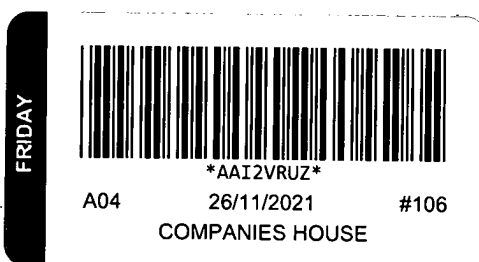


**ANNINGTON RENTALS (HOLDINGS)
LIMITED**

Annual Report and Financial Statements

For the year ended 31 March 2021



ANNINGTON RENTALS (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

INTRODUCTION

Annington Rentals (Holdings) Limited (the “Company” or “ARHL”) is a wholly owned subsidiary of Annington Homes Limited (“AHL”) and part of the Annington Limited Group. Its principal activity is that of a holding company and is the parent to nine wholly owned subsidiaries (together referred to as the “Group” or the “ARHL Group”). Of these subsidiaries, seven own investment properties. These are held either to help generate comparison data which the Annington Limited Group uses in rent review negotiations with the Ministry of Defence (“MoD”), to let properties to the MoD at market value, or to let properties to third parties on the open market. A further subsidiary is a developer of residential property, whilst the final subsidiary, from time to time, lets certain unoccupied Units 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.

GROUP OVERVIEW

The Company, through its subsidiary operations, owns a property portfolio of private rented sector accommodation, which, as at 31 March 2021, consisted of 1,652 (2020: 1,716) residential property units let on bulk or assured shorthold tenancies. A further 22 (2020: 91) unfinished properties were on hand at that date. In addition to this, the ARHL Group also manages a further 27 (2020: 44) properties as of 31 March 2021.

The ARHL 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 ARHL 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 mainly outsourced to Touchstone Corporate Property Services and LSL Land & New Homes Limited, who in turn use a network of local letting agents to arrange inspections and individual lettings. This structure works well for the ARHL Group given the geographic spread of properties, and enables the in-house portfolio managers to maintain a strategic focus. As at 31 March 2021, annual passing rent in respect of the ARHL Group was £19.9 million (2020: £19.4 million). At the same date, the Company’s investment in subsidiary companies balance was £102.2 million (2020: £72.6 million). This is reflective of the market conditions at that date, with a 2% premium (2020: 26% discount) applied to underlying investment net asset values.

STRATEGIES

The primary strategy of the ARHL Group is to actively manage and strategically expand the private rented sector property portfolio. The continued impact of COVID-19 has been considered and is not seen as a material factor in the strategic plan. The key elements of the ARHL Group’s strategy, aiming at maximising returns across all activities, are described below.

Actively managing tenancies

The ARHL Group intends to continue letting at market rates to the MoD or other third parties on the open market, and improving the Group’s returns through proactively managing the Group’s tenancies and rental levels. 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 reletting. If it becomes uneconomic to retain such properties, potential options to maximise value will be considered, including refurbishment, redevelopment and disposal.

Undertake planning and development initiatives where appropriate

As and when opportunities arise within the Annington Limited Group, the ARHL Group will continue to undertake planning and development initiatives within, and provide planning and development skills to, the wider Group.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

The Company is a wholly owned subsidiary of Annington Homes Limited ("AHL"). Its principal activity is that of a holding company to nine subsidiaries that contribute towards the wider Annington Limited Group's Non-MQE portfolio. The Company facilitates the financing, provided by AHL, to its subsidiary undertakings as needed.

The Company pays interest on its loan due to AHL and receives interest income on its loans advanced to subsidiaries. In addition to performing the treasury function for the ARHL Group, the Company maintains its own cash surplus to meet its financial and operating obligations.

The Company's investment in subsidiaries are fair valued annually, based on the underlying values of its subsidiaries. This is highly dependent upon on the fair values of the investment properties held by the rental subsidiaries, which are revalued annually. This is considered as the key value driver for the Company.

