Company Registration No. 08272167

ANNINGTON FINANCE NO. 5 PLC

Annual Report and Financial Statements

For the year ended 31 March 2016

ANNINGTON FINANCE NO. 5 PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2016

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STRATEGIC REPORT

The principal activity of the Company during the year was the financing of the Annington Limited Group ("the Group"). The activity of the Company is expected to continue at similar levels for the foreseeable future.

BUSINESS REVIEW

The Company's result for the year after taxation is a loss of £9.5 million (2015: loss of £1.6 million). No dividend has been paid or proposed (2015: £nil). During the year, the Company paid cash interest of £51.3 million (2015: £5.9 million) and issued £39 million (2015: £74.7 million) of new PIK notes in lieu of cash interest payments. There were optional redemptions of £124.5 million, with a further £5.2 million of accrued interest paid on the optional redemption balance during the year (2015: nil).

The operating subgroups within the Annington Limited Group are financed by a mixture of long term and short to medium term debt arrangements. On 4 December 2012, in connection with acquisition of the Annington Limited Group by the Terra Firma Special Opportunities Fund 1 LP, the Company issued £550 million 13% Senior PIK Notes due in 2023. These operate as described in note 10.

The Company entered into a loan agreement with Annington Homes Limited to lend this amount on similar terms to the external debt but at an interest rate of 13.2%. The margin on this loan was set at a level to fund the operations of the Company over the life of the loan relationship. However, due to subsequent developments, the rate may not be sufficient and so the directors are considering options to remedy this situation.

The Company has the ability to elect whether interest is paid entirely in the form of additional Notes, entirely in cash or through a combination of additional Notes and cash, based on the availability of resources. The Company has no obligations to pay cash to external parties which are not covered by its rights to receive cash from Annington Homes Limited ('AHL'). Any residual loss arising in the Company once its external liabilities have been discharged will arise from intragroup transactions with AHL, the sole shareholder of the Company. Arrangements will be made in relation to these losses with AHL in its capacity as such.

On 21 December 2015, Annington Holdings (Guernsey) Ltd ('AH(G)L') issued new 11% Subordinated Loan Notes ('SLN'). The funds raised were used to cash settle accrued interest and principal due on the 13% PIK Notes issued by the Company. The facility enables subscriptions up to a total value of £290.7 million before January 2018, the proceeds of which may be utilised for further payments against the AF5 PIK Notes. AH(G)L has issued notes in an aggregate principal amount of £174.9 million as at 31 March 2016.

FINANCIAL RISK MANAGEMENT

Risk management is integral to ensuring the Company meets its obligations. Interest rate risk has been mitigated through the issuance of fixed rate debt.

Credit Risk Management

The Company had one class of secured fixed notes outstanding during the year, secured by a first-priority security interest over all of the share capital of Annington Homes Limited, a first-priority security interest in the loan due to the Company from Annington Homes Limited and fixed and floating charges over all of the undertakings, goodwill, property, assets and rights, present and future, of each of the Company and Annington Homes Limited. The credit risk of Annington Homes Limited and the Group was set out on offering the external PIK notes and is regularly monitored for changes.

The Company's obligations are financed by cash generated by other members of the Group.

Liquidity Risk Management

In December 2012, one class of secured fixed rate PIK notes was issued (note 10). The Company's ability to choose whether interest is paid entirely in the form of additional Notes, entirely in cash or through a combination of additional Notes and cash based on the availability of resources provides long-term protection against liquidity risk.

ACCOUNTING POLICIES

The Company transitioned to FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" during the year. No transition adjustments have been required to comparative financial information.

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

Future developments and other factors not under the control of the Company may impact on the ongoing operations of the business, however, the directors expect the business to continue, for the foreseeable future, in a manner consistent with its historical operations.

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

A P Chadd
Director
29 July 2016

REGISTERED OFFICE
1 James Street
London, United Kingdom
W1U 1DR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

DIRECTORS

The directors who served throughout the period and to the date of this report were:
J C Hopkins
N P Vaughan
A P Chadd

DIVIDENDS

No dividends have been paid or proposed during the year (2015: £nil).

GOING CONCERN

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis are to be found in Note 1 to the financial statements.

STRATEGIC REPORT

The Company's financial risk management and future developments are set out in the Strategic Report.

DIRECTORS' INDEMNITIES

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

SUBSEQUENT EVENTS

Please refer to note 15 to the financial statments for a description of important events subsequent to the balance sheet date.

