial assets can be found in the individual notes of each category of financial asset.

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.

Critical accounting judgements and key estimation uncertainties

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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. Information about the valuation techniques and inputs used in determining the fair value of investments in subsidiary companies is disclosed in Note 7.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018 (continued)

3. OPERATING PROFIT/(LOSS)

The auditors' remuneration was £19,400 (2017: £14,500) 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 (2017: 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.

	2018 £'000	2017 £'000
Finance income		
Bank interest receivable	30	67
Interest receivable on intercompany balances	13,848	12,032
Fair value gain on interest rate swaps	683	1,255
	<hr/>	<hr/>
Total finance income	14,561	13,354
	<hr/>	<hr/>
Finance costs		
Interest payable on bank loan	1,683	5,908
Amortisation of issue costs	769	513
Interest payable on intercompany balances	15,444	16,051
Other finance expenses	81	355
Redemption costs	75	-
	<hr/>	<hr/>
Total finance costs	18,052	22,827
	<hr/>	<hr/>

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2018 (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.

	2018 £'000	2017 £'000
Current tax		
United Kingdom corporation tax at 19% (2017: 20%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	650	213
Effect of change in tax rate	-	51
Total deferred tax	650	264
Total taxation for the year	650	264

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018 (continued)

6. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2017: 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:

	2018 £'000	2017 £'000
Loss before taxation	(3,072)	(9,495)
Taxation on loss at standard rate	(584)	(1,899)
Factors affecting the current tax for the year:		
Expenses not deductible for tax purposes	687	2,985
Revaluation of subsidiaries	-	1,420
Income not assessable for tax purposes	(2,228)	(3,331)
Group relief surrendered	2,701	1,076
Effect of tax rate differential between current and deferred tax	74	(38)
Effect of change in tax rate	-	51
Total taxation for the year	650	264

From 1 April 2017, the headline rate of corporation tax was reduced from 20% to 19%, and will be 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:

	2018 £'000	2017 £'000
At 1 April	650	914
Charge to profit or loss	(650)	(213)
Effect of change in tax rate	-	(51)
At 31 March	-	650

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 £14.8 million (2017: £15.7 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% (2017: 17%).

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2018 (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.

	2018 £'000	2017 £'000
Valuation		
At 1 April	92,190	99,810
Impairment recognised in profit and loss	-	(7,100)
Change in fair value of investments through OCI	(5,130)	(520)
At 31 March	87,060	92,190

The historical cost of the investment in subsidiaries was £120,000,008 (2017: £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 22% discount (2017: 19% 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. Had the discount increased/decreased by 1%, the fair value of the investment in subsidiaries would have decreased/increased by £1.1 million respectively.

A loss on the fair value movement of £5.1 million (2017: loss of £0.5 million) was recognised through other comprehensive income. In previous years, cumulated impairment of £36.4 million was recognised through profit and loss as a decrease in excess of previously recognised gains in equity. In the current year IFRS 9 was adopted (see Note 2) and the accumulated impairment was transferred from retained earnings to the revaluation reserve.

The Company's subsidiary undertakings at 31 March 2018, 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 2018 (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.

	2018 £'000	2017 £'000
Amounts falling due within one year		
Sundry receivables	1	-
Amounts falling due after one year		
Amounts due from group undertakings	212,565	175,442
Total receivables	212,566	175,442

Amounts due from group undertakings include £212.5 million (2017: £175.4 million) of loans are unsecured, interest bearing at 8.02% (2017: 8.02%) and have a fixed date of repayment of 31 March 2020 (2017: 31 March 2020), with the balance unsecured and interest free.

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.

	2018 £'000	2017 £'000
Short-term deposits	30,123	2,903
Restricted cash	-	15,260
	30,123	18,163

Until 12 July 2017 and in compliance with the RBS funding arrangements until that date to act as a mechanism to reduce the bank's exposure to the Company, three bank accounts existed to cover various aspects of the Company's operations. These were in the name of the Company and administered by RBS. These arrangements were considered temporary and funds were released provided certain conditions were 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 2018 (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.

	2018 £'000	2017 £'000
Trade payables	74	53
Accruals	120	1,208
	<u>194</u>	<u>1,261</u>

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

11. LOANS AND BORROWINGS

ACCOUNTING POLICY

Loans and borrowings are initially recognised at fair value less the transaction costs directly attributable to their issue. 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.

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts owed to group undertakings	1,330	1,247
Amounts falling due after one year		
Bank loans	-	140,919
Amounts owed to group undertakings	414,094	216,211
	<u>414,094</u>	<u>357,130</u>
Total loans and borrowings	<u>415,424</u>	<u>358,377</u>

Amounts owed to group undertakings

Amounts due by the Company to group undertakings include £414.1 million (2017: £216.2 million) loans which are unsecured, interest bearing at fixed rates of 8% (2017: 8%) and have a fixed date of repayment of 31 March 2020 (2017: 31 March 2020).

The bank loan balance at 31 March 2017 included unamortised costs of £769,291. The par value of the bank loan approximated the fair value.

	2018 £'000	Amortisation £'000	Repaid £'000	2017 £'000
Bank loans secured:				
RBS Plc – 5 year	-	769	(141,688)	140,919

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2018 (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The Company used 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 were 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.

	2018 £'000	2017 £'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Interest rate swaps that are not designated in hedge accounting relationships	-	3,824

	2018 £'000	Revaluation adjustment £'000	Repaid £'000	2017 £'000
Reconciliation of movements				
Interest rate swaps	-	(683)	(3,141)	3,824
Total derivative financial instruments	-	(683)	(3,141)	3,824

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018 (continued)

13. SHARE CAPITAL

	2018	2017
	£	£
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:

	2018	2017
	£'000	£'000
Distributable reserves	-	-
Non-distributable reserves	(55,529)	(88,247)
	<u>(55,529)</u>	<u>(88,247)</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. POST BALANCE SHEET EVENTS

In June 2018, Annington Limited, Annington Homes Limited, Annington Rentals (Holdings) Limited and Annington Rentals (No.4) Limited entered into an agreement with QBE Insurance (Europe) Limited through which surety bonding facilities to the value of £5.0 million are made available to the Group. Under this agreement, the aforementioned entities act as guarantors in respect of performance bonds given. Interest of 1.25% per annum is payable on the face value of the bonds issued. In July 2018, a £0.6 million bond was issued against this facility.

17. 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.