ANNINGTON FUNDING PLC

(*incorporated with limited liability in England and Wales*)

£4,000,000,000
Euro Medium Term Note Programme
guaranteed by
ANNINGTON LIMITED, ANNINGTON HOMES LIMITED and ANNINGTON PROPERTY LIMITED

(*each incorporated with limited liability in England and Wales*)

Under this £4,000,000,000 Euro Medium Term Note Programme (the **Programme**), Annington Funding plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be guaranteed on a joint and several basis by Annington Limited, Annington Homes Limited and Annington Property Limited (the **Original Guarantors**) and each (if any) additional guarantor (each an **Additional Guarantor** and, together with the Original Guarantors, the **Guarantors**) that accedes to the Programme.

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange.

Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, each Guarantor and the relevant Dealer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws, and include Notes in bearer form that are subject to U.S. tax law requirements. Accordingly, the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Programme has been assigned an expected rating of BBB by Fitch Ratings Limited (**Fitch**) and a provisional rating of BBB by Standard and Poor's Ratings Services, a division of Standard and Poor's Credit Market Services Europe Limited (**S&P**). Each of Fitch and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch and S&P are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers

Barclays **J.P. Morgan**

Dealers

Barclays **J.P. Morgan**

The date of this Offering Circular is 28 June 2017.

IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

Each of the Issuer and the Guarantors accept responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Where information has been sourced from a third party, this information has been accurately reproduced and, as far as each of the Issuer and the Guarantors is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Neither the Dealers nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or any Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer or any Guarantor in connection with the Programme.

The Issuer and each Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

No person is or has been authorised by the Issuer, the Guarantors, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantors, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantors. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer and/or any Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the

financial condition or affairs of the Issuer or any Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes, from 1 January 2018, are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantors, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the EEA (including the United Kingdom) and Japan, see "*Subscription and Sale*".

This Offering Circular has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, the Guarantors or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, the Guarantors, nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantors or any Dealer to publish or supplement a prospectus for such offer.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Offering Circular relating to each Guarantor and the Annington group of companies (comprising Annington Limited and its subsidiaries (together, the **Group**)) has been derived from:

(a) the audited consolidated set of financial statements of Annington Limited for the 9 months ended 31 December 2016 (the **Interim Financial Statements**) and the financial years ended 31 March 2015 and 31 March 2016 (the **AL Annual Financial Statements**);

(b) the audited non-consolidated financial statements of Annington Homes Limited for the financial years ended 31 March 2016 and 31 March 2015 (the **AHL Annual Financial Statements**); and

(c) the audited non-consolidated financial statements of Annington Property Limited for the financial years ended 31 March 2016 and 31 March 2015 (together with the AL Annual Financial Statements and the AHL Annual Financial Statements, the **Annual Financial Statements**),

together, the **Financial Statements**.

The financial year of the Issuer and each Guarantor ends on 31 March, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 March of such year.

The Annual Financial Statements have, in each case, been re-presented in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board. The Interim Financial Statements have been prepared in accordance with IFRS.

Non-IFRS measures

This Offering Circular contains measures relating to the valuation of the Group's properties, including SAVPV (which stands for "Special Assumption Vacant Possession Value"), Bid SAVPV, Indexed Bid SAVPV and VPV, which are not required by, or within the scope of, IFRS.

Although "fair value" is a concept recognised under IFRS, it is included in the below description because it forms the basis of the non-IFRS measures used in connection with the valuation of the Group's properties.

As used in this Offering Circular, the following terms have the following meanings:

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

With respect to those properties forming part of the Retained Estate (as defined in the section titled "*Description of the Group—Overview*"), fair value takes into account the existence of the underlying lease arrangements with the MoD (including the applicable agreed discount to market rent).

With respect to those properties forming part of the Non-MQE Portfolio (as defined in the section titled "*Description of the Group—The Non-MQE Portfolio*"), fair value is determined by the Group's management based on a yearly valuation conducted by Allsop Valuations Limited (the **Valuer**) of a sample of approximately 20% of the properties forming part of the Non-MQE Portfolio. Any movements in the value of the properties sampled by the Valuer are applied by management to the entirety of the portfolio. The Valuer values approximately one-fifth of the Non-MQE Portfolio each year, such that all properties within the Non-MQE Portfolio are valued over the course of a five-year cycle.

SAVPV is used by the Group and the Valuer to mean the value estimated for a property in the Retained Estate and the Surplus Estate (as defined in the section titled "*Description of the Group—Overview*") based on the hypothetical assumption that each such property is vacant, sold on an individual basis with no costs on

disposal and introduced to the market in a phased and orderly manner, such that local markets do not become over-supplied and values are not depressed as a result. As a result, SAVPV for the Retained Estate does not take into account the existence of the underlying lease arrangements with the MoD (including the applicable agreed discount to market rent).

Bid SAVPV, with respect to the Retained Estate and the Surplus Estate, means the SAVPV that was estimated at the time of the Group's acquisition of the Married Quarters Estate (as defined in the section titled "*Description of the Group—The Married Quarters Portfolio*") from the MoD in 1996, being an amount equal to £2,979.1 million, of which a total value of £2,889.0 million was apportioned to the original Retained Estate and £90.0 million was apportioned to the original Surplus Estate. For the avoidance of doubt, Bid SAVPV is greater than the consideration the Group paid for the Married Quarters Estate in 1996, which was £1.662 billion, because of the special features of the MoD lease agreement such as the non-vacant possession and 58% discount to open market rent.

Indexed Bid SAVPV means the Bid SAVPV, as adjusted by an index representing the average of the regional Halifax House Price Index (All House Prices) and the Nationwide House Price Index.

Given the practicalities of estimating SAVPV for the Retained Estate, for example the large number of properties and that the Group and the Valuer do not have the right to access large parts of the Retained Estate in order to carry out a detailed property-by-property valuation, the Group and the Valuer instead calculate SAVPV using the Indexed Bid SAVPV adjusted by a factor representing actual sales performance on disposals from the Retained Estate. This factor takes into account aggregate sales income for all Units sold since January 2000, plus dilapidations receipts from the MoD, less refurbishment expenditure (grossed up by a margin of 10% as an allowance for certain overhead costs, such as management time), and comparing such sales performance to the Indexed Bid SAVPV for those sold Units. The sale of Chelsea Barracks to the MoD is excluded from this calculation because it did not constitute a sale on the open market. However, any income from the sale of infill plots and land to which no value was attributed when the Group acquired the Married Quarters Estate from the MoD in 1996 is included.

The Group's management uses SAVPV to help gauge whether the Group has been achieving reasonable value upon disposal of Released Units (as defined in the section titled "*Description of the Group—The Married Quarters Portfolio—property releases*") and to provide management with a basis upon which to calculate an estimated value for the Retained Estate and potential value to be realised from future sales of Released Units.

It is important to note that SAVPV, as referred to by the Valuer in its valuation report with respect to the Married Quarters Estate (appended to this Offering Circular), is calculated on a basis different from that set forth above, in that it excludes the sale of infill plots and land to which no value was attributed at the time of the Group's acquisition of the Married Quarters Estate from the MoD in 1996. As a result, the SAVPV reported as of 31 December 2016 by the Valuer was approximately 97.5% of the Indexed Bid SAVPV in respect of all sales, which is lower than that reported by management.

Vacant Possession Value (**VPV**) is widely-used as an estimate of the value for a property which is assumed to be vacant, on the grounds that a landlord typically has the ability to obtain vacant possession in the near future, for example by electing not to renew the current lease. The characteristics of the Non-MQE Portfolio are aligned to that of a typical residential portfolio in this respect and the Group therefore uses the term VPV as a measure of aggregate value of the properties within the Non-MQE Portfolio, or any part thereof, as the case may be, considered individually. (For the Retained Estate, the assumption of vacant possession is not realistic, hence the use of the term SAVPV.)

The Group and the Valuer estimate VPV for the Non-MQE Portfolio based on the hypothetical assumption that each property is vacant, sold on an individual basis with no costs on disposal and introduced to the market in a phased and orderly manner, such that local markets do not become over-supplied and values are not depressed as a result. This is again estimated by the Valuer on the same sample basis as described above for the fair value of the Non-MQE Portfolio. Changes in this estimate are applied by management to the whole Non-MQE Portfolio to produce an annual estimate of VPV.

The Issuer and the Guarantors believe that SAVPV, Bid SAVPV, Indexed Bid SAVPV and VPV are relevant measures in evaluating the Group because they may assist the Group to identify any emerging deviation, bias or error in prior valuations of the Group's properties. They also help the Group track whether the value of the Group's properties matches or deviates from general market values by virtue of one or several of their particular characteristics, including their location, proximity to military bases, type or size.

However, these measures have limitations as analytical tools and should not be considered in isolation or as substitutes for the information contained in the financial statements included elsewhere in this Offering Circular. None of these non-IFRS financial measures has been, nor will they be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the Group's financial condition or results of operations and may not be comparable to information contained in the audited financial statements included elsewhere in this Offering Circular or any other financial information included in this Offering Circular. Accordingly, such information should not be relied upon when making an investment decision with respect to the Notes.

These measures may not be comparable to similarly-titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles. Further, although the results pursuant to these measures have been generally consistent since January 2000, comparisons between periods could be skewed, especially during periods characterised by low MoD release rates, if resales or disposals of a small number of properties or activity concentrated in one particular location results in unwarranted statistical volatility. None of these non-IFRS financial measures relates to the performance of any past reporting period or the expected performance of any future reporting period of the Group.

Valuation Reports

The Issuer engaged the Valuer to prepare an independent valuation report in relation to the Married Quarters Estate and in relation to a sample of approximately 20% of the properties forming part of the Non-MQE Portfolio (each being a **Valuation Report**) in accordance with the Royal Institution of Chartered Surveyors (**RICS**) Valuation – Professional Standards – Global and UK (published by RICS and effective from January 2014). Each Valuation Report is appended to this Offering Circular under the section titled "*Valuation Report*".

"Market value" was adopted as the basis of the valuation contained in each Valuation Report. Market value is defined to mean: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The Group's financial statements are prepared in accordance with IFRS and accordingly the Group determines the value of its assets by reference to "fair value" (as defined above under "*Presentation of Financial and Other Information*"). The Valuer has confirmed to the Issuer that, in the Valuer's opinion, the concept of fair value is consistent with that of market value and accordingly there would be no difference to the valuation figures reported in the Valuation Reports if the valuations were prepared on the basis of fair value rather than market value.

Prospective investors should be aware that each Valuation Report was prepared prior to the date of this Offering Circular and the valuation contained therein is stated to be as at 31 December 2016. The Valuer has not been requested to update or revise any of the information contained in the Valuation Report for the purposes of this Offering Circular, nor will it be asked to do so prior to the issue of any Notes.

The information contained in each Valuation Report must be considered together with all of the information contained elsewhere in this Offering Circular, including, without limitation, the statements made in the section entitled "*Risk Factors—Property valuation is inherently subjective and uncertain*". The information contained in each Valuation Report is subject to the same limitations, qualifications and restrictions contained in the other sections of this Offering Circular.

Forward-looking Statements

This Offering Circular includes statements that are, or may be deemed to be, "forward-looking statements", which can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance of the Issuer, the Guarantors or the Group to differ materially from any future results or performance expressed or implied in the forward-looking statements.

Any forward-looking statements which are made in this Offering Circular speak only as of the date of such statements and are not guarantees of future performance. None of the Issuer or any Guarantor intends, or undertakes any obligation, to revise the forward-looking statements included in this Offering Circular to reflect any future events or circumstances. Actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those discussed under "Risk Factors" in this Offering Circular.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

In this Offering Circular, all references to:

- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **Sterling** and **£** refer to pounds sterling; and
- **U.S. dollars**, **U.S.$** and **$** refer to United States dollars.

References to a **billion** are to a thousand million.

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CONTENTS

Page

OVERVIEW OF THE GROUP 11
OVERVIEW OF THE PROGRAMME 17
RISK FACTORS 22
FORM OF THE NOTES 34
APPLICABLE FINAL TERMS 38
TERMS AND CONDITIONS OF THE NOTES 49
USE OF PROCEEDS 102
DESCRIPTION OF THE ISSUER 104
DESCRIPTION OF THE ORIGINAL GUARANTORS 105
DESCRIPTION OF THE GROUP 109
INDUSTRY OVERVIEW 120
TAXATION 131
SUBSCRIPTION AND SALE 133
GENERAL INFORMATION 137
INDEX TO FINANCIAL STATEMENTS ..... F-I
INDEX TO VALUATION REPORTS ..... A-I

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE GROUP

The Group

The Group is one of the largest private owners of residential property in the United Kingdom. The primary property asset of the Group is a portfolio of residential property units (**Units**) which it acquired from the Ministry of Defence of the United Kingdom (the **MoD**) on 5 November 1996 (the **1996 Acquisition Date**) for a total consideration of £1.662 billion (the **1996 Acquisition**), the largest ever acquisition of its kind in the United Kingdom. Collectively, these properties are referred to herein as the **Married Quarters Estate**. The Married Quarters Estate is held by Annington Property Limited (**APL**).
On the 1996 Acquisition Date, the Married Quarters Estate consisted of:

- 765 sites on which one or more Units were located (**Sites**), almost all on 999-year leases, comprising 55,060 Units (the **Retained Estate**), which were then leased back to the MoD for a term of 200 years to provide the majority of the MoD's subsidised accommodation (**Service Family Accommodation**) for Armed Forces service personnel and their families in the UK (**Service Families**). The MoD subsequently combined various Units to create larger single properties, such that the revised total number of Units within the original Retained Estate was 55,051;

- 58 Sites comprising 2,374 Units (the **Surplus Estate**), which were no longer required by the MoD for purposes of providing Service Family Accommodation; and

- certain related assets (**Related Assets**), consisting primarily of buildings used for purposes such as housing administration and welfare offices, community centres, crèches and thrift shops, as well as playground areas, sports pitches, tennis and squash courts and undeveloped open spaces.