During the year, the Company continued to maintain its loan with its parent company as well as its investments in, and loans to subsidiary companies. It has also continued to make and receive payments on these loans as described in the Financial Review, and has performed an annual revaluation of its investment in subsidiaries. Dividends of £2.3 million (2020: £nil) were received from subsidiaries during the year.

The UK Housing Market

The Ministry of Housing, Communities and Local Government ('MHCLG') estimated there were 24.7 million homes in England at 31 March 2020 (in their most recent statistical release from May 2021). The majority of which (15.7m or 64%) were owner occupied, with 4.8 million private rented dwellings and 4.1 million social and affordable rental housing. The Welsh government dwelling stock estimates showed an additional 1.4 million dwellings in Wales as at 31 March 2020 of which, 1.2 million were owner occupied.

New supply of housing in England reached 244,000 in 2019-20 but is expected to be lower for 2020-21 due to the impact of the COVID-19 pandemic. Using Energy Performance Certificates ('EPCs') as a proxy for housing supply, in the 12 months to March 2021, new dwelling EPCs totalled 220,730, a decrease of 13% on the 12 months to March 2020 as reported in the MHCLG, 30 June 2021 statistical release "Housing supply: indicators of new supply, England: January to March 2021". Whilst in aggregate this represents a modest upward trend in housing output, it is still insufficient to tackle the historic under-supply which underpins the UK housing market.

In the last year demand has been driven primarily by buyers seeking additional space as a result of the COVID-19 pandemic and further supported by the time limited Stamp Duty Land Tax nil rate band extension. Hometrack's June 2021 House Price Index ('HPI') report showed demand for homes was +23% YTD vs 2020 and against a -2% YTD vs 2020 reduction in supply, suggests further potential rises in house prices subject to affordability constraints. Low interest rates, renewed availability of high loan-to-value mortgages in the market, led by the Government's mortgage guarantee scheme which provides lenders with guarantees for certain mortgages with a 5% deposit between 19th April 2021 to 31 December 2022 and a rebounding labour market are all underpinning continued housing demand and price inflation.

Annual house price growth in the United Kingdom rose to 13.2% in June 2021, the highest in over 16 years, as reported by the Office of National Statistics ('ONS') and HM Land Registry. The cost of an average house in the UK was £266,000, based on ONS data, £284,000 in England (up 13.3% over the year) and £195,000 in Wales, an increase of 16.7% over the preceding 12 month period and the highest of the four home nations. On a regional basis, London had the highest average house price at £510,299, followed by the South East and the East of England, at £355,948 and £327,017 respectively. The lowest average price remained the North East at £149,521. Regionally, the data supports a picture of fastest price growth in the most affordable regions, notably the North East and North West, with overall price increases being driven by a wide supply-demand imbalance in the market. However all regions have enjoyed strong growth over the annual period to June 2021.

The regional divergence in house prices demonstrates the 'race for space' trend resulting from the Coronavirus pandemic as people seek out properties with more indoor and outdoor space within their budget as an effect of the widespread shift to hybrid and remote working. The trend is also evident in the divergence of demand and therefore house price growth by dwelling type, with demand for houses twice that registered during 2017-19, while demand for flats has not shown the same growth. The average price for houses, from terraces to detached, is up 7.3% in the year to the end of June, up from 1.9% in the previous 12 months. In contrast, price growth for flats is lagging at 1.4%, which is unchanged compared to the previous 12 months.

Savills has revised their HPI forecast for calendar year 2021 upwards to 9%, and 21.5% over 5 years, with UK average house prices expected to reach £280,568 by the end of 2025. Capital Economics believes that the threat of a dip in house prices in 2021 has significantly diminished and amended their original prediction of a 4% drop in prices to a 3% rise and Knight Frank raised its forecast from zero to 5% growth.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

The ONS reported that private rental prices paid by tenants in the UK increased by 1.2% in the 12 months to June 2021, 1.1% in England, 1.5% in Wales and 1.2% in Scotland over the same period. Regional divergence is in evidence with the East Midlands and West Midlands registering the highest annual growth (both 2.4%), while London saw the lowest (negative 0.1%). This reflects the recent changes in renter behaviour, with a preference for more space and less desire for city centre living as a result of the COVID-19 pandemic.

