Company Registration No. 03482521

ANNINGTON SUBSIDIARY HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2017

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ANNINGTON SUBSIDIARY HOLDINGS LIMITED

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

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption under the Companies Act 2006. A Strategic Report has not been prepared in accordance with the exemption entitled to small companies under s414 of the Companies Act 2006.

DIVIDENDS

No dividends have been paid or proposed during the year (2016: £nil).

PRINCIPAL ACTIVITIES

The Company is a subsidiary of Annington Homes Limited, which is part of the Annington Limited Group. Annington Subsidiary Holdings Limited was established as a holding company.

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.

FINANCIAL RISK MANAGEMENT

The Company is financed by another group company and has no third party debt.

SUBSEQUENT EVENTS

In early July 2017, the Annignton Limited Group completed a whole group refinancing, involving an injection of new capital, the issuance of new debt instruments and the early redemption of all the existing debt.

On 12 July 2017, Annington Property Limited repaid the outstanding tranche under the intercompany APL/Issuer Loan Agreement with Annington Finance No. 1 plc ("AF1") and Annignton Finance No. 4 plc ("AF4") and paid associated costs to ensure the successful redemption of all the outstanding external AF1 8% 2012/2021 Notes and AF4 Notes. At the same time, the drawn liquidity facility for each company was repaid and cancelled. The security granted in favour of external noteholders under this agreement was released on the same day.

On 13 July 2017, AF1 redeemed all the outstanding 8% 2012/2021 Notes.

GOING CONCERN

After the balance sheet date, the Company's subsidiaries have redeemed or defeased all their external debt (see Note 10 for further detail). Under the terms of the financing. The Company has sought and received confirmation of ongoing financial support to ensure its ability to continue as a going concern for the foreseeable future.

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.

Further details regarding the adoption of the going concern basis are to be found in Note 2 to the financial statements.

DIRECTORS

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

A P Chadd
J C Hopkins
N P Vaughan

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

DIRECTORS' REPORT (continued)

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
6 October 2017

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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 SUBSIDIARY HOLDINGS LIMITED

We have audited the financial statements of Annington Subsidiary Holdings Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, statement of changes in equity, balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the Company's 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- and the Directors' Report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and strategic report.

DPlaurent

Diane Petit-Laurent ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
6 October 2017

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Items that may subsequently be recycled through the income statement			
Change in fair value of investment in subsidiary companies	5	427,100	(160,000)
Total comprehensive income for the year		427,100	(160,000)
Total comprehensive income attributable to shareholder		427,100	(160,000)

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

	Note	Share capital £'000	Revaluation reserve £'000	Total equity £'000
At 1 April 2015		-	4,404,275	4,404,275
Change in fair value of investment in subsidiary companies	5	-	(160,000)	(160,000)
Balance at 31 March 2016		-	4,244,275	4,244,275
Change in fair value of investment in subsidiary companies	5	-	427,100	427,100
Balance at 31 March 2017		-	4,671,375	4,671,375

BALANCE SHEET
At 31 March 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Investment in subsidiary companies	5	4,671,400	4,244,300
Total assets		4,671,400	4,244,300
Current liabilities			
Payables	6	(25)	(25)
Total liabilities		(25)	(25)
Total assets less current liabilities		4,671,375	4,244,275
Net assets		4,671,375	4,244,275
Capital and reserves			
Share capital	7	-	-
Revaluation reserve		4,671,375	4,244,275
Total equity		4,671,375	4,244,275

The accompanying notes (1 to 11) should be read in conjunction with these financial statements.

The financial statements of Annington Subsidiary Holdings Limited, registered number 03482521, were approved by the Board of Directors and authorised for issue on 6 October 2017.

Signed on behalf of the Board of Directors



A P Chadd

Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. CORPORATE INFORMATION

Annington Subsidiary Holdings Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of its registered office is 1 James Street, London W1U 1DR. Information on the Company's ultimate parent is presented in Note 9.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

For the year ended 31 March 2016, the Company prepared its financial statements in accordance with the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"). These financial statements for the year ended 31 March 2017 are the first the Company has prepared in accordance with FRS 101. Further details of how the Company adopted FRS 101 are disclosed in Note 11.

The financial statements are presented in pound sterling (£).They have been prepared under the historical cost basis except for the modification to a fair value basis for investment in subsidiary companies.

Exemptions for qualifying entities under FRS 101

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

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

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

Going concern

As a holding company, the results of the Company's investments are dependent on the conditions of the markets in which the Company's subsidiaries operate. Hence the Company is exposed to areas of potential risks and uncertainty in relation to fluctuating property values and rental levels and market related interest rate changes.

As the Company is a holding company, it has no day to day working capital requirements.