As at 31 December 2016:

- the Retained Estate comprised 38,979 Units (**Retained Units**) and 181 Related Assets, representing approximately 78% of the MoD's total Service Family Accommodation; and

- the Surplus Estate comprised 164 Units (**Surplus Units**).

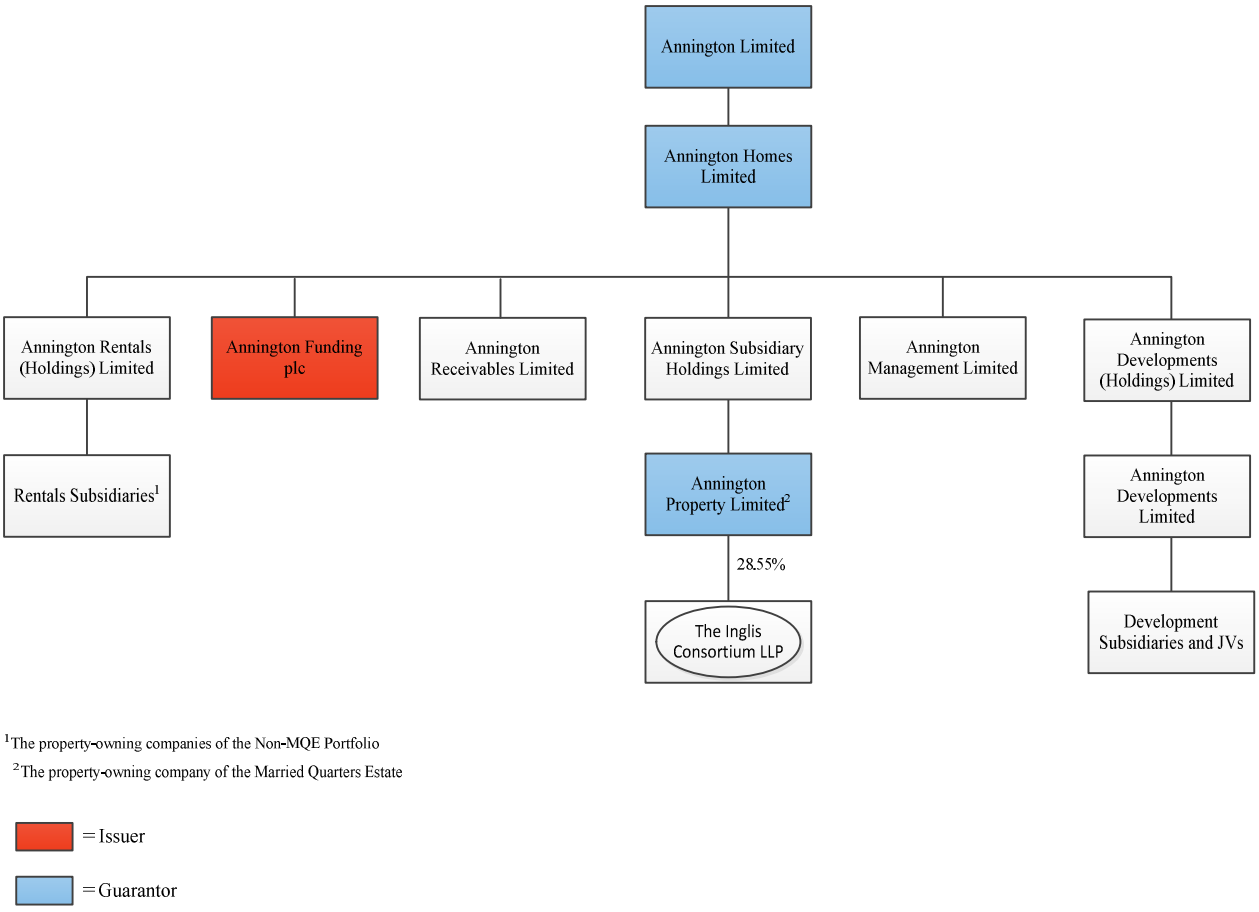
In addition to the Married Quarters Estate, the Group operates a separate property portfolio of private rented sector accommodation which does not form part of the Married Quarters Estate (the **Non-MQE Portfolio**), which, as at 31 December 2016, consisted of 1,388 properties owned and 78 managed property units let on bulk or assured shorthold tenancies.

The Group also has an in-house development capability (**Developments**), which was established in 1999 for the purpose of providing planning and development support including by entering into joint venture arrangements.

AL is the direct holding company of Annington Homes Limited (**AHL**). AL does not carry on any operating business.

AHL is the direct or indirect holding company of the operating companies within the Group, including APL. AHL does not carry on any operating business.

A simplified diagram of the Group structure is set out below:



For further information please see "*Description of the Original Guarantors*" and "*Description of the Group*".

Married Quarters Estate

The Married Quarters Estate, held by APL, is the core asset of the Group. APL's primary business consists of renting Retained Units to the MoD, conducting periodic rent reviews and selling or renting out Units which are released by the MoD from the Retained Estate from time to time.

As of 31 December 2016, the fair value of the Married Quarters Estate is estimated to be £7,198.6 million and the SAVPV is estimated to be £8,364.6 million. Following the completion of the most recent Rent Review, as at 31 December 2016, annualised passing rent in respect of the Married Quarters Estate was £178.0 million.

The Retained Units are rented to the MoD at a 58% discount to open market rent. The MoD is obliged to make rental payments to the Group on all Retained Units, regardless of occupancy, meaning there is no rental void risk while the properties are leased to the MoD. Under the terms of the 1996 Acquisition, the MoD agreed to make certain guaranteed payments (**Guaranteed Payments**) to the Group until September 2021, which are payable in accordance with an agreed payment schedule that reduces over time. APL has the right to receive Guaranteed Payments in the amounts set forth in the agreed payment schedule, irrespective of the number of Units remaining within the Retained Estate. As part of the 1996 Acquisition, the MoD also agreed to adhere to a minimum property release schedule, whereby the MoD guaranteed to release a cumulative total of 13,213 properties by the end of 2021. The MoD has since satisfied this obligation, with 16,072 properties having been released as at 31 December 2016.

APL also receives additional rent payments from the MoD on a quarterly basis in an amount over and above the applicable Guaranteed Payment to the extent necessary to make up the difference between such

Guaranteed Payment and the total amount of rent due on all properties, as calculated by reference to the number of Units rented by the MoD at the applicable time (**Excess Rent**).

The MoD is solely responsible for the condition, management and maintenance of the Retained Units that it leases from APL, and is required to pay the costs of repairs for dilapidations if Released Units are not returned to APL in good tenantable repair and decorative order.

At the time of the 1996 Acquisition, the original Retained Estate was split into four broadly homogenous tranches, each encompassing approximately 25% of the Retained Estate (**Tranches**), for purposes of rent reviews (**Rent Reviews**). Rent Reviews are conducted on a five-year rolling basis, with a single Tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year. Given the impracticality of reviewing all Retained Units within a particular Tranche, certain Units, known as **Beacon Units**, located on each Site have been specified in the related underleases as being broadly representative of all of the Units on that particular Site. On the applicable review date, the rent payable on the Beacon Unit is reviewed against the open market rent as of that date, and any resulting percentage change to the Beacon Unit rent is then applied to the Site as a whole. This enables the Group to avoid the administrative costs and delays in respect of the Married Quarters Estate which would otherwise arise out of evaluating all Retained Units located on a particular Site. Rents can increase and decrease as a result of this review process, subject to a floor, meaning rents cannot fall below the initial rent level that was set at the time of the 1996 Acquisition.

In addition to the Rent Review cycle described above, each Site will be reviewed over a four-year period commencing in December 2021 (the **Site Review**). The purpose of the Site Review is to rebase the rent for each individual Site to the full market rental value for the Site as a whole, reflecting the various features of the underlying lease arrangements with the MoD. Similar to the Rent Review process, the Site Review is performed in four separate tranches, with approximately 25% of Sites being reviewed in each of the respective review years. The Site Review is subsequently repeated on the 15th anniversary of the initial Site Review, with the five-yearly Rent Reviews continuing between each Site Review.

As the MoD's requirements for Service Family Accommodation change, it may choose to give up its rights to occupy Sites, or certain parts thereof, which it views as being surplus to its requirements. Accordingly, the MoD may elect to terminate, in whole or in part, the lease relating to the applicable Site upon six months' notice and certain minimum release criteria. Upon termination of a lease, APL is left with vacant possession of the applicable Units released from the Retained Estate (**Released Units**) and is free to use or dispose of them as it sees fit, including by selling them to third party purchasers, transferring them to the Non-MQE Portfolio or by leasing them at open market value, thereby providing an immediate uplift in value given that such properties will no longer be subject to the discounted rent being paid by the MoD prior to their release.

The Non-MQE Portfolio

The Non-MQE Portfolio consisted of 1,388 properties owned by eight companies, and 78 managed properties as of 31 December 2016. Of these eight companies, two own properties that help generate comparison data which the Group uses in rent negotiations with the MoD during Rent Reviews, two let properties to the MoD at market value and four let properties to third parties on the open market. Annington Rentals Management Limited (**ARML**), from time to time lets certain unoccupied Units within the Retained Estate on the open market on behalf of the MoD (the rental income generated from letting such Retained Units to third parties on the open market is shared equally between ARML and the MoD, after recovering certain costs incurred by ARML).

The Group, through the Non-MQE Portfolio, seeks opportunities to maximise returns through strategic acquisitions of residential property from third parties and by transferring Released Units to the Non-MQE Portfolio property-owning companies.

As at 31 December 2016, annualised passing rent in respect of the Non-MQE Portfolio was £14.4 million. As of 31 December 2016, the fair value of the Non-MQE Portfolio is estimated to be £290.1 million and VPV is estimated to be £300.0 million.

Developments

Developments was also established in 1999 for the purpose of providing planning and development support. Where opportunities arise to create added value through infill development or wholesale redevelopment of landholdings, Developments may carry out limited development on its own account or enter into joint venture arrangements (via Annington Developments Limited (**ADL**) as the joint venture holding company) with other landowners and property developers where the combination of skills, assets and resources are expected to yield higher returns. As at 31 March 2016, gross income for Developments, including its share of the Group's turnover in respect of joint ventures, was £7.2 million.

Selected financial information of the Group

The tables set forth below, for the periods indicated, are based on the audited consolidated financial statements of AL as at and for each of the 9 month period ended 31 December 2016, the year ended 31 March 2016 and the year ended 31 March 2015, prepared in accordance with IFRS.

The selected historical financial information set forth below should be read in conjunction with AL's consolidated financial statements and notes thereto included elsewhere in this Offering Circular and the section entitled "*Presentation of Financial and Other Information—Presentation of Financial Information*". The information below is not necessarily indicative of the results of future operations.