Strong rental demand is also evident across the UK with the exception of London, with the Royal Institution of Chartered Surveyors ('RICS') reporting growth in tenant demand accelerating over the month to June 2021 which, coupled with a shortfall in new landlord instructions, suggests rental price growth going forward, with headline projections standing at +3% for the coming 12 months. In London, the RICS 12-month rental growth projections have been modestly positive in each of the last three months, suggesting a more positive outlook than was evident earlier in the year. Further ahead, UK rents are expected to rise by 17.0% (15.9% UK ex London, 19.3% London alone) over the 5 years to 2025, as derived from data published by Savills.

KEY PERFORMANCE INDICATORS

For the Company, the Directors consider the value of investment in subsidiaries to be a key indicator of its performance as it represents the value derived from its subsidiary's activities during the year.

The fair value of investments in subsidiaries has increased from £72.6 million in 2020 to £102.2 million in 2021. Despite the value of the underlying investment properties being lower than last year, the buoyant market conditions led to comparable companies trading at a small premium to net asset value at March 2021, compared to the large discount seen at March 2020, following the outbreak of the COVID-19 pandemic.

FINANCIAL REVIEW

Income statement

Finance income relates mainly to interest earned on intercompany loans advanced to its subsidiaries. This decreased by £11.9 million from £24.5 million in 2020 to £12.5 million in 2021 as a result of a reduction in the interest rate charged. In the previous year, the Company's loans to its subsidiaries were interest bearing at a rate of 8.02%. These loans expired on 31 March 2020 and were replaced by loans of the same value bearing interest at a lower rate of 4.055% and with no fixed date of repayment.

Finance costs relate to interest on its loan due to AHL. The loan is interest bearing at 4.035% (2020: 4.035%) and has no fixed date of repayment. Interest charges have declined slightly, consistent with the decline in the loan balance of £508.2 million in 2020 to £495.3 million in 2021.

Investment in subsidiaries

During the year, the Company recognised a fair value gain on investment of subsidiary companies of £29.6 million (2020: loss of £21.1 million) bringing the investment in subsidiary companies balance at 31 March 2021 to £102.2 million (2020: £72.6 million). This gain was recognised in other comprehensive income.

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is the parent to the rental subsidiaries making up the ARHL Group. Reference below to the ARHL Group (the "Group") therefore also describe the Company's principal risks and uncertainties.

The table below outlines the principal risks and uncertainties:

| | |
|-------------------------------|--|
| Area of potential uncertainty | The UK housing market and rental market may be significantly affected by changes in general and local economic conditions, including the effects of "Brexit" and the continuing impacts of COVID-19. |
| Description of risk | <p>The property market has a history of experiencing periods of rising values followed by a slowdown in growth. The realisable value of the Group's property portfolio at any given time can be affected by many factors outside the Group's control, including regulatory and political factors, general economic factors and those specific to the property market and suppliers to the property market, taxes and subsidies, number, condition and location of released properties, consumer confidence and the impact of COVID-19.</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>Similarly, the Group's financial stability depends, in part, on the strength of the rental market, particularly when the housing market is weak and the Group experiences difficulty in disposing of properties.</p> <p>A weak rental market could also have an adverse effect on the Group's revenue generated by its private rental sector property portfolio. Void levels could rise if prospective tenants' interest in ASTs declines in locations that are part of the its Portfolio, or if the MoD or the corporate organisations to which the Group may bulk lease properties shift away from rentals.</p> <p>While to date the Group has not experienced a material adverse effect to its business as a result of Brexit or the COVID-19 pandemic, given the uncertainty introduced by both these factors and the impact on the economy generally, it is possible that any sustained negative impact on the economy could negatively affect the Group's property values and rental income could be negatively impacted.</p> |
| Mitigating strategies | <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> <p>The Group engages in proactive management of its rentals portfolio to ensure that maximum value can be achieved, utilising the 20+ years of experience gained in the residential rental market and its in-depth knowledge of local market dynamics, including rents, valuations and occupancy rates. Local agents are used to supplement in-house knowledge and experience to achieve the best returns.</p> <p>The Group is also protected somewhat by market fluctuations by entering into other bulk arrangements where long-term leases are negotiated.</p> |

