Company Registration No. 08272167

ANNINGTON FINANCE NO. 5 PLC

Annual Report and Financial Statements

For the year ended 31 March 2015

ANNINGTON FINANCE NO. 5 PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 2015

CONTENTS

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 £1.6 million (2014: loss of £5.5 million). No dividend has been paid or proposed (2014: £nil). During the year, the Company paid cash interest of £5.9 million (2014: £10.0 million) and issued £74.7 million (2014: £72.0 million) of new PIK notes in lieu of cash interest payments. There were no optional redemptions during the year (2014: £19.7 million, with a further £0.5 million of accrued interest paid on the optional redemption balance).

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.

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.

FUTURE PROSPECTS

The activity of the Company is expected to continue at similar levels for the foreseeable future.

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

A P Chadd
Director
23 July 2015

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 2015.

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

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.

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
23 July 2015

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 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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).

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 2015 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
23 July 2015

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Administration expenses		(15)	(23)
OPERATING LOSS	3	(15)	(23)
Interest receivable and similar income	4	84,488	76,855
Interest payable and similar charges	5	(86,053)	(82,300)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,580)	(5,468)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR		(1,580)	(5,468)

All activities derive from continuing operations.

There are no recognised gains and losses other than the result for the financial year. Accordingly, no separate statement of total recognised gains and losses is given.

BALANCE SHEET
As at 31 March 2015

	Note	2015 £'000	2014 £'000
CURRENT ASSETS			
Debtors	7	696,826	618,253
Cash at bank and in hand	8	17	41
		696,843	618,294
CREDITORS: amounts falling due within one year		(15)	(23)
NET CURRENT ASSETS		696,828	618,271
CREDITORS: amounts falling due after more than one year	9	(705,759)	(625,622)
NET LIABILITIES		(8,931)	(7,351)
CAPITAL AND RESERVES			
Called up share capital	12	50	50
Profit and loss account	13	(8,981)	(7,401)
SHAREHOLDER'S DEFICIT	14	(8,931)	(7,351)

The financial statements of Annington Finance No.5 Plc, registered number 8272167, were approved by the Board of Directors and authorised for issue on 23 July 2015.

Signed on behalf of the Board of Directors

A P Chadd
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards.

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 operation of Financial Reporting Standard 26 *Financial Instruments: Recognition and Measurement* to account 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.

Cash flow statement

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 cash flow statement and which are publicly available. The Company has therefore taken advantage of the exemption under Financial Reporting Standard No 1 (revised 1996) and has not prepared a cash flow statement.

Taxation

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

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1. ACCOUNTING POLICIES (continued)

Borrowings and Finance Costs

Borrowings are initially recognised at fair value less transaction costs that are directly attributable to the issue of the financial liability. Borrowings are subsequently carried at amortised cost, whereby 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. 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. Where the anticipated future cashflows used to calculate the amortised cost of borrowings are reestimated, any consequent adjustment in carrying value is recognised within the profit and loss.

Interest under the issued £550.0 million Senior PIK Notes due in 2023 that is settled as payments in kind by the issuance of new notes, is accounted for through the amortised cost model with a consequent increase to the outstanding par value of borrowings. When the company has been able to undertake an optional redemption of the outstanding notes, this reduces the outstanding par value of borrowings and will be reflected in the updated estimation of the future anticipated cashflows within the amortised cost model.

FRS 29

The Company is a subsidiary of Annington Limited and has taken advantage of the exemption provided in Financial Reporting Standard No.29, "Financial Instruments: Disclosures", not to make disclosure of financial instruments that are disclosed in the consolidated financial statements.

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 (2014: none). The cost of performing work for the Company is borne by another group Company, Annington Management Limited.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	11	10
Total audit fee	11	10
Fees payable to the Company's auditor and their associates for other services to the Company:		
- Taxation compliance services	4	4
- Other services relating to taxation	2	1
Total non-audit fee	6	5

Fees for taxation compliance services and the audit of the Company's annual financial statements were borne by another group company, Annington Management Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015 continued

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Interest receivable on inter-company balances	84,488	76,855
	84,488	76,855

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Interest payable on inter-company balances	1,499	1,389
Interest payable on Fixed Rate Notes	82,578	75,754
Amortisation of Bond Issue Costs and other adjustments under amortised cost accounting	1,915	5,148
Other finance charges	61	9
	86,053	82,300

6. TAXATION

	2015 £'000	2014 £'000
Current tax		
United Kingdom corporation tax at 21% (2014: 23%)	-	-

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 21% (2014: 23%). The current tax charge for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	(1,580)	(5,468)
Tax on loss on ordinary activities at 21% (2014: 23%)	(332)	(1,258)
Factors affecting charge for the period:		
Group relief claimed	17	938
Transfer pricing adjustment	315	320
Total actual amount of current tax	-	-

There is no charge for corporation tax or deferred tax. The amount of tax losses carried forward at 31 March 2015 is £nil (2014: £nil).

From 1 April 2014, the headline rate of corporation tax reduced from 23% to 21%, and was further reduced to 20% from 1 April 2015, with both these rates substantively enacted at both the current and comparative balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015 continued

7. DEBTORS

	2015 £'000	2014 £'000
Due after more than one year		
Amounts due from group undertakings	696,826	618,253

Amounts due from group undertakings are unsecured, interest bearing at 13.2% (2014: 13.2%) and have a fixed repayment date of 15 January 2023.

8. CASH AT BANK

	2015 £'000	2014 £'000
Cash at bank	17	41

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

	2015 £'000	2014 £'000
Amounts due to group undertakings	20,245	18,746
Debenture loans (note 10)	685,514	606,876
	705,759	625,622

Amounts due to group undertakings are unsecured, interest bearing at 8.0% (2014: 8.0%) and have a fixed repayment date of 31 March 2025.

10. LOANS AND OTHER BORROWINGS

	2015 £'000	Amortisation of Bond Issue Costs/ Finance Charges £'000	Issue of new notes as PIK interest £'000	Optional Redemption £'000	2014 £'000
13% Senior PIK notes 2023	685,514	3,938	74,700	-	606,876
	685,514	3,938	74,700	-	606,876

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.

10. LOANS AND OTHER BORROWINGS (continued)

Included within the carrying value of the notes is accrued interest at 31 March 2015 of £18.3 million (31 March 2014: £16.3 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.

	2015	2014
Maturity of debt	**£'000**	**£'000**
In five years or more	685,514	606,876

11. FINANCIAL LIABILITIES AND INSTRUMENTS

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

		2014	
	Par value of debt	**Balance sheet value**	**Fair value**
	£'000	**£'000**	**£'000**
13% Senior PIK notes 2023	602,300	606,876	610,457

12. CALLED UP SHARE CAPITAL

	2015	2014
	£	**£**
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.

13. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account
	£'000
At 1 April 2014	(7,401)
Loss for the financial year	(1,580)
At 31 March 2015	(8,981)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015 continued

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	2015 £'000	2014 £'000
Loss for the financial year	(1,580)	(5,468)
Net increase in shareholder's deficit	(1,580)	(5,468)
Opening shareholder's deficit	(7,351)	(1,883)
Closing shareholder's deficit	(8,931)	(7,351)

15. 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 Financial Reporting Standard 8 "Related Party Disclosures" not to make disclosure of transactions with other entities that are part of the same group, on the basis that all subsidiary undertakings party to the transactions are wholly owned by a member of the Group.

16. CONTROLLING PARTY

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.