Income Statement Data

	9 months ended 31 December 2016 £'000	**Year ended 31 March 2016 £'000**	**Year ended 31 March 2015 £'000**
Property rental income	140,475	183,001	179,269
Property operating expenses	(7,526)	(17,439)	(16,861)
Net rental income	132,949	165,562	162,408
Other operating income	2	61	210
Administrative expenses	(9,796)	(12,231)	(12,844)
Utilities provision release/(expense)	634	1,085	(878)
Unrealised property revaluation gains	857,980	714,515	765,671
Profit on disposal of property assets	8,626	35,634	23,306
Share of results of joint ventures after taxation	1,869	7,196	8,730
Operating profit	992,264	911,822	946,603
Finance income	4,430	4,722	215
Finance costs	(201,006)	(273,925)	(275,061)
Profit before taxation	795,688	642,619	671,757
Taxation	(77,224)	(33,620)	(130,919)
Profit for the period after taxation	718,464	608,999	540,838
Profit attributable to shareholder	718,464	608,999	540,838

Balance Sheet Data

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Investment properties	7,508,959	6,699,590	6,074,852
Plant and equipment	141	98	112
Investment in joint ventures	32,436	33,403	29,155
Other receivables	-	19,512	-
	7,541,536	6,752,603	6,104,119
Current assets			
Trade and other receivables	22,810	21,900	795
Cash, cash equivalents and restricted cash	152,762	115,993	116,631
	175,572	137,893	117,426
Investment properties held for sale	20,455	10,686	25,525
Total assets	7,737,563	6,901,182	6,247,070
Current liabilities			
Trade and other payables	(66,017)	(58,168)	(59,263)
Loans and borrowings	(57,116)	(60,039)	(86,927)
Provisions	(2,684)	-	-
	(125,817)	(118,207)	(146,190)
Non-current liabilities			
Other payables	(172)	(10,329)	(6,828)
Loans and borrowings	(2,966,490)	(2,900,924)	(2,835,507)
Deferred tax liabilities	(807,702)	(730,478)	(696,849)
Provisions	(37,994)	(39,227)	(37,808)
Derivative financial instruments	(42,560)	(63,653)	(94,523)
	(3,854,918)	(3,744,611)	(3,671,515)
Total liabilities	(3,980,735)	(3,862,818)	(3,817,705)
Net assets	3,756,828	3,038,364	2,429,365
Capital and reserves			
Share capital	84,756	84,756	84,756
Merger reserve	(10,000)	(10,000)	(10,000)
Retained earnings	3,682,072	2,963,608	2,354,609
Total equity	3,756,828	3,038,364	2,429,365

Cash Flow Data

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Net cash from operating activities	121,215	157,223	143,180
Tax received	-	9	349
Net cash inflow from operating activities	121,215	157,232	143,529
Investing activities			
Proceeds from sale of property assets	71,859	94,598	67,744
Purchase of property assets	(2,732)	(3,568)	(4,380)
Purchase of plant and equipment	(105)	(72)	(41)
Loans to joint ventures	(4,018)	(1,250)	(6,140)
Loan repayments from joint ventures	2,000	-	-
Distributions from joint ventures	4,854	14,090	5,471
Interest received	119	249	215
Net cash inflow from investing activities	71,977	104,047	62,869
Financing activities			
Increase in borrowings	59,220	170,875	-
Repayment of borrowings	(121,671)	(297,141)	(140,281)
Purchase of offsetting swaps	(19,007)	(27,943)	(25,180)
Interest paid	(74,965)	(107,708)	(71,917)
Net cash outflow from financing activities	(156,423)	(261,917)	(237,378)
Net increase/(decrease) in cash, cash equivalents and restricted cash	36,769	(638)	(30,980)
Cash, cash equivalents and restricted cash at the beginning of the period	115,993	116,631	147,611
Cash, cash equivalents and restricted cash at the end of the period	152,762	115,993	116,631

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer, the Guarantors and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes, and if appropriate, a new Offering Circular or a supplement to the Offering Circular, will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Annington Funding plc
Guarantors:	Annington Limited Annington Homes Limited Annington Property Limited Each Additional Guarantor (if any) that accedes to the Programme in accordance with Condition 3.3. A Guarantor (excluding Annington Property Limited and, for so long as it is the Parent, Annington Limited) may also cease to be a guarantor of the Notes in certain circumstances, as described in Condition 3.4.
Parent:	Annington Limited or any other entity that (i) becomes the parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, has acceded to the Trust Deed as a Guarantor; and (iii) has agreed to be bound by any undertaking given by the Parent in the Conditions and the Trust Deed so that such entity becomes the Parent for the purposes of the Conditions.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect each Guarantor's ability to fulfil its obligations under the Guarantee (as defined below under "*—Guarantee*"). In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*".
Description:	Euro Medium Term Note Programme
Arrangers:	Barclays Bank PLC and J.P. Morgan Securities plc

Dealers:	Barclays Bank PLC J.P. Morgan Securities plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. Notes having a maturity of less than one year Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Principal Paying Agent:	The Bank of New York Mellon Limited, London Branch
Programme Size:	Up to £4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and each of the Guarantors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in euro, Sterling, U.S. dollars, yen and any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable Final Terms.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Index Linked Notes: Payments of interest and principal in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from either:

(a) the U.K. Retail Prices Index (the **RPI**) (all items) published by the Office for National Statistics or the relevant successor index (**RPI Linked Notes**); or

(b) the U.K. Consumer Prices Index (the **CPI**) (all items) published by the Office for National Statistics or the relevant successor index (**CPI Linked Notes**); or

(c) the U.K. Consumer Prices Index including owner occupiers' housing costs (the **CPIH**) (all items) published by the Office for National Statistics or the relevant successor index (**CPIH Linked Notes**).

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) for taxation reasons, (ii) following an Event of Default, (iii) in the case of Index Linked Notes only, for reasons related to the

	relevant index, or (iv) if specified in the applicable Final Terms, on a Change of Control Put Event occurring) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be guaranteed on a joint and several basis by each of the Guarantors (the **Guarantee**). The obligations of each Guarantor under the Guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of such Guarantors and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of such Guarantor from time to time outstanding.
Rating:	The Programme has been assigned an expected rating of BBB by Fitch Ratings Limited (**Fitch**) and a provisional rating of BBB by

	Standard and Poor's Ratings Services, a division of Standard and Poor's Credit Market Services Europe Limited (**S&P**). Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer and the Guarantors may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantors becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantors may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantors' control. The Issuer and the Guarantors have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTORS' ABILITY TO FULFIL THEIR OBLIGATIONS UNDER OR IN CONNECTION WITH THE NOTES ISSUED UNDER THE PROGRAMME

The Issuer is a finance vehicle

The Issuer's primary business is the raising of money for the purpose of on-lending the proceeds to other members of the Group. Accordingly, substantially all of the Issuer's assets are loans and advances made to other members of the Group and the ability of the Issuer to satisfy its obligations in respect of the Notes will depend upon payments made to it by other members of the Group in respect of loans and advances made by the Issuer.

Annington Limited and Annington Homes Limited are holding companies

AL and AHL are both holding companies and the principal assets of each such company are the shares held in its direct subsidiaries. As a holding company, neither AL nor AHL engages in, or conducts, any operating business itself. Consequently, AL and AHL are each dependent on the operating performance of the operating companies within the Group and are indirectly exposed to the same risks as those faced by such operating companies. Any deterioration in the business, financial condition or results of operations of the operating companies within the Group or the ability or willingness of subsidiaries within the Group to pay dividends would adversely affect AL and AHL and their ability to satisfy their respective obligations under the Guarantee. Further, if any subsidiary of AL or AHL is liquidated, the rights of AL or, as the case may be, AHL as a shareholder to participate in the assets of that subsidiary will be subject to the prior claims of that subsidiary's creditors, except to the extent AL or, as the case may be, AHL may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against that subsidiary.

The Group is dependent on rental income from leases entered into with the MoD for a substantial proportion of the Group's revenue

The Group derives a substantial proportion of its revenue from rent payments by the MoD pursuant to 200-year leases entered into in connection with the Group's acquisition of the Married Quarters Estate in 1996. For the financial year ended 31 March 2016, gross rent received from the MoD totalled £176.9 million, accounting for 96.7% of the Group's rental income.

Anticipated rental income is a significant factor in the calculation of the Group's projected revenue and the estimated market value of the Group's properties. Key to the determination of the Group's rent levels is the Rent Review process, whereby rent payments from the MoD on the Retained Units are assessed and adjusted every five years. See "*Description of the Group—Married Quarters Estate—Rent Reviews*". The five-year gap between each Tranche's successive Rent Reviews may prevent the Group from capturing and benefitting

from interim rental market improvements but conversely may also protect the Group from interim market detriment. Also, if rental values stagnate or drop, or if the Group fails to adequately track upward movements in rental values, including due to the Group's inability to generate comparison market data (whether by acquiring and renting out properties located near the Group's existing Sites or otherwise), the results of the Rent Review process may be unfavourable to the Group, which could adversely affect its business, results of operations and financial condition. A decline in rent levels, especially following the commencement of Site Reviews in December 2021, could further compound the adverse impact on the Group's revenue stream.

The Group expects to continue to rely primarily on the MoD, the Group's sole tenant in respect of the Retained Estate, complying with the terms of the contract which specifies the payment of rents in order to finance the Group's operations and debt obligations. However, there can be no assurance that circumstances will remain unchanged. For example, the MoD, under the terms of the 1996 Acquisition, can exercise a right of re-entry under any Headlease (as defined herein) in the event that the Group fails to remedy any breach of covenant thereunder within 12 months of receiving notice of such breach, thereby terminating the Group's right to receive rent payments in respect of the relevant property. However, the MoD is bound by the same covenants during their tenancy and on release of a Unit the Group is permitted to obtain the freehold, at which point the covenants terminate. Any change in circumstances or any market interruption that causes a failure or delay by the MoD to make rent payments could adversely affect the Group's business, results of operations and financial condition.

The UK housing market may be significantly affected by changes in general and local economic conditions

The Group's prospects, including its ability to generate surplus cash flows and profits, depend primarily on the value of the properties comprising the Married Quarters Estate, and, to a more limited extent, the value of the properties comprising the Non-MQE Portfolio. One of the Group's key sources of financial strength is the maintenance and, where possible, improvement of the value of the Group's interest therein (whether through the Rent Review process, actively managing the Group's tenancies, rigorously appraising potential disposal options for released properties or otherwise). 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:

- the global financial system and credit markets, including stock market and credit market volatility;
- regulatory and political risks and volatility;
- income and other tax rates, including stamp duty taxes and other taxes relating to real estate transactions;
- short and long-term interest rates;
- government policies or initiatives, or the lack thereof, designed to incentivise home buying or lending to homebuyers;
- the availability and cost of financing for homebuyers;
- consumer confidence levels, employment levels, job and personal income growth and household debt-to-income levels;
- the supply of available new or existing homes and other housing alternatives, such as apartments and other residential rental property;
- the availability of homebuyers, including housing demand resulting from population growth and demographic changes;
- rates of new household formation and household break-up;
- the perception of the financial strength of home sellers, including whether sellers are perceived to be under a compulsion to sell quickly;

- the effect any sale may have on the profile of the Group's remaining property portfolio;
- the time period in which the properties are sought to be sold;
- the supply of similar properties;
- changes in government regulation or policy, including infrastructure policies and planning and environmental regulations;
- increases in tax rates, including value added taxes, stamp duty and council tax, or a reduction in mortgage interest tax relief;
- the attractiveness of real estate relative to other investment choices;
- the condition of the properties; and
- other operational cost risks.

Adverse changes in these factors may affect the Group's business nationally or may be more prevalent or concentrated in particular regions or localities in which the Group operates.

The UK housing market is cyclical in nature and can generally be characterised by periods of rising property values followed by periods of slower growth rates and even declining values. As a long-term investor in the UK housing market, the Group is subject to the effects of the housing market cycles. In particular, 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 which the Group regards as surplus to the requirements of its Non-MQE Portfolio in a timely fashion, without extensive marketing efforts, or without reducing the price of the properties. This problem could be particularly acute if MoD releases were to occur in bulk or in geographically remote areas. Such unfavourable conditions may negatively impact the Group's business, particularly if it is unable to implement an alternative strategy in respect of released properties, including renting them out on a short-term basis until market conditions become more favourable.

Post-Brexit referendum uncertainty

Pursuant to a referendum held in June 2016, the UK has voted to leave the European Union and on 29 March 2017 the UK Government took the formal step to commence this process by notifying the European Council of the UK's decision to withdraw. As a result, there are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union and the negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the impact that these matters will have on the business of the Group. No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer or the Guarantors to satisfy their obligations under or in connection with the Notes.

The Group is exposed to demand in the rental market, including assured shorthold tenancies and bulk residential rental properties

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 released by the MoD. The worsening of general rent levels could adversely affect the Group's ability to negotiate rent increases during Rent Reviews, which, in turn, could reduce the amount of Excess Rent payable by the MoD through September 2021, when the Group's right to receive Guaranteed Payments from the MoD expires (see "*Description of the Group—Married Quarters Estate—Rental Payments*"). Thereafter, weak rental markets could restrict the Group's ability to increase rent rates during Site Reviews. Weak rental markets could also adversely affect the resale value of Released Units, as vacant possession values of released properties are partially tied to rent levels on the relevant Sites due to the very long-term nature of the MoD's leases in respect of the Retained Estate.

A weak rental market could also have an adverse effect on the Group's revenue generated by its private rental sector property portfolio, the Non-MQE Portfolio. While the Non-MQE Portfolio consists of properties located in areas where the Group has identified a need for rental housing or where market improvements are anticipated, there can be no assurance that the Group's projections as to future levels of demand for rental property will prove to be accurate. Void levels could rise if prospective tenants' interest in assured shorthold tenancies declines in locations where the Group has acquired properties for the purposes of its Non-MQE Portfolio, or if the MoD or the corporate organisations, including universities, housing associations and local authorities, to which the Group bulk leases properties forming part of the Non-MQE Portfolio, shift away from rentals.

The Group has no control over the quantity, location and timing of property releases by the MoD

When the MoD identifies properties within the Retained Estate as being surplus to its requirements, it can elect, subject to certain conditions, to terminate the lease underlying the applicable Site. The MoD has absolute discretion with respect to the identification of surplus properties, their location and the timing of their release. Further, the MoD is required to provide only six months' notice prior to termination of the applicable lease. Historically, there has been no trend or consistency in the release profile of surplus properties.