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

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| Area of potential uncertainty | Property valuation is inherently subjective and uncertain. |
| Description of risk | <p>Property valuations are inherently subjective due to the individual nature of each property. As they are necessarily made on the basis of assumptions which may not prove to be accurate and which can change from year to year. As a result, valuations are subject to a degree of uncertainty. Valuers other than those engaged by the Group may reach different valuations of the Group's properties.</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> |
| Mitigating strategies | 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 RICS. |

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| Area of potential uncertainty | The Group's management team is critical to its continued performance. |
| Description of risk | <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 its management team and, in particular, their relationships with, and their understanding of the requirements of the MoD, and other partners and stakeholders. While the Group, through the Annington Limited Group, has put in place policies and remuneration which are designed to retain and properly incentivise management, should management leave in significant numbers unexpectedly, the ARHL Group's business, results of operations and financial condition could be adversely affected. Further, the process of attracting and retaining suitable replacements for key personnel whose services the Group may lose would result in transition costs and would divert the attention of other members of the Group's management from its existing operations.</p> |
| Mitigating strategies | <p>The Annington Limited 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.</p> <p>Additionally, if there is sudden increased activity within the business, it can be managed effectively through a combination of recruitment and outsourcing to provide the resource needed.</p> <p>The Board has put in place succession plans with sufficient handover periods so that knowledge is passed on to incoming management. There also exists a number of long-serving staff members who are able to support and assist the new management team.</p> |

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| Area of potential uncertainty | 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. |
| Description of risk | <p>The Group may become exposed to potentially significant litigation, arbitration proceedings and other claims in connection with its business. 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. Class action lawsuits can be costly to defend, and the Group could face substantial liability if any certified class action suit resulted in a judgment unfavourable to it. 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> |
| Mitigating strategies | <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

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| Area of potential uncertainty | The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged. |
| Description of risk | 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. |
| Mitigating strategies | The Group has taken measures to mitigate potential information technology security risks and information technology failures, including use of a Managed Detection and Response ('MDR') service (via a third party using a 24/7 offsite cyber security operations centre); and restriction of access to the Group's network to devices issued and managed by the Group, with centralised control over software and updates. The Group makes regular back ups of production servers (onsite and offsite) and tests its IT disaster recovery plan on an annual basis. |

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| Area of potential uncertainty | The Group's business is subject to complex and evolving regulations, including rules governing the ownership, leasing or occupation of land, climate-change risk and the use of hazardous materials that carry potential environmental risks and liabilities. |
| Description of risk | The Group is subject to laws and regulations concerning, among other things, planning, building development, land use, sales, the provision of mortgage financing, fire, health and safety, the environment and employment. Changes in relevant laws, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of the Group's operations. The Group expects that increasingly stringent requirements will be imposed on property owners and property developers in the future (including more stringent environmental or climate change based regulations). Although the effect of these requirements cannot be predicted, compliance with them could cause delays, including in the sale of Released Units, and increase the Group's costs, which could have a material adverse effect on its business, results of operations and financial condition. |
| Mitigating Strategies | The Group maintains policies and procedures to ensure it is compliant with laws and ethical standards and employs advisers (including sustainability consultants) to ensure it is compliant with changing laws and regulations. |