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 auditor and arrangements have been put in place for them to be reappointed as auditor 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
29 July 2016

REGISTERED OFFICE
1 James Street
London, United Kingdom
W1U 1DR

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). 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 FINANCE NO.5 PLC

We have audited the financial statements of Annington Finance No. 5 Plc for the year ended 31 March 2016 which comprise the statement of income and retained earnings, the balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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

Emma Cox BA, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

29 July 2016

STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Administrative expenses		-	(15)
OPERATING LOSS	3	-	(15)
Interest receivable and similar income	4	89,792	84,488
Interest payable and similar charges	5	(99,341)	(86,053)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,549)	(1,580)
Tax on loss on ordinary activities	6	-	-
TOTAL LOSS FOR THE FINANCIAL YEAR		(9,549)	(1,580)
Retained earnings at 1 April		(8,981)	(7,401)
Retained earnings at 31 March		(18,530)	(8,981)

All items in the above statement derive from continuing operations.

BALANCE SHEET
At 31 March 2016

	Note	2016 £'000	2015 £'000
CURRENT ASSETS			
Debtors:			
- due within one year	7	8	-
- due after one year	7	610,799	696,826
Cash at bank and in hand		16	17
		610,823	696,843
CREDITORS: amounts falling due within one year		-	(15)
NET CURRENT ASSETS		610,823	696,828
CREDITORS: amounts falling due after more than one year	8	(629,303)	(705,759)
NET LIABILITIES		(18,480)	(8,931)
CAPITAL AND RESERVES			
Called up share capital	11	50	50
Retained earnings	12	(18,530)	(8,981)
SHAREHOLDER'S DEFICIT		(18,480)	(8,931)

The notes on pages 8 to 13 should be read in conjunction with these financial statements.

The financial statements of Annington Finance No.5 Plc, registered number 8272167, were approved by the Board of Directors and authorised for issue on 29 July 2016.

Signed on behalf of the Board of Directors

A P Chadd
Director

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared under the historical cost basis. This is the first year in which the financial statements have been prepared under FRS 102. The last financial statements were prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. No transition adjustments have been required to comparative financial information.

The financial statements are presented in pounds sterling (£).

Exemptions for qualifying entities under FRS 102

FRS 102 permits a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied by the Company. The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, as the Company is a wholly owned subsidiary of Annington Limited and is included in the consolidated financial statements of Annington Limited which includes a consolidated statement of cash flows which are publicly available; and
- from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the Annington Limited consolidated financial statement disclosures.

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 Business Review within the Strategic Report. The Strategic Report also describes the financial position of the Company; its cash flows and liquidity position; its objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company has entered into borrowing facilities with its parent, Annington Homes Limited, which set out the funding of the entity. These agreements ensure that funding is available to meet the Company's day to day working capital requirements. The Company's ability to elect whether interest is paid entirely in the form of additional Notes, entirely in cash or through a combination of additional Notes and cash, based on the availability of resources, ensures the Company is able to meet existing current financial liabilities without the need to hold discussions with its lenders about future borrowing needs.

The Company is in a net liability position due to the accounting for its debt assets and liabilities at amortised cost using an effective interest rate. However, the Company has no obligations to pay cash to external parties which are not covered by its rights to receive cash from Annington Homes Limited ('AHL'). Any residual loss arising in the Company once its external liabilities have been discharged will arise from intragroup transactions with AHL, the sole shareholder of the Company. Arrangements will be made in relation to these losses with AHL in its capacity as such.

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 financial statements.

Accounting judgements and estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results.

To determine the book value of the debt balances held at amortised cost, the future cash flows are estimated. In doing so, assumptions are made relating to the future performance of the Company. The amortisation of finance costs and the related balances may be impacted if financial instruments are not repaid in line with current forecasts.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to sale of the asset.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. 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 liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Interest income

Interest income is recognised using the effective interest rate method.

Financial liabilities

At initial recognition, financial liabilities are classified as loans and borrowings, payables, derivative financial instruments or financial liabilities at fair value through profit or loss, as appropriate. Financial liabilities are classified according to the substance of the contractual arrangements entered into. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities subsequently carried at amortised cost are accounted for such that finance costs, which comprise interest, discounts and issue costs, are allocated over the period of the borrowing to achieve a constant rate on the carrying amount. At the balance sheet date, the estimation of the period of repayment of debt and interest is updated, to take into account the future anticipated cash flows. Where the anticipated future cash flows used to calculate the amortised cost of borrowings are re-estimated, any consequent adjustment in carrying value is recognised within the profit and loss. Where floating rate interest is re-estimated, any consequent adjustment in effective interest rate is updated.

The debt and associated accrued interest is classified as current and non-current based on the contractual payments required within 12 months at the balance sheet date. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets

At initial recognition, financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets or loans and receivables, as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised on a trade date basis.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to this Company in the current and preceding year.

The Company had no employees of its own during the year (2015: none). The cost of performing work for the Company is borne by another group Company, Annington Management Limited.

3. OPERATING LOSS

The auditor's remuneration was £11,400 (2015: £10,600) for the audit of the company's annual financial statements.