In the event that the MoD releases a significant number of properties that are of an undesirable type or concentrated in an unattractive or remote location, or if it releases a significant number of properties over a short period of time during which conditions in the sales market remain depressed, the Group may be unable to sell all of, or any, such properties. In such circumstances, the overall reduction in rent that the Group receives from the MoD, combined with the reduction in income that could otherwise be generated by the sale of the released properties under more favourable conditions, could have an adverse impact on the Group's business, results of operations and financial condition.

It is also possible for the MoD to opt not to release any further properties to the Group. Under the terms of the 1996 Acquisition, the MoD was required to release a minimum of 13,213 properties from the Retained Estate by the end of 2021. The MoD has already satisfied this obligation and is no longer subject to any contractual requirements to release any Units from the Retained Estate. In recent years, the MoD has released a relatively low number of Units, resulting in reduced property stock being available for sale.

Ongoing uncertainty as to property release rates has resulted from changes in governmental spending and defence policies. The policy changes resulting from the Government's Strategic Defence and Security Reviews of 2010 and 2015 (the **2010 SDSR** and the **2015 SDSR** respectively) resulted in a significant reduction in defence force numbers and the commencement of a significant plan to rationalise the defence estate. In November 2016, the MoD set out its strategy for the defence estate in the report "A Better Defence Estate", in which it outlined a 25-year plan to streamline the defence estate. The strategic aim outlined in the report is to deliver the outcomes of the 2015 SDSR whilst reducing the size and cost of the MoD estate. The MoD suggest that the plans will reduce the size of the estate by 30% by 2040 and provide estimated savings of £140 million in running costs over ten years and an estimated £3 billion in savings from running costs in total to 2040. The strategy outlined will likely have a significant impact on the future size and location of Service Family Accommodation, including the Retained Estate (which makes up approximately 78% of the MoD's total Service Family Accommodation), and consequently on property release levels. The 2015 SDSR included a commitment to maintain the size of the regular Armed Forces, not to reduce the Army to below 82,000 and to raise slightly the numbers of personnel in both the Royal Navy and the Royal Air Force (to 30,450 and 31,750 respectively) by 2020. These levels represent a significant reduction of approximately 30,000 as compared to the force strengths in 2010, and a significant redundancy programme was undertaken which was completed by 2015. The impact on demand for Retained Estate housing was largely offset by the decision taken in the 2010 SDSR to relocate the 20,000 service personnel stationed in Germany to the United Kingdom. By November 2016, 82% of the troops based in Germany at the time of the 2010 SDSR announcement had been relocated and the final unit moves are scheduled to take place over the summer months of 2019.

The size and location of the future Retained Estate will also be impacted by developing MoD service personnel accommodation policy. Following the 2015 SDSR, the MoD has been developing a future

accommodation model by which they hope to help more service personnel to live in private accommodation and to help meet aspirations towards home ownership. It is also possible that eligibility for housing within the Retained Estate will be extended to non-married couples and their families. Given that the MoD's strategic review into its future accommodation model is ongoing, and the most significant estate rationalisations, set out in "A Better Defence Estate", will not be implemented until after 2020, the Group expects the trend of lower volumes of property releases to continue in the short term before increasing in the medium term. However, given the constant process of estate and personnel strategy review within the MoD, the Group is unable to predict the MoD's future housing requirements with any certainty.

This lack of control over property releases affects the Group's business significantly. The Group's financial position is underpinned by rent income receivable from the MoD. Although the Group expects that rent payments from the MoD will be sufficient to service its debt obligations and other financial liabilities for the foreseeable future, an unexpectedly high concentration of property releases involving a large number of Units in the short term could jeopardise the stability of the Group's revenue. Additionally, under the terms of a utilities agreement (**Utilities Agreement**) entered into by the MoD and the Group on the 1996 Acquisition Date, the MoD is only contracted to supply some utility services, such as the supply of potable water, electricity and the disposal of domestic sewerage, where there is some intermediate treatment or storage located on MoD adjacent land to released property (a **Base Dependency**) until at least 75% of the properties located on a given Site have been released. After this threshold has been reached the MoD could elect to continue the supply for a term of 60 years or elect not to continue after a three year notice period. In the event that the MoD releases more than 75% of the properties located on a given Site with a Base Dependency (**Base Dependent Site**) and elects to terminate the supply after three years the Group will incur costs, which could be significant, to provide alternative utility supply arrangements. The Utilities Agreement has a term of 25 years, expiring on 4 November 2021, after which the MoD will not be obliged to provide the Base Dependent service when it releases any property on a Base Dependent Site.

Further, the lack of control over property releases impacts the level of internal resources required to handle resale transactions, as well as the level of income and expenditure expected to be generated or incurred in connection with those transactions. While it is the Group's policy to maintain internal resources at relatively low levels and to outsource all transaction-related activities to third-party service providers, if the Group is unable to outsource these activities to third parties, or if third parties are unable to provide the necessary services within the required timeframe or in the right mix or location, the Group's operational requirements may not be met and its business, results of operations and financial condition could be materially and adversely affected.

Ongoing operational challenges experienced by the Defence Infrastructure Organisation

The Defence Infrastructure Organisation (**DIO**) is responsible for the management and maintenance of all Service Family Accommodation, including the Retained Estate, on behalf of the MoD. Government policy changes, as well as budget constraints and other financial pressures, have resulted in significant staffing and budget cuts with respect to the DIO. These cuts have adversely affected, and may continue to adversely affect, the DIO's day-to-day operations, and may impact its ability to work with the Group efficiently and knowledgeably on matters relating to the Retained Estate, such as property releases, dilapidations claims, Rent Reviews, utilities, freehold transfers and boundary issues. To date the Group has been able to mitigate any impact. However, if the DIO experiences any further staffing or budget cuts or the Group is otherwise unable to resolve these operational challenges with the DIO, the Group may be unable to achieve its objective of minimising the period of time between property release and sale, which, in turn, may adversely affect the Group's business, results of operations and financial condition.

Property valuation is inherently subjective and uncertain

For the purposes of the Group's financial statements, the valuation of its properties is undertaken internally by the Group and externally by independent third party professional valuers. Valuations are inherently subjective due to the individual nature of each property. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate. In particular, the valuation report for 31 December 2016 makes assumptions about the likely rental uplift from the Site Review, level and value of

future releases by the MoD and likely returns targets for an arm's length purchaser that may not prove to be accurate. As a result, valuations are subject to a degree of uncertainty.

The valuations are of the Retained Estate, the Surplus Estate, and a sample of approximately 20% of the properties forming part of the Non-MQE Portfolio, respectively, as a whole and none can be disaggregated into sub-components.

In determining the "fair value" of any property, the valuers are required to make certain assumptions and rely on information provided by the Group. No assurance can be given that the assumptions or projections used, estimates made or procedures followed in preparing the valuations were correct, accurate or complete. Valuers other than those engaged by the Group may reach different valuations of the Group's properties.

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. Unsound valuations could also undermine the Group's ability to negotiate favourable rent increases during the Group's five-yearly Rent Reviews with the MoD, which could further adversely impact the Group's results of operations.

Inflation could adversely affect the Group's business, results of operations and financial condition, particularly in a period of oversupply in the general housing market

Inflation may adversely affect the Group's business by increasing the cost of the raw materials and labour the Group uses in refurbishing released properties. In the event of an increase in inflation, the Group may seek to increase the sales prices of released properties in order to maintain satisfactory margins. However, any oversupply of housing relative to demand in the general housing market, including due to bulk releases of properties in remote areas, may make any such increase difficult or impossible to achieve. In addition, inflation is often accompanied by higher interest rates, which have a negative impact on housing demand. In such an environment, the Group may not be able to raise house prices sufficiently to keep up with the rate of inflation and the Group's margins could decrease. Current or future efforts by the Government to stimulate the economy may increase the risk of significant inflation and its adverse impact on the Group's business, results of operations and financial condition.

The Group's senior management team is critical to the Group's continued performance

The Group relies to a significant extent on the discretion and judgment of the management team. The Group's performance and success is dependent, in part, upon the members of the Group's senior management team and, in particular, their relationships with and their understanding of the requirements of the MoD, other relevant public and regulatory authorities in the industry in which the Group operates and other persons with whom the Group regularly deals in the conduct of the Group's business. While the Group has put in place policies and remuneration which are designed to retain and properly incentivise management, should senior management leave in significant numbers or if a critical member of senior management were to leave unexpectedly, the Group's business, results of operations and financial condition could be adversely affected. 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 senior management from its existing operations.

The Group may participate in joint ventures from time to time where it may be adversely impacted by the failure of the joint venture or the inability of other partners in the joint venture to fulfil their obligations

Certain members of the Group have interests in property development joint ventures. To finance these activities, these joint ventures may obtain loans from third-party lenders that are secured by the joint venture's assets. In certain instances, the Group and the other partners in a joint venture may also provide guarantees and indemnities to lenders with respect to the joint venture's debt, which may be triggered under certain conditions when the joint venture fails to fulfil its obligations under its loan agreements. However, the Group has not sought external debt, and has none outstanding, in relation to joint venture projects.

In cases where the Group does not have a controlling interest in joint ventures, the Group may depend heavily on the other partners in each joint venture to both cooperate and make mutually acceptable decisions regarding the conduct of the business and affairs of the joint venture and ensure that they, and the joint venture, fulfil their respective obligations to the Group and to third parties. If the other partners in the Group's joint ventures do not provide such cooperation or fulfil these obligations due to their financial condition, strategic business interests (which may be contrary to the Group's) or otherwise, the Group may suffer losses which could be significant. Further, the termination of a joint venture may also give rise to lawsuits and legal costs, which could have a material adverse effect on the Group's reputation and financial condition.

The Group's business is subject to complex and evolving regulations, including rules governing the ownership, leasing or occupation of land and the use of hazardous materials that carry potential environmental risks and liabilities

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. These laws and regulations often provide broad discretion to the administering authorities. 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. 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 the Group's business, results of operations and financial condition.

As a property owner, the Group is subject to laws and regulations governing the discharge of pollutants, including asbestos, into water and air, the handling of hazardous materials and the cleanup of contaminated sites. Under UK legislation dealing with contaminated land, the environmental regulator looks in the first instance to the party who caused or knowingly permitted the contamination to undertake or pay for any remediation that is required. However, if a polluter cannot be found, the regulator can look to the owner or occupier for the time being of the land concerned to carry out or pay for the remediation. Therefore, to the extent that any liability is not attributable to the MoD as polluter, the Group may incur significant costs for the removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently owned, leased or occupied by the Group, whether or not the Group knew of the contamination, and the Group may also face liability in the event of any pollution or environmental harm caused by its activities or operations. The proximity of the Group's properties to military bases and other areas where military activities are, or have been, conducted may increase the likelihood of latent land contamination.

It is possible that more stringent legal and regulatory requirements may be imposed on the Group in the future, which may result in significant additional expenditure, significant implementation time and expensive compliance programmes and the Group experiencing severe operational delays. Further, the Group could incur substantial costs, including cleanup costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of the Group's failure to comply with, or liabilities under, applicable environmental laws and regulations, all of which could adversely affect the Group's business, results of operations and financial condition.

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

From time to time, the Group may become exposed to potentially significant litigation, arbitration proceedings and other claims in connection with the Group's business. Disputes could arise in connection with the Group's contracts for the provision of property management services or otherwise. Due to the uncertainty inherent in litigation, there can be no assurance that the ultimate outcome of any legal proceedings will not result in an award of substantial damages against the Group, including one beyond its financial resources. Further, should an issue arise in connection with a large proportion of the Group's properties, plaintiffs may seek class action status. 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 us. 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.

The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged

The Group uses several information technology tools, platforms and systems to support, among other things, its operations, billing, expenses and financial information and reporting processes. Although the Group has taken measures to mitigate potential information technology security risks and information technology failures, there can be no assurance that such measures will be effective. The Group's business and operations could be adversely impacted if these information systems or databases and any back-up systems were to fail, or if the databases were to be destroyed or damaged.

The Group's business, results of operations and financial condition could be adversely affected if some or all of the Group's properties are compulsorily purchased by the Government

Any property located in the United Kingdom may at any time be compulsorily acquired by certain public authorities possessing compulsory purchase powers if it can demonstrate that the acquisition is required. As a general rule, in the event of an order being made in respect of all or any part of any property, compensation would normally be payable on the basis that it be broadly equivalent to the open market value of all owners' and tenants' proprietary interests in the property at the time of the related purchase, so far as those interests are included in the order. However, any compulsory purchase of all or any significant portion of the Group's properties, or the payment of compensation that does not reflect the value to the Group of affected land, could have an adverse effect on the Group's business, results of operations and financial condition.