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.

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.

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

2. SIGNIFICNAT ACCOUNTING POLICIES (continued)

Significant judgements and key estimates

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 relevant. Actual results may differ from these estimates.

Investment in subsidiary companies' valuations
In calculating the fair value of investment in subsidiaries, the selection of comparable companies is made subjectively by reviewing publicly available information. Further, the underlying asset values within the Company are subject to judgements and estimates, changes in which could change the valuation base.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors' emoluments are borne by another group company in the current and preceding year.

The Company had no employees of its own during the year (2016: nil).

4. INCOME STATEMENT

No income statement is presented with these financial statements because the Company has not received income, incurred expenditure or recognised any gains or losses during either the year under review or the preceding financial year.

The auditor's remuneration was £3,900 (2016: £4,100) 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.

5. INVESTMENT IN SUBSIDIARY COMPANIES

ACCOUNTING POLICY

The Company has elected to account for its investments in subsidiaries at fair value. Fair value is determined by reference to the discount or premium to net asset value of similar investments listed on the London Stock Exchange. If the carrying amount is increased or decreased as a result of a revaluation, the change is recognised in other comprehensive income and accumulated in equity. If a revaluation decrease exceeds the accumulated revaluation gains in equity and there is objective evidence of impairment, the excess is recognised in profit or loss.

	2017 £'000	2016 £'000
Valuation		
At 1 April	4,244,300	4,404,300
Change in fair value during the year	427,100	(160,000)
At 31 March	4,671,400	4,244,300

The historical cost investments in subsidiary undertakings as at 31 March 2017 was £25,004 (2016: £25,004).

Fair value is measured by applying to the net asset value of investees an estimated discount or premium determined through an analysis of comparable FTSE 100 and FTSE 250 companies. The selection criteria for comparable companies was applied to entities operating within the property sector and took into account factors including the size of the company and the presence of residential operations within the company. The discount or premium was determined based on market capitalisation and the resultant discount to/premium over the net asset value. The result, a 19% discount (2016: 12% discount), was applied to the net asset values (adjusted to bring book values to fair values for classes of assets and liabilities carried at book value) of each of the Company's subsidiaries to arrive at fair value.

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

5. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Of the fair value movement, a gain of £427.1 million (2016: loss of £160.0 million) was recognised through other comprehensive income.

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 £794.1 million (2016: £764.0 million).

The principal undertakings at 31 March 2017, all of which are wholly owned, in which the Company holds all the ordinary share capital, are shown below:

Name of subsidiary undertaking	Country of incorporation	Principal activity
Annington Property Limited	United Kingdom	Property investment
Annington Finance No. 1 plc	United Kingdom	Finance
Annington Finance No. 4 plc	United Kingdom	Finance

The registered office for all subsidiary undertakings is 1 James Street, London W1U 1DR.

6. PAYABLES

	2017 £'000	2016 £'000
Amounts due to group undertakings	25	25

Amounts due by the Company to group undertakings are unsecured, interest free and repayable on demand.

7. SHARE CAPITAL

	2017 £	2016 £
Authorised, issued and fully paid		
100 ordinary shares of £1 each	100	100

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

9. CONTROLLING PARTY

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

The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

Annington Limited is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. The Annual Report and Financial Statements for Annington Limited are available on request from the registered office at 1 James Street, London W1U 1DR.

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

10. POST BALANCE SHEET EVENTS

In early July 2017, the Annington Group completed a whole group refinancing, involving an injection of new capital into the Annington Group, the issuance of new debt instruments and the early redemption of all the existing debt within the Group. Annington Limited issued new share capital for cash consideration of £164 million and an amount that offset the £316.4 million liability under the Zero Coupon Notes due to Annington Limited's 100% parent.

Annington Funding plc ("AFP") issued five tranches totalling £3 billion of corporate, unsecured bonds and drew-down a term loan totalling £400 million, also unsecured, with overall borrowing costs significantly lower than the legacy financing structures. Arranged as part of the refinancing, a £300 million five-year revolving credit facility, which is currently undrawn, is available to Annington Funding plc.