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. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable on inter company balances	89,792	84,488
	89,792	84,488

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on inter-company balances	1,624	1,499
Interest payable on Fixed Rate Notes	90,632	82,578
Amortisation of Bond Issue Costs and other adjustments under amortised cost accounting	7,009	1,915
Other finance charges	76	61
Total interest payable and similar charges	99,341	86,053

6. TAXATION

	2016 £'000	2015 £'000
Current tax		
United Kingdom corporation tax at 20% (2015: 21%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of timing differences	-	-
Total tax charge on loss on ordinary activities	-	-

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 21%). The tax charge for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(9,549)	(1,580)
Tax on loss on ordinary activities at 20% (2015: 21%)	(1,910)	(332)
Factors affecting charge for the period:		
Group relief claimed	1,585	17
Transfer pricing adjustment	325	315
Tax charge for the year	-	-

From 1 April 2015, the headline rate of corporation tax reduced from 21% to 20%. It will be further reduced to 19% from 1 April 2017, and 18% from 1 April 2020, with these rates substantively enacted at the current balance sheet date. Deferred tax balances at 31 March 2016 are measured at 18% (2015: 20%).

7. DEBTORS

	2016 £'000	2015 £'000
Due within one year		
Prepayments and accrued income	8	-
Due after more than one year		
Amounts due from group undertakings	610,799	696,826
Total Debtors	610,807	696,826

Amounts due from group undertakings are unsecured, interest bearing at 13.2% (2015: 13.2%) and have a fixed repayment date of 15 January 2023.

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

	2016 £'000	2015 £'000
Amounts falling due between one and five years		
Accruals and deferred income	20	-
Amounts falling due after more than five years		
Amounts due to group undertakings	22,008	20,245
Debenture loans (note 10)	607,275	685,514
Total creditors falling due after more than one year	629,303	705,759

Amounts due to group undertakings are unsecured, interest bearing at 8.0% (2015: 8.0%) and have a fixed repayment date of 31 March 2025.

9. LOANS AND OTHER BORROWINGS

	2016 £'000	Amortisation of Bond Issue Costs/ Finance Charges £'000	Issue of new notes as PIK interest £'000	Optional Redemption £'000	2015 £'000
13% Senior PIK notes 2023	607,275	7,261	39,000	(124,500)	685,514
	607,275	7,261	39,000	(124,500)	685,514

On 4 December 2012, Annington Finance No. 5 plc (AF5) issued £550.0 million Senior PIK Notes due in 2023. Interest is payable semi-annually in arrears in January and July, at the option of the Issuer, entirely in the form of additional Notes, entirely in cash or through a combination of additional Notes and cash.

The Notes are secured by a first-priority security interest over all of the share capital of Annington Homes Limited, a first-priority security interest in the loan due to the Company from Annington Homes Limited and fixed and floating charges over all of the undertakings, goodwill, property, assets and rights, present and future, of each of the Company and Annington Homes Limited.

Included within the carrying value of the notes is accrued interest at 31 March 2016 of £16.0 million (31 March 2015: £18.3 million), permitted to be paid through the issuance of new notes at the balance sheet date. The balance disclosed as amortisation of bond issue costs and finance charges includes the effect of this, the amortisation of discounts and issue costs, allocated over the period of borrowing to achieve a constant rate on the carrying amount, and adjustments arising on reestimation of the future cash flows under the notes.

10. FINANCIAL LIABILITIES AND INSTRUMENTS

	Par value of debt £'000	2016 Balance sheet value £'000	Fair value £'000
13% Senior PIK notes 2023	591,500	607,275	633,390

	Par value of debt £'000	2015 Balance sheet value £'000	Fair value £'000
13% Senior PIK notes 2023	677,000	685,514	712,053

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016 (continued)

11. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

Upon incorporation, 50,000 ordinary shares of £1 each were allotted, called up and partly paid to the extent of 25p each. On 10 December 2012, these shares became fully paid.

12. RETAINED EARNINGS

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

	2016 £'000	2015 £'000
Distributable earnings	(18,530)	(8,981)
	(18,530)	(8,981)

13. RELATED PARTY DISCLOSURES

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 in FRS 102 section 33 not to make disclosure of transactions with other wholly-owned entities that are part of the same group.

14. ENTITY INFORMATION AND CONTROLLING PARTY

The Company is incorporated in Great Britain and the address of its registered office is 1 James Street, London W1U 1DR.

Annington Homes Limited, a company incorporated in Great Britain, 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.

15. POST BALANCE SHEET EVENTS

On 15 July 2016, interest was paid on the Senior PIK Notes due in 2023 in the form of £38.4 million cash (2015: £5.0 million of cash and an increase in the value of notes on issue of £39.0 million). On 18 July there was an optional redemption of $20.8 million (2015: nil).