The Group has no control over the time taken by the MoD to provide consent for the assignment of an underlying lease to a third party in the event of sale

In the event that the Group chose or was obligated to dispose of any leases pertaining to Sites in the Retained Estate, consent would have to be sought from the MoD in relation to the assignment of the relevant underleases. Whilst consent of the MoD is not to be unreasonably withheld, the Group has no control over the timing of the grant of consent and accordingly any such delay could have an adverse effect on the Group's business, results of operations and financial condition.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

If payments of principal or interest under the Notes are determined by reference to an index, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it

The Issuer may issue Notes with principal or interest determined by reference to an index. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time than expected;

(iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero;

(v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and

(vi) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

A decrease in the relevant index over the applicable reference period will reduce the interest or redemption amounts payable in respect of such Notes. In a deflationary environment, (i) the annual interest received may be lower than the rate of interest specified in the applicable Final Terms and (ii) the amount to be repaid upon redemption of the Notes would be reduced to less than the nominal amount of the Notes (unless the applicable Final Terms specifies a minimum redemption amount which is equal to or higher than the nominal amount of the Notes). As a consequence, investors may lose the value of their entire investment or part of it.

Moreover, the methodology used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time which may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Index Linked Notes may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH figure.

If the relevant index ceases to be published or where there is a fundamental change in the rules governing such index, adjustments to such index may be made, or a substitute index may be agreed. If an adjustment to such index cannot be made or any substitute for such index cannot be found then, in specified circumstances, the Issuer may redeem the Index Linked Notes early. See Conditions 6.5 and 8.4 for further detail.

The application of Conditions 6.5 and 8.4 may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon, or the timing of, any redemption of Index Linked Notes.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of the Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Risks related to Notes generally

Set out below is a description of material risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantors to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer, each Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer, each Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will:

(a) if the Bearer Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and

(b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will specify whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with a common depositary or, if the Registered Global Notes are to be held under the new safe-keeping structure (the **NSS**), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered

Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche is intended to be held under the NSS, the applicable Final Terms will specify whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under the NSS will either by Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantors, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution

compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer and the Guarantors may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes[, from 1 January 2018,] [1] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (MiFID II); (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.] [2]

APPLICABLE FINAL TERMS

[*Date*]

ANNINGTON FUNDING PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by [Annington Limited, Annington Homes Limited and Annington Property Limited]
under the £4,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [28] June 2017 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*] [and the supplement to it dated [*date*]] which are incorporated by reference in the Offering Circular dated [*current date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been

[1] This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.

[2] Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable" (ii) for offers concluded before 1 January 2018 at the option of the parties.

published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

1.	(a)	Issuer:	Annington Funding plc
	(b)	Guarantors:	[Annington Limited, Annington Homes Limited and Annington Property Limited]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]] [Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6.	(a)	Specified Denominations:	[ ]
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ]
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[Issue Date/Not Applicable]
8.	Maturity Date:		Interest Payment Date falling in or nearest to [ ]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR]]+/- [ ] per cent. Floating Rate] [Index Linked Interest] [Zero coupon] (see paragraph [14]/[15]/[16]/[17]below)
10.	Redemption[/Payment] Basis:		[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the

			Maturity Date at [ ] per cent. of their nominal amount] [Index Linked Redemption]
11.	Change of Interest Basis:		[ ][Not Applicable]
12.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [Issuer Maturity Par Call] [(see paragraph [19]/[20]/[21]/[22] below)] [Not Applicable]
13.	(a)	Status of the Notes:	Senior, unsecured (subject to the provisions of Condition [4])
	(b)	Date Board approval for issuance of Notes and Guarantee obtained:	[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [LIBOR/EURIBOR]
	• Interest Determination Date(s):	[ ]
	• Relevant Screen Page:	[ ]
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation]
(i)	Margin(s):	[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum
(k)	Maximum Rate of Interest:	[ ] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]

16.	Index Linked Interest/Redemption Note Provisions		[Applicable – Conditions [5.4] and [6] apply/Not Applicable]
	(a)	Index	[RPI/CPI/CPIH]
	(b)	Rate of Interest:	[ ] per cent. per annum multiplied by the Index Ratio (in accordance with Condition [5.4])
	(c)	Name and address of Calculation Agent:	[ ]
	(d)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(e)	Business Day Convention:	[Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(f)	Additional Business Centre(s):	[ ] [Not Applicable]
	(g)	Day Count Fraction:	[Actual/Actual (ICMA)] [30/360 (as set out in Condition [(5.1)]] [Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 (as set out in Condition [5.2(d)])] [360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)] [Index Day Count Fraction]
	(h)	Determination Date(s)	[[ ] in each year][Not Applicable]
	(i)	Base Index Figure:	[ ]
	(j)	Index Figure applicable to:	[[ ] month lag applies] [Not Applicable]
	(j)	t:	[ ] [Not Applicable]
	(k)	Reference Gilt:	[[ ] per cent. Index-Linked Treasury Stock due [ ]] [Not Applicable]
	(l)	Minimum Rate of Interest:	[ ] per cent. per annum
	(m)	Maximum Rate of Interest:	[ ] per cent. per annum
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360]

[Actual/360]

[Actual/365]

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition [8.2]:		Minimum period: [30] days Maximum period: [60] days
19.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[[ ] per Calculation Amount][Modified Spens Amount][Make-Whole Amount]
		(i) Minimum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
		(ii) Maximum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
	(c)	Redemption Margin:	[ ]
	(d)	Reference Bond:	[ ]
	(e)	Quotation Time:	[ ]
	(f)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(g)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
20.	Issuer Maturity Par Call:		[Applicable/Not Applicable]
	(a)	Maturity Par Call Period:	From (and including) the day that is [ ] days prior to the Maturity Date to (but excluding) the Maturity Date.
	(b)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
21.	Investor Put:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount

	(i)	Minimum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
	(ii)	Maximum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
(c)	Notice periods:		Minimum period: [ ] days Maximum period: [ ] days
22.	Change of Control Put:		[Applicable/Not Applicable]
(a)	Optional Redemption Amount:		[ ] per Calculation Amount
	(i)	Minimum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
	(ii)	Maximum Optional Redemption Amount:	[[ ] per Calculation Amount/Not Applicable]
(b)	Change of Control Put Period:		[ ] days
(c)	Change of Control Put Date:		[ ] days
23.	Final Redemption Amount:		[ ] per Calculation Amount
(a)	Minimum Final Redemption Amount:		[[ ] per Calculation Amount/Not Applicable]
(b)	Maximum Final Redemption Amount:		[[ ] per Calculation Amount/Not Applicable]
24.	Early Redemption Amount payable on redemption for taxation reasons, indexation reasons or on event of default:		[[ ] per Calculation Amount/As per Condition 8.9]
(a)	Minimum Early Redemption Amount:		[[ ] per Calculation Amount/Not Applicable]
(b)	Maximum Early Redemption Amount:		[[ ] per Calculation Amount/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	
(a)	Form:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive

		Notes upon an Exchange Event] Registered Notes: [Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]
	(b) New Global Note:	[Yes][No]
26.	Additional Financial Centre(s):	[Not Applicable/*give details*]
27.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[**THIRD PARTY INFORMATION**

[ ] has been extracted from [ ]. Each of the Issuer and each Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Annington Funding plc:	Signed on behalf of Annington Limited:
By:	By: .....
Duly authorised	*Duly authorised*
Signed on behalf of Annington Property Limited:	Signed on behalf of Annington Homes Limited:
By:	By: ……
Duly authorised	*Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market and the Official List of the UK Listing Authority] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market and the Official List of the UK Listing Authority] with effect from [ ].]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [ ]] by [ ].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and each Guarantor and their] affiliates in the ordinary course of business.]

4. REASONS FOR THE OFFER

Reasons for the offer:	[ ]

5. YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].

7. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable/]
(v)	If non-syndicated, name of relevant	[Not Applicable/]

	Dealer:	
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following (other than any footnotes in italics) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series of Notes issued by Annington Funding plc (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 28 June 2017 made between, *inter alios*, the Issuer and Annington Limited, Annington Homes Limited and Annington Property Limited as guarantors (the **Original Guarantors** and each an **Original Guarantor**) and BNY Mellon Corporate Trustee Services Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 June 2017 and made between the Issuer, the Original Guarantors, the Trustee, The Bank of New York Mellon Limited, London Branch as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Registrar, the Paying Agents and the other Transfer Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes

are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

As used herein, **Parent** means Annington Limited or any other entity that (i) becomes the parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, has acceded to the Trust Deed as a Guarantor; and (iii) has agreed to be bound by any undertaking given by the Parent in these Conditions and the Trust Deed so that such entity becomes the Parent for the purposes of these Conditions.

As used herein, **Group** means the group of companies in respect of which (a) each of the Issuer and Annington Property Limited forms part; and (b) consolidated financial statements are prepared from time to time in accordance with generally accepted accounting principles in the United Kingdom, including international accounting standards within the meaning of the IAS Regulation 1606/2002 (**IFRS**).

As used herein, **Subsidiary** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 (as amended) and **Holding Company** means, in relation to a company, any other company in respect of which it is a Subsidiary.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantors (as defined in Condition 3.3), the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantors, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in paragraph 2.3 upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES AND THE GUARANTEE

3.1 Status of the Notes

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably (subject as provided in Condition 3.4) guaranteed on a joint and several basis by the Guarantors in the Trust Deed (the **Guarantee**). The obligations of each Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations

of the relevant Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Guarantor, from time to time outstanding.

3.3 Additional Guarantors

The Issuer may from time to time and in accordance with the terms of the Trust Deed procure that any other Subsidiary of the Parent accedes to the Trust Deed as an additional guarantor in respect of the Notes (each an **Additional Guarantor** and, together with the Original Guarantors, the **Guarantors**) with effect from the applicable Guarantor Accession Date.

If, at any time after the Issue Date of the first Tranche of Notes, the Guarantor Test ceases to be satisfied, the Parent covenants that it shall, as soon as reasonably practicable after the Guarantor Test ceasing to be met, procure that one or more of its Subsidiaries shall accede to the Trust Deed as an Additional Guarantor such that the Guarantor Test shall be met with effect from the relevant Guarantor Accession Date.

The **Guarantor Test** shall be met if the aggregate total assets (taking each entity on an unconsolidated basis without double counting and excluding all intra-group items) of the Guarantors together exceed the Guarantee Coverage Percentage of the total assets of the Group determined by reference to the most recently published audited consolidated financial statements of the Parent; provided that, for the purpose of calculating the Guarantor Test, the total assets of the Group shall exclude the assets of any direct or indirect Subsidiary of the Parent that (a) became a Subsidiary after the Issue Date of the first Tranche of Notes pursuant to an acquisition of the shares in that Subsidiary (or a Holding Company of that Subsidiary) and (b) at the time of such acquisition, had outstanding financial indebtedness (that remains outstanding at the time of calculating the Guarantor Test) the terms of which restrict that Subsidiary from acceding to the Trust Deed as a Guarantor (other than any such financial indebtedness that is incurred by such Subsidiary in contemplation of such acquisition).

Guarantee Coverage Percentage means 80 per cent. or such lower percentage as the Issuer may specify to the Trustee provided that each Rating Agency then rating the Notes has confirmed in writing that the then current ratings of the Notes would not be downgraded, put on negative watch or withdrawn as a result of the then current Guarantee Coverage Percentage being reduced.

Guarantor Accession Date means, in respect of any accession of an Additional Guarantor, the date on which:

(a) a duly executed trust deed supplemental to the Trust Deed is entered into and delivered by the Trustee, the Issuer and that Additional Guarantor in a form and with substance satisfactory to the Trustee containing a joint and several guarantee (in the same terms, *mutatis mutandis*, as the guarantee set out in the Trust Deed); and

(b) the other conditions set out in the Trust Deed in relation to such accession have been satisfied.

3.4 Release of a Guarantor

The Issuer may by written notice (which includes the certifications referred to below) to the Trustee signed by two Authorised Signatories of the Issuer request that a Guarantor ceases to be a Guarantor provided that:

(a) the Guarantor Test will continue to be met once such Guarantor has ceased to be a Guarantor;

(b) Annington Property Limited shall not be permitted to be released as a Guarantor pursuant to this Condition 3.4; and

(c) Annington Limited (or any replacement entity which becomes the Parent) may only be released as Guarantor if another entity (i) has become the parent entity for the purpose of presenting the consolidated financial statements of the Group; (ii) if not already a Guarantor, accedes to the Trust Deed as a Guarantor; and (iii) agrees to be bound by any undertaking given by the Parent in these Conditions and the Trust Deed so that such entity becomes the Parent for the purpose of these Conditions, in each case, on or prior to a release of Annington Limited.

Upon the Trustee's receipt of such notice and provided that the certifications set out below are included in such notice, such Guarantor shall automatically and irrevocably be released and relieved of any obligation under the Guarantee and will cease to be a Guarantor for the purposes of these Conditions and will have no further obligation in respect of any amount due under any Notes.

The notice must contain the following certifications upon which the Trustee can rely without liability to any person and without further enquiry:

(A) no Event of Default or Potential Event of Default (as defined in the Trust Deed) is continuing or will result from the release of that Guarantor;

(B) no part of the Guarantee which that Guarantor is or was providing is at that time due and payable but unpaid; and

(C) upon release of that Guarantor, the Guarantor Test will continue to be met.

3.5 Notice of change of Guarantors

Notice of any release of a Guarantor or the accession of an Additional Guarantor pursuant to this Condition will be given by the Issuer to the Noteholders in accordance with Condition 15.