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| Area of potential uncertainty | The Group's operational and financial performance could be affected by failures within or by a key third party supplier, service provider or stakeholder. |
| Description of Risk | Performance of key entities, for instance failures of performance by the DIO, Touchstone, LSL, FTI Treasury and the MoD could have an adverse effect on the Group. Internal issues at such entities may impact their ability to work with the Group efficiently and knowledgeably and to perform to an acceptable level. |
| Mitigating Strategies | The Group maintains interaction with members of key third parties. Considerable effort continues to be made to develop and nurture relationships to maintain operational efficiency. The Group will continue to encourage more co-operation and partnership. |

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT

| Area of potential uncertainty | Risks arising from the Group's financing structure |
|-------------------------------|---|
| Description of risk | <p>The Group, through its holding company, ultimately relies on primary forms of financing consisting of bank facilities (i.e. term loan and revolving credit facility from major banks) and public bond issuance. The last global economic downturn and resulting dislocation of financial markets around the world caused a number of the world's largest financial and other institutions significant operational and financial difficulties.</p> <p>The failure of the Group to manage refinancing requirements may result in a shortage of funds to repay facilities as they fall due. A source of financing could become unavailable, for example, if a reduction in its credit rating makes the cost of accessing the public and private debt markets prohibitive. Any failure by lenders to fulfil their obligations to the Group as well as the inability of the Group to access new funding in the longer-term may impact the Group's cash flow and liquidity, which could have a material adverse effect on its business, results of operations, financial condition and prospects.</p> <p>The terms of the Group's bonds and loan facilities include financial covenants such as Loan to Value ('LTV') and Interest Coverage Ratio ('ICR') covenants. Unexpected changes in financial performance or asset values could potentially lead to the possibility of a breach of these covenants.</p> |
| Mitigating Strategies | <p>The diversity in the tenor of the Group's financing helps to protect it from liquidity risk. The Group constantly monitors the financing markets for financing and refinancing opportunities and maintains relationships with a large number of lenders.</p> <p>The Group currently benefits from significant headroom in its covenants. The Group has processes and procedures in place to forecast and monitor covenant compliance which means that the Group believes any risk in this area is highly unlikely to materialise.</p> |

ANNINGTON RENTALS (HOLDINGS) LIMITED

STRATEGIC REPORT OUTLOOK AND 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 Introduction, Group overview, Financial review and in this section. References below to the Annington Limited Group also describe the Company's outlook and going concern assessment.

The Annington Limited Group, through AFP, has issued £3.8 billion of unsecured corporate bonds in seven tranches. Under the facilities agreement, as extended in March 2020, a further £400 million term loan has been drawn by the Group and an undrawn revolving credit facility of £100 million is available to the Group, both expiring in 2025.

Critical to the Group's future as a going concern is the ability to service and repay its debt. For the foreseeable future, at least until the maturity of the Euro denominated tranche of Notes in 2024, the Group only needs to pay the interest on the debt. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are:

| Covenant | Test | Limit for Bonds | Limit for Loans |
|----------------------------|--------------------------------------|--------------------------------|---------------------------------|
| Limitation on Debt | Total debt / Total assets | <65% | <65% |
| Limitation on Secured Debt | Secured debt / Total assets | <40% | <40% |
| Interest Cover Ratio | EBITDA / Interest | 1.0x (dividend lockup at 1.3x) | 1.15x (dividend lockup at 1.3x) |
| Unencumbered Assets | Unencumbered assets / Unsecured Debt | >125% | >125% |

The Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for reinvestment or potential dividends to shareholders. Further, were this not possible, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Directors are satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance in the event of any reasonably foreseeable unfavourable outcome to the ongoing Site Review process.

The Group and Company meets its day-to-day working capital requirements from both rental income and property sales. In uncertain economic environments, such that there is uncertainty over the level of demand for properties, comfort is gained that the rental income is sufficient to meet debt service requirements without the need for sales. A significant number of units could become void and the Group would still be able to service its debt obligations from the remaining rental income.