Of the Annington Group's existing debt, the following transactions took place in July 2017:

Company	Tranche of Debt	Subsequent Event	Date
Annington Finance No. 1 plc	8% Secured Bonds 2012/2021	Redeemed	13 July 2017
Annington Finance No. 4 plc	Zero Coupon Notes 2022 Class A	Redeemed	13 July 2017
Annington Finance No. 4 plc	Zero Coupon Notes 2023 Class B	Redeemed	13 July 2017
Annington Finance No. 4 plc	Floating Rate Notes 2023 Class B3	Defeased (to be redeemed on 10 October 2017)	12 July 2017
Annington Finance No. 4 plc	Fixed Rate Notes 2023 Class C	Redeemed	13 July 2017
Annington Finance No. 4 plc	Fixed Rate/FRN 2023 Class M	Defeased (to be redeemed on 10 October 2017)	12 July 2017

Further on 12 July 2017:

- Annington Homes Limited repaid the entire of its borrowings from Annington Property Limited totalling £1,883.9 million. Further, on the same date, Annington Homes Limited entered into a new £800.7 million intercompany loan agreement with Annington Property Limited.
- Annington Property Limited repaid all tranches outstanding under the intercompany Funding Loan Agreement, most recently amended on 23 June 2010, with Annington Finance No. 4 plc and paid associated costs to ensure the successful redemption or defeasance of all the outstanding external Annington Finance No. 4 plc Notes. The security granted in favour of external noteholders under this agreement was released on the same day.
- Annington Property Limited repaid the outstanding tranche under the intercompany APL/Issuer Loan Agreement with Annington Finance No. 1 plc dated 5 November 1996 and paid associated costs to ensure the successful redemption of all the outstanding external Annington Finance No. 1 plc 8% 2012/2021 Notes. The security granted in favour of external noteholders under this agreement was released on the same day.
- On 13 July 2017, Annington Finance No. 1 plc redeemed all the outstanding 8% 2012/2021 Notes. At the same time, the drawn liquidity facility was repaid and cancelled.

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

11. FIRST TIME ADOPTION OF FRS 101

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

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 March 2017, together with the comparative data for the year ended 31 March 2016, as described in the summary of significant accounting policies.

Estimates

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

FRS 101 adjustments on transition date

	Note	FRS 102 as at 1 April 2015 £'000	Effect of transition £'000	Utilities provision[ii] £'000	FRS 101 as at 1 April 2015 £'000
Non-current assets					
Investment in subsidiary companies		4,371,300	-	33,000	4,404,300
Total assets		4,317,300	-	33,000	4,404,300
Current liabilities					
Payables		(25)	-	-	(25)
Total liabilities		(25)	-	-	(25)
Net assets		4,371,275	-	33,000	4,404,275
Capital and reserves					
Share capital		-	-	-	-
Revaluation reserve	i		4,371,275	33,000	4,404,275
Retained earnings	i	4,371,275	(4,371,275)	-	-
Total equity		4,371,275	-	33,000	4,404,275

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

11. FIRST TIME ADOPTION OF FRS 101 (continued)

FRS 101 adjustments for 31 March 2016

	Note	FRS 102 as at 31 March 2016 £'000	Effect of transition £'000	Utilities provision[ii] £'000	FRS 101 as at 31 March 2016 £'000
Non-current assets					
Investment in subsidiary companies		4,216,000	-	28,300	4,244,300
Total assets		4,216,000	-	28,300	4,244,300
Current liabilities					
Payables		(25)	-	-	(25)
Total liabilities		(25)	-	-	(25)
Net assets		4,215,975	-	28,300	4,244,275
Capital and reserves					
Share capital		-	-	-	-
Revaluation reserve	i	-	4,215,975	28,300	4,244,275
Retained earnings	i	4,215,975	(4,215,975)	-	-
Total equity		4,215,975	-	28,300	4,244,275

Reconciliation of total comprehensive income for the year ended 31 March 2016

	Note	FRS 102 for the year ended 31 March 2016 £'000	Effect of transition £'000	Utilities provision[ii] £'000	FRS 101 for the year ended 31 March 2016 £'000
Items that may subsequently be recycled through the income statement					
Change in fair value of investment in subsidiary companies		(155,300)	-	(4,700)	(160,000)
Total comprehensive income for the year		(155,300)	-	(4,700)	(160,000)
Total comprehensive income attributable to shareholder		(155,300)	-	(4,700)	(160,000)

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

11. FIRST TIME ADOPTION OF FRS 101 (continued)

i Revaluation reserve

For the purpose of preparing separate financial statements, FRS 101 requires an entity to account for its investment in subsidiary companies either at cost less impairment or at fair value. The Company has elected to account for its investment in subsidiary companies at fair value through other comprehensive income and to disclose this balance in a separate reserve. If a revaluation decrease exceeds the accumulated revaluations in equity, the excess is recognised in profit or loss.

ii Reclassification of utilities provision

Under FRS 102, the market value of investment properties was equal to the carrying value. FRS 101 requires the market value of investment properties to be adjusted for assets or liabilities recognised separately on the balance sheet. This has resulted in the Company adjusting the market valuation for investment properties to exclude the utilities provision that has been recognised separately. This has impacted the fair value of the investment in subsidiary companies accounted for by the Company.