4. NEGATIVE PLEDGE AND COVENANTS

4.1 Negative Pledge

So long as any of the Notes remains outstanding:

(a) the Issuer will not create or have outstanding any Security Interest (as defined in Condition 4.2) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and

(b) none of the Guarantors will, and each of the Guarantors will procure that none of their Subsidiaries will, create or have outstanding any Security Interest upon, or with respect to,

any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of each Guarantor and/or any of their Subsidiaries to secure any Relevant Indebtedness unless the relevant Guarantor, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders,

provided that the provisions of this Condition 4.1(b) shall not apply with regard to any Security Interest in respect of (A) Relevant Indebtedness of any company becoming a Subsidiary of any Guarantor after the Issue Date of the first Tranche of Notes where such Security Interest exists at the time such company becomes a Subsidiary of the applicable Guarantor (other than any Security Interest created in contemplation thereof) and any such Security Interest thereafter created by such Subsidiary in substitution for the aforesaid Security Interest over assets the value of which does not materially exceed the then current value of the assets subject to such security immediately prior to the substitution provided that, at the time of any such substitution, the Parent delivers a certificate to the Trustee to confirm that the value of the substitute assets does not materially exceed the then current value of the assets that were previously subject to the security (and the Trustee shall be entitled to rely on such certification) or (B) any Existing Notes referred to in paragraphs (d) and (e) of the definition thereof prior to the redemption of such Existing Notes[3].

For the purposes of this Condition, **Relevant Indebtedness** means (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (b) any guarantee or indemnity in respect of any such indebtedness.

4.2 **Financial Covenants**

(a) **Loan to Value**

The Parent undertakes that, on each Reporting Date, Consolidated Total Net Borrowings will not exceed 65 per cent. of Consolidated Adjusted Total Assets as at such Reporting Date.

(b) **Secured Indebtedness**

The Parent undertakes that, on each Reporting Date, Secured Indebtedness will not exceed 40 per cent. of Consolidated Total Assets as at such Reporting Date.

(c) **Maintenance of Interest Coverage Ratio**

The Parent undertakes that the ratio of Consolidated EBITDA to Net Finance Charges will not, in respect of each Reporting Period, be less than 1.00:1 (such ratio being the **Interest Coverage Ratio**).

[3] *See "Use of Proceeds" for a description of the redemption and defeasance arrangements applicable to the Existing Notes referred to in paragraph (d) and (e) of the definition thereof.*

(d) **Maintenance of Total Unencumbered Assets**

The Parent undertakes that, on each Reporting Date, the Unencumbered Property Assets as at such Reporting Date will not be less than 125 per cent. of the Unsecured Net Indebtedness as at such Reporting Date.

(e) **Calculation of financial covenants**

(i) Subject to paragraph (ii) below, the financial covenants in Condition 4.2(a) to 4.2(d) inclusive and Condition 4.2(f) shall be calculated in accordance with then current GAAP and tested by reference to the consolidated financial statements of the Parent most recently delivered to the Trustee in accordance with Condition 4.2(g).

(ii) Subject to paragraph (iii) below, if the Parent notifies the Trustee of any change in GAAP occurring since 31 December 2016, the consequences of which is to result in a variation to the result of the calculation of any financial covenant in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) compared to the calculation that would have resulted if that change in GAAP had not occurred, then:

(A) the relevant financial covenant shall be calculated in accordance with GAAP as it applied on 31 March 2016 or, if any Required Modifications have been implemented in accordance with paragraph (iii) below, the date on which any such Required Modifications were most recently effected (**Frozen GAAP**); and

(B) the Parent shall be permitted to test the compliance of the relevant financial covenant by reference to the annual financial statements of the Parent which reflect the application of Frozen GAAP to any relevant items within such statements;

(iii) Following a notification to the Trustee in accordance with paragraph (ii) above, the Parent may (but shall not be obliged to) appoint an international firm of auditors (acting as expert and not as an arbitrator) approved by the Trustee or, failing that approval, nominated (on the application of the Parent) by the President for the time being of the Institute of Chartered Accountants of England and Wales (the costs of that nomination and of the auditors being payable by the Issuer) to determine the modifications required to be made to the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) (and, in each case, the associated definitions) in order to place the Parent in a comparable position (in relation to the calculation of the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f)) to that in which it would have been if the notified change in GAAP had not occurred (the **Required Modifications**). The determination of any such auditors (expressed as a final signed report) shall be final and binding upon the Parent, the Issuer and the Noteholders and the Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Parent in making any modification to these Conditions and the Trust Deed to give effect to the Required Modifications (following which the financial covenants in Conditions 4.2(a) to 4.2(d) (inclusive) and Condition 4.2(f) shall be calculated in accordance with paragraph (i) above). Any such modification shall be binding on the Parent, the Issuer and the Noteholders and shall be notified to Noteholders in accordance with Condition 15 as soon as reasonably practicable thereafter.

(iv) Following a notification to the Trustee in accordance with paragraph (ii) above, the Parent shall, with each subsequent compliance certificate delivered under Condition 4.2(g) below provide:

(A) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the financial statements of the Parent most recently delivered to the Trustee in accordance with Condition 4.2(g) were prepared; and

(B) sufficient information, in form and substance as may be reasonably required by the Trustee to determine whether Conditions 4.2(a) to (d) (inclusive) have been complied with and make an accurate comparison between the financial position indicated in the audited consolidated financial statements of the Group prepared in accordance with IFRS for the financial year ended 31 March 2016.

(f) **Limitation on dividends**

(i) Save as set out in paragraph (ii) below, none of the Issuer or any Guarantor shall (and the Parent shall procure that no other member of the Group shall):

(A) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid cash or in kind) on or in respect of its share capital (or any class of its share capital);

(B) repay or distribute any dividend or share premium reserve;

(C) pay or allow any member of the Group to pay any management, advisory or other fee to or to the order of any shareholder of the Parent;

(D) redeem, repurchase, defease, retire or repay any of its share capital; or

(E) make any loans to the Investors or any shareholder of the Parent.

(ii) Paragraph (i) above does not apply:

(A) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made to an Investor or any direct or indirect shareholder of the Parent in order to pay fees, costs or expenses that arise in connection with the Transaction Documents or the Equitisation;

(B) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made by a member of the Group to another member of the Group or to a Joint Venture partner;

(C) to any recharging of charges, fees, costs or expenses incurred on an arm's length basis by any member of the Group for services or other consideration provided by the Investors or other shareholders of the Parent, where the aggregate amount of those loans, charges, fees, and other distributions (other than any otherwise permitted by this Condition 4.2 (f)) does not exceed, in any financial year of the Group, £2,500,000 (subject to an annual adjustment in proportion to the RPI All Items Index published by the UK Office of National Statistics (or any replacement or successor to that index or publishing entity), provided that this adjustment shall not cause this basket to be lower than £2,500,000)); or

(D) to any loans, dividends, charges, fees, other distributions, repayments, redemptions, repurchases, defeasements or retirements made when the ratio

of Consolidated EBITDA to Net Finance Charges is, in respect of the most recently ending Reporting Period equal to or greater than 1.30:1.

(g) **Delivery of accounts and certification**

The Parent shall deliver to the Trustee, within 180 days after the end of each of the Parent's financial years (or within 120 days after the end of the Parent's financial year ending March 2017), annual reports containing the following information:

(i) the audited consolidated financial statements of the Parent for that financial year prepared in accordance with IFRS or (if this becomes inappropriate under applicable listing or regulatory rules) other applicable GAAP from time to time following prior written notification to the Trustee; and

(ii) the audit report of the independent auditors on the consolidated financial statements referred to in paragraph (i) above.

The Parent shall deliver to the Trustee within 120 days after the end of each half of each of its financial years, the consolidated financial statements of the Parent for that financial half year prepared in accordance with IFRS or (if this becomes inappropriate under applicable listing or regulatory rules) other applicable GAAP from time to time following prior written notification to the Trustee.

The Parent shall deliver to the Trustee promptly following the publication, and the delivery to the Trustee, of the financial statements described above a certificate addressed to the Trustee and signed by two authorised signatories of the Parent, one of whom must be the Chief Financial Officer, Chief Executive Officer or Treasurer of the Parent as to the compliance with the covenants set out in Conditions 4.2(a) to 4.2(d) above. Such certificate shall be relied upon by the Trustee (without liability to any person for so relying) and, if so relied upon, shall be conclusive and binding on the Issuer, the Guarantors and the Noteholders.

The Parent shall hold annually a one-way investor update conference call with the Noteholders (details of which will be published on a regulatory news service) for the purpose of senior management addressing the information contained in the most recent annual report delivered to the Trustee pursuant to this Condition 4.2(g). The Parent shall ensure that sufficient and appropriate personnel from senior management is available to participate in the conference call at least one of which shall be the Chief Financial Officer, Chief Executive Officer or Treasurer of the Parent.

(h) **Definitions**

For the purposes of these Conditions:

Acceptable Bank means:

(a) a bank or financial institution which has a rating for its long term unsecured and non credit enhanced debt obligations of BBB+ or higher by S&P or Fitch or Baa1 or higher by Moody's or a rating for its short term unsecured and non credit enhanced debt obligations of A2 or higher by S&P or F2 or higher by Fitch or P2 or higher by Moody's, or in each case a comparable rating from an internationally recognised credit rating agency; or

(b) any other bank or financial institution approved by the Trustee.

Affiliate means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

Consolidated Adjusted Total Assets means Consolidated Total Assets less Consolidated Cash and Cash Equivalents.

Consolidated Cash and Cash Equivalents means, at any time:

(a) cash in hand or on deposit with any Acceptable Bank, if:

(i) that cash is repayable within six months of demand; and

(ii) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition (other than the giving of notice by any member of the Group);

(b) certificates of deposit maturing within one year after the relevant date of calculation issued by an Acceptable Bank;

(c) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State, in each case with a credit rating of BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or by an instrumentality or agency of any of them having an equivalent credit rating to the relevant government, maturing within one year after the relevant date of calculation, and that is not convertible or exchangeable to any other security;

(d) commercial paper not convertible or exchangeable to any other security:

(i) for which a recognised trading market exists;

(ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State;

(iii) which matures within one year after the relevant date of calculation; and

(iv) which has a rating for its short term unsecured and non-credit enhanced debt obligations of A-1 or higher by S&P or F1 or higher by Fitch or P-1 or higher by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its non-credit enhanced debt obligations, an equivalent rating;

(e) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank;

(f) any other debt security or investment approved by the Trustee from time to time;

(g) any investment in money market funds accessible within 30 days which: (i) have a credit rating of either A- or higher by S&P or A- or higher by Fitch or A3 or higher by Moody's; and (ii) invest substantially all their assets in securities or investments of the types described in paragraphs (b) to (f) above; or

(h) any cash (or securities or investments of the types described in paragraphs (b) to (g) above) collateralising any Consolidated Total Borrowings,

in each case:

(A) to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time;

(B) which is not subject to Security Interests other than: (x) Security Interests created in favour of the creditors under the Transaction Documents; (y) any Security Interests which would fall under paragraph (h) above; or (z) any Security Interests constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements; and

(C) which is capable of being applied against some or all Consolidated Total Borrowings.

Consolidated EBITDA means, in respect of any Reporting Period, the consolidated operating profit (before all finance items and taxation) of the Group (including the results from discontinued operations), adjusted for the following items as they relate to members of the Group and in each case only to the extent that they are already included in calculating such consolidated operating profit:

(a) adding back costs expensed relating to amortisation, depreciation or impairment (including other non-cash write downs) of assets;

(b) adding back costs expensed relating to any refurbishment of any Real Property (or part thereof);

(c) adding back any costs expensed relating to long term incentive plans to the extent that these are settled through the issuance of shares or similar instruments not involving a cash payment;

(d) deducting any profits and adding back any losses attributable to Joint Ventures and minority or non-controlling interests, and adding the amount of any dividends, charges, fees, other distributions, repayments, redemptions, repurchases, loans, defeasements and retirements received by the Group from minority interests, non-controlling interests or Joint Ventures;

(e) deducting (or adding back) any unrealised gain (or loss) arising from an upward (or downward) revaluation, re-measurement, or other value adjustment of any assets (including any Real Property assets or financial assets (whether or not hedge accounted));

(f) deducting (or adding back) any profit (or loss) on disposal of any asset; and;

(g) before taking into account any Exceptional Items other than where they fall within paragraph (b) above,

in each case without double counting.

Consolidated Total Assets means, in respect of any Reporting Date, the aggregate assets of the Group on that Reporting Date, but not including the amount of any assets of any member of the Group which are attributable to minority or non-controlling interests or to Joint Ventures (but to the extent only of the economic interest in the minority or non-controlling interests or Joint Venture which is not held by any member of the Group).