The Company acts as a holding company and has very limited day-to-day working capital requirements. However, the Company is in a net (current) liability position due to the loan due to its parent, AHL. The Company, through its subsidiaries, is forecasted to generate sufficient cash flows to repay the entirety of its loan to AHL and all associated interest payment over time through its continued operation. AHL, the lender and parent of the Company, has given an undertaking to support the Company to enable it to meet its obligations and liabilities as they fall due.

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.

This Strategic Report is approved by the Board of Directors and signed on behalf of the Board.



S Leung
Director
5 November 2021

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 2021.

DIRECTORS

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

Stephen Leung (Appointed 1 April 2021)
Ian Rylatt (Appointed 7 May 2021)
Nick Vaughan
Andrew Chadd (Resigned effective 1 April 2021)
James Hopkins (Resigned effective 7 May 2021)

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

DIVIDENDS

No dividends were proposed or paid during the year (2020: nil).

FINANCIAL RISK MANAGEMENT

The Company is funded by its immediate parent, Annington Homes Limited. 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 annual report and the financial statements.

Further details regarding the adoption of the going concern basis can be found within the Going Concern section of the Strategic Report.

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



S Leung
Director

5 November 2021

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 Strategic Report, Directors' 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 2021 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 balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

The valuation of investments is an area of sensitivity. We identified this as a potential fraud risk as the estimated premium / discount to NAV of the relevant subsidiaries is subject to assumptions and estimates. We challenged the market comparators selected by management and agreed the relevant share price and NAV to public exchanges.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

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

- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

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 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 or 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
5 November 2021

ANNINGTON RENTALS (HOLDINGS) LIMITED

INCOME STATEMENT

For the year ended 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|---------------|---------------|
| Administrative expenses | | (2,781) | (3,000) |
| Dividend received | | 2,260 | - |
| Operating loss | 3 | (521) | (3,000) |
| Finance income | 5 | 12,554 | 24,482 |
| Finance costs | 5 | (20,017) | (20,151) |
| (Loss)/profit before taxation | | (7,984) | 1,331 |
| Taxation | 6 | - | - |
| (Loss)/profit for the year after taxation | | (7,984) | 1,331 |
| (Loss)/profit attributable to shareholder | | (7,984) | 1,331 |

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|---------------|---------------|
| (Loss)/profit for the year | | (7,984) | 1,331 |
| Items that may not subsequently be recycled through the income statement | | | |
| Change in fair value of investment in subsidiary companies | 7 | 29,580 | (21,130) |
| Total other comprehensive income/(loss) | | 29,580 | (21,130) |
| Total comprehensive income/(loss) for the year | | 21,596 | (19,799) |
| Total comprehensive income/(loss) attributable to shareholder | | 21,596 | (19,799) |

The accompanying notes (1 to 15) should be read in conjunction with these financial statements.

ANNINGTON RENTALS (HOLDINGS) LIMITED

BALANCE SHEET

At 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--------------------------------------|------|------------------|------------------|
| Non-current assets | | | |
| Investment in subsidiary companies | 7 | 102,160 | 72,580 |
| | | <u>102,160</u> | <u>72,580</u> |
| Current assets | | | |
| Receivables | 8 | 300,326 | 325,986 |
| Cash equivalents and restricted cash | 9 | 17,685 | 12,971 |
| | | <u>318,011</u> | <u>338,957</u> |
| Total assets | | <u>420,171</u> | <u>411,537</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | (265) | (268) |
| Loans and borrowings | 11 | (495,274) | (508,233) |
| | | <u>(495,539)</u> | <u>(508,501)</u> |
| Net current liabilities | | <u>(177,528)</u> | <u>(169,544)</u> |
| Total liabilities | | <u>(495,539)</u> | <u>(508,501)</u> |
| Net liabilities | | <u>(75,368)</u> | <u>(96,964)</u> |
| Capital and reserves | | | |
| Share capital | 12 | - | - |
| Revaluation reserve | | (15,240) | (44,820) |
| Retained Earnings | | (60,128) | (52,144) |
| Total deficit | | <u>(75,368)</u> | <u>(96,964)</u> |

The accompanying notes (1 to 15) 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 5 November 2021.