Consolidated Total Borrowings means, at any time, the aggregate outstanding principal, capital or nominal amount of any indebtedness of any member of the Group for or in respect of:

(a) moneys borrowed and debit balances at banks;

(b) any amount raised by acceptance under any acceptance credit or bill discount facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (with the exception of any loan stock issued by a member of the Group which is fully cash collateralised or any such instrument held by or on behalf of another member of the Group);

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;

(e) receivables sold or discounted (other than any receivables or part of any receivables which are sold on a non-recourse basis);

(f) any amount of any liability under an advance or deferred purchase agreement if: (A) one of the primary reasons behind entering to the agreement is to raise finance; or (B) the agreement is in respect of the supply of assets or services and payment is due one year or more after the date of supply;

(g) any amount raised under any other transaction of a type not referred to in any other paragraph of this definition and having the commercial effect of a borrowing

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

in each case without double counting and excluding:

(i) any intra-Group indebtedness;

(ii) any indebtedness attributable to minority or non-controlling interests or to Joint Ventures (but only to the extent the economic interest in the minority or non-controlling interests or the Joint Venture is not held by any member of the Group);

(iii) the marked to market value of any forward, swap, derivative, cap, or other arrangement entered into by a member of the Group in connection with or by reference to any Consolidated Total Borrowings; and

(iv) any indebtedness which is fully subordinated to amounts owing under the Transaction Documents, including that the creditors of that indebtedness have agreed for the benefit of the creditors under the Transaction Documents, not to take any action to enforce repayment of that indebtedness, including demanding repayment of such indebtedness or seeking winding up or other legal remedies against any member of the Group in respect of that indebtedness.

For the purposes of the definition of Consolidated Total Borrowings, when determining the sterling equivalent of any indebtedness forming part of Consolidated Total Borrowings: (x) which is denominated in a currency other than sterling; and (y) in respect of (and to the extent) the principal and interest of which any member of the Group has entered into an hedging agreement intended to protect against fluctuations in currency exchange rates, the sterling equivalent of such indebtedness shall be calculated for each Reporting Period using the exchange rate specified in such hedging agreement (notwithstanding any other exchange rate used in the preparation of the financial statements for the Reporting Period). If there is no such hedging agreement in place then the sterling

equivalent shall be calculated using the exchange rate used in the consolidated financial statements for the Reporting Period.

Consolidated Total Net Borrowings means at any time Consolidated Total Borrowings less Consolidated Cash and Cash Equivalents.

Consolidated Total Property Assets means, in respect of any Reporting Date, the aggregate Real Property assets of the Group on that Reporting Date, but not including the amount of any Real Property assets of any member of the Group which are attributable to minority or non-controlling interests or to Joint Ventures (but to the extent only of the economic interest in the minority or non-controlling interests or Joint Venture which is not held by the Group).

Equity Interests means, with respect to any person, all of the shares of capital stock of (or other ownership or profit interests in) such person, all of the warrants, options or other rights for the purchase or acquisition from such person of shares of capital stock of (or other ownership or profit interests in) such person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such person or all of the warrants, options, or other rights for the purchase or acquisition from such person of such securities, and all of the other ownership or profit interests in such person (including partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, securities, warrants, options, rights or other interests are outstanding on any date of determination.

Equitisation means the issuance by Annington Holdings (Guernsey) Limited of equity in connection with the refinancing of Existing Debt.

Exceptional Items means any exceptional, non-recurring or extraordinary items, including those arising on the disposal of any asset(s).

Existing Debt means the outstanding indebtedness of the Group existing under the Existing Notes and the Existing Facility Agreement immediately prior to the date on which the first issuance of Notes occurs under the Issuer's £4,000,000,000 Euro Medium Term Note Programme established on 28 June 2017 (the **Programme**).

Existing Facility Agreement means the facility agreement dated on or about 24 December 2013 between, among others, Annington Rentals (Holdings) Limited as borrower and The Royal Bank of Scotland plc as facility agent.

Existing Notes means each of:

(a) the outstanding aggregate principal amount of the £369,300,000 8 per cent. Secured Notes due 2021 issued by Annington Finance No. 1 plc;

(b) the outstanding aggregate principal amount of the £1,480,000,000 Class A Secured Zero Coupon Notes due 2022 issued by Annington Finance No. 4 plc;

(c) the outstanding aggregate principal amount of the £1,000,000,000 Class B1 Secured Zero Coupon Notes due 2023 issued by Annington Finance No. 4 plc;

(d) the outstanding aggregate principal amount of the £664,950,000 Class B3 Secured Floating Rate Notes due 2023 issued by Annington Finance No. 4 plc;

(e) the outstanding aggregate principal amount of the £260,000,000 Class M Secured Fixed / Floating Rate Notes due 2023 issued by Annington Finance No. 4 plc;

(f) the outstanding aggregate principal amount of the £150,000,000 Class C1 Fixed Rate Notes due 2023 issued by Annington Finance No. 4 plc; and

(g) the outstanding aggregate principal amount of the £550,000,000 13% Senior PIK Notes due 2023 issued by Annington Finance No.5 plc.

Facilities Agreement means the £1,950,000,000 facilities agreement to be entered into on or before the Issue Date of the first Tranche of Notes issued under the Programme between, among others, the Issuer, Barclays Bank PLC, and J.P. Morgan Chase Bank N.A., London Branch.

Finance Charges means, for any Reporting Period, the aggregate amount of interest, commission, fees, discount or other similar charges in respect of Consolidated Total Borrowings (whether paid, payable or capitalised, and calculated on a consolidated basis) in respect of that Reporting Period:

(a) amortising non-recurring commission, fees, discount or other similar charges in connection with raising any Consolidated Total Borrowings over the period for which, when such commission, fees, discount or other similar charges were incurred, the relevant Consolidated Total Borrowings were expected to be outstanding;

(b) including:

(i) the interest (but not the capital) element of payments in respect of finance leases; and

(ii) any net effect of the amount of scheduled payments (excluding termination or close out costs to the extent they are not settled via ongoing scheduled payments and excluding any amounts relating to principal) under any swap, derivative, cap, or other similar arrangement entered into by a member of the Group, whether payable by or payable to a member of the Group;

(c) excluding:

(i) any non-recurring commission, fees, premium, make-whole amount or other similar charges incurred in connection with any early redemption, early repayment or amortisation of Consolidated Total Borrowings;

(ii) for the avoidance of doubt, any amount paid or payable under the MoD Agreements;

(iii) any break costs;

(iv) costs or credits relating to changes in the marked to market value of any forward, swap, derivative, cap, or other arrangement entered into by a member of the Group in connection with or by reference to any Consolidated Total Borrowings; and

(v) any amount of fees or charges payable by a member of the Group in connection with their ordinary operational banking and treasury activities,

in each case without double counting.

Fitch means Fitch Ratings Limited and includes any successor to its ratings business and any of its affiliates.

GAAP means generally accepted accounting principles in the United Kingdom, including IFRS.

IFRS means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

Investors means each fund, entity or co-investment vehicle managed, advised or controlled by Terra Firma or any Terra Firma Affiliate or co-investors whose co-investment is managed or controlled by

Terra Firma or any Terra Firma Affiliate from time to time investing directly or indirectly in the Parent.

Joint Venture means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

MoD means the Secretary of State of Defence.

MoD Agreements means each of the following agreements:

(a) the master agreement dated 5 November 1996 between Annington Property Limited and the MoD;

(b) each lease agreement dated on or about 5 November 1996 between Annington Property Limited and the MoD relating to the Ministry of Defence Married Estates Quarter in England and Wales;

(c) each underlease agreement dated on or about 5 November 1996 between Annington Property Limited and the MoD relating to the Retained Estate being part of the Ministry of Defence Married Estates Quarter in England and Wales; and

(d) the utilities agreement dated 5 November 1996 between the Original Guarantors, Annington Development Limited and the MoD.

Moody's means Moody's Investors Service Limited and includes any successor to its rating business and any of its affiliates.

Net Finance Charges means, for any Reporting Period, the Finance Charges for that Reporting Period after deducting any interest receivable (and adding any negative interest payable) in that Reporting Period by any member of the Group (other than from another member of the Group) on Consolidated Cash and Cash Equivalents.

Participating Member State means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

Real Property means, in respect of any person, all of the rights, title and interest of such person in and to land, improvements, fixtures and fittings.

Reporting Date means each of:

(a) the accounts date for the annual audited consolidated financial statements required to be delivered under Condition 4.2(g); and

(b) the accounts date for the half year consolidated financial statements required to be delivered under Condition 4.2(g);

provided that the first Reporting Date shall be 31 March 2018.

Reporting Period means each 12 month period ending on each Reporting Date.

S&P means Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited and includes any successor to its rating business and any of its affiliates.

Secured Indebtedness means, in respect of each Reporting Date, that portion of the aggregate principal amount of all outstanding Consolidated Total Borrowings that has the benefit of a Security

Interest over any asset (including, without limitation, any Equity Interest) owned or leased by a member of the Group as at such Reporting Date, excluding:

(a) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(b) any payment or close out, netting or set-off arrangement pursuant to any hedging transaction entered into by a member of the Group for the purpose of:

(i) hedging any risk to which any member of the Group is exposed in its ordinary course of business; or

(ii) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only;

(c) any Security Interest arising by operation of law and/or in the ordinary course of business;

(d) any Security Interest entered into for the benefit of any Existing Debt or any indebtedness under any Transaction Document;

(e) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of business and on the supplier's standard form or usual terms and not arising as a result of any default or omission by any member of the Group;

(f) any Security Interest resulting from the rules and regulations of any clearing system or stock exchange over shares and/or other securities held in that clearing system or stock exchange; and

(g) any Security Interest approved by the Trustee.

Security Interest means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Terra Firma means Terra Firma Capital Partners Limited, Terra Firma Investments (Special Opportunities Fund I) Limited (for and on behalf of Terra Firma Special Opportunities Fund I) or Terra Firma Investments (Special Opportunities Fund II) Limited (for and on behalf of Terra Firma Special Opportunities Fund II) or any successor general partner of (or adviser to) those funds.

Terra Firma Affiliate means Terra Firma, each of its Affiliates, any trust of which Terra Firma or any of its Affiliates is a trustee, any partnership of which Terra Firma or any of its Affiliates is a partner and any trust, fund or other entity which is managed by, is under the control of, or is advised by Terra Firma or any of its Affiliates provided that any such trust, fund or other entity which has been established for at least six months solely for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, funds or other entities managed, controlled, or advised by Terra Firma or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall not constitute a Terra Firma Affiliate.

Transaction Documents means the Notes and the Facilities Agreement.

Unencumbered Property Assets means, in respect of each Reporting Date, the aggregate value of Consolidated Total Property Assets of the Group that are not subject to a Security Interest as at such Reporting Date.

Unsecured Net Indebtedness means, in respect of each Reporting Date, that portion of the aggregate principal amount of all outstanding Consolidated Total Borrowings that is not Secured Indebtedness as at such Reporting Date less Consolidated Cash and Cash Equivalents.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) **Interest Payment Dates**

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the

immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) and (e) above, the Trustee or an agent appointed by the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Principal Paying Agent, the other Agents and all Noteholders and

Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantors, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of the date on which all amounts due in respect of such Note have been paid as provided in the Trust Deed.

5.4 Interest on Index Linked Notes

This Condition 5.4 applies to Index Linked Notes only.

(a) **Interest Payment Dates**

Each Index Linked Note bears interest on its outstanding nominal amount (in the case of Index Linked Notes represented by a Global Note) or the Calculation Amount (in the case of Index Linked Notes in definitive form) from (and including) the Interest Commencement Date at the rate per annum equal to the Rate of Interest, and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.4(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next

calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

(1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(2) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Any Additional Business Centre and which, if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Index Linked Notes will be the product of the rate per annum specified in the applicable Final Terms and the Index Ratio (as determined in accordance with Condition 6.1) rounded to six decimal places (0.0000005 being rounded upwards).

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.4(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is capable of being determined, determine the applicable Rate of Interest and notify the Principal Paying Agent as soon as practicable after determining the same.

The amount of interest payable on each Index Linked Note for any Interest Period (the **Interest Amount**) will be calculated by the Calculation Agent by applying the Rate of Interest to:

(i) in the case of Index Linked Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Index Linked Notes represented by such Global Note; or

(ii) in the case of Index Linked Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such product by the Day Count Fraction specified in the applicable Final Terms and:

(A) defined in Condition 5.1;

(B) defined in Condition 5.2; or

(C) in the case of Notes which pay interest on a semi-annual basis, the Day Count Fraction which is a fraction (1) the numerator of which is the number of days from and including the most recent Interest Payment Date (or Interest Commencement Date if such period is before the first scheduled Interest Payment Date) (to but excluding the next Interest Payment Date or, if earlier, the date of payment); and (2) the denominator of which is two times the number of days (including the first and excluding the last) in the Interest Period) (the **Index Day Count Fraction**),

and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with the applicable market convention).