Signed on behalf of the Board of Directors



S Leung
Director

ANNINGTON RENTALS (HOLDINGS) LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2021

| | Share capital £'000 | Revaluation reserve £'000 | Retained earnings £'000 | Total deficit £'000 |
|---|---------------------------|---------------------------------|-------------------------------|------------------------|
| At 1 April 2019 | - | (23,690) | (53,475) | (77,165) |
| Profit attributable to shareholder | - | - | 1,331 | 1,331 |
| Total other comprehensive loss for the year | - | (21,130) | - | (21,130) |
| Balance at 31 March 2020 | - | (44,820) | (52,144) | (96,964) |
| Loss attributable to shareholder | - | - | (7,984) | (7,984) |
| Total other comprehensive income for the year | - | 29,580 | - | 29,580 |
| Balance at 31 March 2021 | - | (15,240) | (60,128) | (75,368) |

The accompanying notes (1 to 15) should be read in conjunction with these financial statements.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 Company's principal activities are set out in the strategic report on page 2. The address of its registered office is 1 James Street, London, United Kingdom, W1U 1DR. Information on the Company's ultimate parent is presented in Note 15.

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. 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 UK-adopted International Financial Reporting Standards, including an opening balance sheet;
- 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 financial statements are prepared on a going concern basis as explained the Going Concern section of the Strategic Report.

New Standards, interpretations and amendments effective from 1 April 2020

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2020, have had a material impact on the company.

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.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Certain of the Company's accounting policies and disclosures require the measurement of fair values. Fair values are categorised into three different levels in a fair value hierarchy, in accordance with IFRS 13 Fair Value Measurement, and is based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information regarding the assumptions made in measuring fair values is included in Note 7.

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.

Key sources of estimation uncertainty

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.

Management has determined that no critical accounting judgements exist within the above sources of estimation uncertainty.

3. OPERATING LOSS

The auditors' remuneration was £28,800 (2020: £26,600) 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 (2020: none). The cost of performing work for the Company is borne by another group company, Annington Management Limited, in the current and preceding year.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (continued)

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.

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Finance income | | |
| Bank interest receivable | 7 | 133 |
| Interest receivable on intercompany balances | 12,547 | 24,349 |
| | <hr/> | <hr/> |
| Total finance income | 12,554 | 24,482 |
| | <hr/> | <hr/> |
| Finance costs | | |
| Interest payable on intercompany balances | 20,017 | 20,151 |
| | <hr/> | <hr/> |

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.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021 (continued)

6. TAXATION (continued)

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Current tax | | |
| United Kingdom corporation tax at 19% (2020: 19%) | - | - |
| Deferred tax | | |
| Deferred taxation: origination and reversal of temporary differences | - | - |
| Total taxation for the year | - | - |

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). The tax for the current and the previous years differ from the standard tax rate for the reasons set out in the following reconciliation:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| (Loss)/profit before taxation | (7,984) | 1,331 |
| Tax credit/(charge) at the standard rate | 1,517 | (253) |
| Factors affecting the current tax for the year: | | |
| Expenses not deductible for tax purposes | (1,331) | (1,340) |
| Income not assessable for tax purposes | 1,036 | 2,811 |
| Group relief surrendered | (1,222) | (1,218) |
| Total taxation for the year | - | - |

The rate of Corporation Tax for the UK remains at 19% for the year ended 31 March 2021. The new 25% UK Corporation Tax Rate from April 2023 onwards was published on 11 March 2021 and completed its scrutiny in the House of Commons on 24 May 2021, and then the Finance Act 2021 received Royal Assent on 10 June 2021. The March 2021 calculation of current and deferred tax continues to use the 19% rate as a result of the new 25% Corporation Tax Rate not being substantively enacted at 31 March 2021.

Deferred tax

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 £19.4 million (2020: £13.8 million).

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021 (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.

The fair value of the investment in subsidiaries are determined by a Level 2 valuation technique, as described below.

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Valuation | | |
| At 1 April | 72,580 | 93,710 |
| Change in fair value of investments through OCI | 29,580 | (21,130) |
| At 31 March | 102,160 | 72,580 |

The historical cost of the investment in subsidiaries was £120,000,008 (2020: £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 2% premium (2020: 26% 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 premium increased/decreased by 1%, the fair value of the investment in subsidiaries would have increased by £0.9m and decreased by £1.1 million respectively (2020: £1.0 million).

A gain on the fair value movement of £29.6 million (2020: loss of £21.1 million) was recognised through other comprehensive income.

The Company's subsidiary undertakings at 31 March 2021, 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 development |
| 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. Through the above subsidiaries, the Company indirectly holds a 70% investments in Beaumont Place Management Limited. The address of their registered office is Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN.

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (continued)

8. RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are initially recognised at fair value when the Company becomes entitled to receive the contractual cash flows and are subsequently measured at amortised cost using the effective interest method less any impairment.

Impairment provisions for receivables are recognised based on a forward looking expected credit loss model.

Loan receivables

The Company recognises a lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the loan receivable has not increased significantly since initial recognition, the Company measures a loss allowance for that loan receivable at an amount equal to 12-month expected credit losses.

| | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Accrued income | 1 | - |
| Amounts due from group undertakings | 300,325 | 325,986 |
| Total receivables | 300,326 | 325,986 |

Previous terms covering amounts due from group undertakings expired on 31 March 2020. During the year, these borrowings were replaced by loans of the same value that are unsecured, interest bearing at 4.055% (2020: 8.02%) and have no fixed repayment date (2020: 31 March 2020).

The carrying value of receivables approximates the fair value. As at the reporting date, the expected credit loss allowance was nil (2020: nil).

9. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise, cash at bank, short-term deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are limited to instruments with a maturity of less than three months.

| | 2021 £'000 | 2020 £'000 |
|---------------------|---------------|---------------|
| Cash at bank | 3,266 | 2,159 |
| Short-term deposits | 14,419 | 10,812 |
| | 17,685 | 12,971 |

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021 (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.

| | 2021 £'000 | 2020 £'000 |
|----------------|---------------|---------------|
| Trade payables | 85 | 87 |
| Accruals | 180 | 181 |
| | <u>265</u> | <u>268</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.

| | 2021 £'000 | 2020 £'000 |
|-------------------------------------|----------------|----------------|
| Amounts falling due within one year | | |
| Amounts owed to group undertakings | 495,274 | 508,233 |
| Total loans and borrowings | <u>495,274</u> | <u>508,233</u> |

Amounts owed to group undertakings

Amounts due by the Company to group undertakings include £495.3 million (2020: £508.2 million) in loans which are unsecured, interest bearing at fixed rates of 4.035% (2020: 4.035%) and have no fixed date of repayment (2020: no fixed date).

12. SHARE CAPITAL

| | 2021 £ | 2020 £ |
|---|-----------|-----------|
| Called up, allotted and fully paid | | |
| 1 ordinary share of 1p | 0.01 | 0.01 |

13. COMMITMENTS

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. A premium of 1.25% per annum is payable on the face value of the surety provided. In July 2018, a £0.6 million bond was issued against this facility.

The Company has no capital or other commitments at 31 March 2021 (2020: nil).

ANNINGTON RENTALS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (continued)

14. 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.

15. 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, United Kingdom, W1U 1DR.