Where the Specified Denomination of an Index Linked Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(e) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange, or other relevant authority, on which the relevant Index Linked Notes are for the time being listed, or by which they have been admitted to listing, and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, or other relevant listing authority, on which the relevant Index Linked Notes are for the time being listed, or by which they have been admitted to listing, and to the Noteholders in accordance with Condition 15. For the purpose of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Determination or Calculation by the Trustee**

If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to determine or calculate:

(i) the Rate of Interest;

(ii) any Interest Amount in accordance with Condition 5.4(c) above;

(iii) in relation to Notes redeemable in instalments, the Instalment Amount(s);

(iv) the Final Redemption Amount; or

(v) the Early Redemption Amount,

the Trustee shall determine or calculate the same in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5.4 and to the provisions of Condition 6)

and in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition).

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.4, whether by the Calculation Agent, the Principal Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, each Guarantor, the Calculation Agent, the Principal Paying Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of the aforesaid) no liability to the Issuer, each Guarantor, the Noteholders or the Couponholders shall attach to the Calculation Agent, the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.5 Accrual of interest

Each Index Linked Note (or, in the case of the redemption of part only of an Index Linked Note, that part only of such Index Linked Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. INDEXATION

6.1 Definitions

This Condition **6** is applicable only if the applicable Final Terms specifies the Notes as Index Linked Notes.

In these Conditions:

Base Index Figure means (subject to Condition 6.3) the base index figure as specified in the relevant Final Terms;

Calculation Date means any date when an Interest Amount or principal amount, as the case may be, falls due;

CPI means the U.K. Consumer Price Index (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

CPIH means the U.K. Consumer Price Index including owner occupier's housing costs (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

Expert means a gilt-edged market maker, an independent investment bank or other expert in London appointed by the Issuer;

Index or **Index Figure** means, subject as provided in Conditions 6.3, 6.5 and 8.4, either RPI, CPI or CPIH as specified in the relevant Final Terms;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, and if "3 months lag" is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$RPI_{m-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times \left(RPI_{m-2} - RPI_{m-3}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI_m-3 means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due; and

RPI_m-2 means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, and if "8 months lag" is specified in the applicable Final Terms, mean the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

Where CPI is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, be calculated in accordance with the following formula:

$$CPI_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times \left(CPI_{m-(t-1)} - CPI_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

CPIm-t means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period "t" has a value of 2 to 24 as specified in the applicable Final Terms;

Where CPIH is specified as the Index in the relevant Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.4, be calculated in accordance with the following formula:

$$CPIH_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times \left(CPIH_{m-(t-1)} - CPIH_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

CPIHm-t means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period "t" has a value of 2 to 24 as specified in the applicable Final Terms;

Indexed Benchmark Gilt means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange that is indexed to the same Index as the Notes and whose average maturity most closely matches that of the Notes as the Expert shall determine to be appropriate;

Index Ratio applicable to any Calculation Date means the Index Figure applicable to such month or date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

Reference Gilt means the Treasury Stock specified in the applicable Final Terms (or, if such stock is not in existence, such other index-linked stock issued by or on behalf of HM Government as the Issuer, on the advice of the Expert, may consider to be the most appropriate reference government stock for the Index Linked Notes); and

RPI means the U.K. Retail Price Index (for all items) published by the Office for National Statistics (January 1987 = 100) as published by HM Government.

6.2 Indexation of Principal

The Final Redemption Amount, the Early Redemption Amount and the Optional Redemption Amount in respect of the Index Linked Notes shall be the nominal amount of the Index Linked Notes multiplied by the Index Ratio applicable to the date on which the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as the case may be) becomes payable (as determined in accordance with Condition 6.1), provided that:

(a) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

(b) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and

(c) the Calculation Agent will calculate the Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount (as the case may be) as soon as reasonably practicable after each time such amount is capable of being determined and will notify the Principal Paying Agent thereof as soon as practicable after calculating the same. The Principal Paying Agent will as soon as practicable thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 15.

6.3 Changes in Circumstances Affecting the Index

(a) Change in Base: If at any time and from time to time the Index is changed by the substitution of a new base for it, then with effect from (and including) the month in respect of which such substitution takes effect:

(i) the definition of Index and Index Figure in Condition 6.1 shall be deemed to refer to the month and/or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, for such other date or month as may have been substituted for it); and

(ii) the definition of Base Index Figure in Condition 6.1 shall be amended to mean the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index immediately prior to such substitution.

(b) Delay in publication of the Index: If in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee may fall with Condition 6.5 or Condition 8.4 (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 6.5 or Condition 8.4), the Index Figure relating to any month (the **calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure

applicable to any date is not published on or before the fourteenth day before the date on which such payment is due (the **date for payment**), the Index Figure for the relevant calculation month shall be:

(i) the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation or payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more of HM Government's index-linked stocks that is indexed to the same Index as the Notes, as determined by the Expert; or

(ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

6.4 Application of Changes

Where the provisions of Condition 6.3(b) apply, the Issuer shall deliver to the Principal Paying Agent and Calculation Agent a certificate, acting on the sole advice of the Expert, as to the Index Figure applicable to the date for payment which shall be conclusive and binding. If a substitute index is published as specified in Condition 6.3(b)(i) above, a determination made based on that Index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published.

If no substitute index is so published and the index relating to the date for payment is subsequently published then:

(a) in the case of an Index Linked Note not falling due for redemption on the date for payment of interest or principal (as the case may be), if the index so subsequently published (if published when such Note remains outstanding) is greater or less than the Index applicable by virtue of Condition 6.3(b)(ii), the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest or principal (as the case may be) next payable on that Note on the date for payment on the basis of the index applicable by virtue of the preceding paragraph fell short of, or (as the case may be) exceeded the interest or principal (as the case may be) which would have been payable on that Note if the Index subsequently published had been published on or before the fourteenth business day before the date for payment; or

(b) in the case of any Note falling due for final redemption on the date of payment, no subsequent adjustment to amounts paid will be made.

6.5 Cessation of or Fundamental Changes to the Index

If the Index ceases to be published or any changes are made to it which, in the opinion of the Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), the Expert recommends for the purposes of the Index Linked Notes one or more adjustments to the Index or substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index had not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to

the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 15.

If any payment in respect of the Index Linked Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer or each Guarantor shall (if the Index Figure applicable (or deemed applicable) to the date of payment is not available in accordance with the provisions of Condition 6.1) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Index Linked Notes having been made on the basis of an index deemed applicable under Condition 6.3(b)(i) above (also referred to below as a "provisional payment") the Expert subsequently determines that the relevant circumstances fall within this Condition 6.5, then:

(a) except in the case of a payment on redemption of the Index Linked Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Index Linked Notes on the Interest Payment Date next succeeding the date on which the Issuer and the Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short or, (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or

(b) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

6.6 Trustee Action and/or Steps

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and it will not be responsible for identifying or appointing an Expert. The Trustee may rely absolutely on any determination made or advice given by the Expert without need for further investigation.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto).

7.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Index Linked Note, or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

7.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due,

endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Guarantors, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the relevant Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the relevant Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or any Guarantor.

7.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):

(i) in the case of Notes in definitive form only, in the relevant place of presentation; and

(ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.9); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

8.2 Redemption for tax reasons

Subject to Condition 8.9, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Index Linked Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Index Linked Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) the Issuer has, or on the occasion of the next payment due under the Notes will, become obliged to pay additional amounts as provided or referred to in Condition 9 or either Guarantor would be unable for reasons outside its control to procure payment by the Issuer or the other Guarantor and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or the Guarantors taking reasonable measures available to them,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the relevant Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.9 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

For the purposes of this Condition 8.3, the Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if either Modified Spens Amount or Make-Whole Amount is specified in the applicable Final Terms, will be:

If **Modified Spens Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount equal to the higher of (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the nominal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Independent Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Independent Financial Adviser.

If **Make-Whole Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Independent Financial Adviser equal to the higher of (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

For the purposes of this Condition 8.3:

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Independent Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

IFA Selected Bond means a government security or securities (which, if the Specified Currency is euro, will be a German *Bundesobligationen*) selected by the Independent Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Independent Financial Adviser means an independent financial institution of international repute appointed by the Issuer at its own expense;

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms or, if no such bond is set out or if such bond is no longer outstanding, shall be the IFA Selected Bond;

Reference Bond Price means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Independent Financial Adviser obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

Reference Date will be set out in the relevant notice of redemption;

Reference Government Bond Dealer means each of five banks selected by the Issuer (or the Independent Financial Adviser on its behalf), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Independent Financial Adviser, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Independent Financial Adviser by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from (and including) the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 8.3.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

8.4 Redemption for Index Reasons

(a) In the case of Index Linked Notes, if:

(i) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer shall, within 14 days of the expiry of such

period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at their Early Redemption Amount referred to in Condition 8.9 below together with interest accrued to (but excluding) the date of redemption; or

(ii) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the Issuer may at its option, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at their Early Redemption Amount referred to in Condition 8.9 below together with interest accrued to (but excluding) the date of redemption.

8.5 Conditional Optional Redemption

In connection with any redemption of any Notes under Condition 8.3 or Condition 8.6, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent including, but not limited to, a financing condition. If any such redemption is subject to the satisfaction of one or more conditions precedent, the notice of redemption may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. If no such conditions precedent are specified in the notice of redemption, any such notice of redemption by the Issuer to the Noteholders shall be irrevocable.

8.6 Redemption at the option of the Issuer (Issuer Maturity Par Call)

If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the Maturity Par Call Period specified as being applicable in the applicable Final Terms, at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

8.7 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of this Condition 8.7, the Optional Redemption Amount will be the amount specified in the applicable Final Terms.

To exercise the right to require redemption of this Note pursuant to this Condition 8.7, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice (or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.7) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.7.

8.8 Redemption at the option of the Noteholders upon Change of Control

If Change of Control Put Option is specified as being applicable in the applicable Final Terms and if, at any time while any of the Notes remains outstanding, a Change of Control Put Event (as defined below) occurs, then the holder of each such Note will have the option (a **Change of Control Put Option**) (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 8.2 or 8.3 above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Change of Control Put Period (as defined below) (or such other date as may be specified in the applicable Final Terms, the **Change of Control Put Date**) at the Optional Redemption Amount specified in the applicable Final Terms together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Put Date.

A **Change of Control Put Event** will be deemed to occur if:

(a) either:

(i) at any time prior to (but not including) a Listing, the Investors cease (directly or indirectly) to Control the Parent; or

(ii) at any time after (but not including) a Listing, any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than any holding company (as defined in section 1159 of the Companies Act 2006 as

amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Parent, acquires Control of the Parent,

(either of sub-paragraphs (i) and (ii) above being a **Change of Control**); and

(b) on the date (the **Relevant Announcement Date**) that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry:

(i) an investment grade credit rating (Baa3/BBB-, or their respective equivalents, or better) (an **Investment Grade Rating**) from any Rating Agency which is provided by such Rating Agency at the invitation of the Issuer or any Guarantor (or, where there is no rating from any Rating Agency assigned at the invitation of the Issuer or any Guarantor, the then current rating (if any) assigned by any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or their respective equivalents, or worse) (a **Non-Investment Grade Rating**) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency; or

(ii) a Non-Investment Grade Rating from any Rating Agency which is provided by such Rating Agency at the invitation of the Issuer or any Guarantor (or, where there is no rating from any Rating Agency assigned at the invitation of the Issuer or any Guarantor, the then current rating (if any) assigned by any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from Ba1 to Ba2 or such similar lowering) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if, at the time of the occurrence of the Change of Control, the Notes carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then sub-paragraph (b)(i) will apply; and

(c) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (i) and (ii) above or not to award at least an Investment Grade Rating as described in paragraph (ii) of the definition of "Negative Rating Event", the relevant Rating Agency announces publicly or confirms in writing to the Issuer or any Guarantor that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

Promptly upon the Issuer or any Guarantor becoming aware that a Change of Control Put Event has occurred, the Issuer or such Guarantor shall, and, at any time upon the Trustee receiving express written notice of such Change of Control Put Event, the Trustee may, and, if so requested by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a **Change of Control Put Event Notice**) to the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the right to require redemption or purchase of this Note pursuant to this Condition 8.8 the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the period (the **Change of Control Put Period**) of 30 days after a Change of Control Put Event Notice is given or such other date as may be specified in the applicable Final Terms, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Change of Control Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Change of Control Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or purchase of this Note the holder of this Note must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.8) shall be irrevocable except where, prior to the due date of redemption or purchase, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.8.

If the rating designations employed by any of Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited or Moody's Investors Services Limited are changed from those which are described in paragraph (b) of the definition of "Change of Control Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer or any Guarantor shall determine, with the agreement of the Trustee, the rating designations of Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited or Moody's Investors Services Limited or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited or Moody's Investors Services Limited, and this Condition 8.8 shall be construed accordingly.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 8.8, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their Optional Redemption Amount specified in the applicable Final Terms, together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or Negative Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control or Negative Rating Event has occurred, or to seek any confirmation from any Rating Agency pursuant to paragraph (c) above and,

until it shall have received express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or Negative Rating Event other such event has occurred.

In this Condition:

Control means, in respect of an entity:

(a) having the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(i) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of that entity;

(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of that entity; or

(iii) give directions with respect to the operating and financial policies of that entity with which the directors or other equivalent officers of that entity are obliged to comply; or

(b) holding beneficially more than 50% of the issued share capital of that entity (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

Change of Control Period means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

Listing means the listing or the admission to trading of all or any part of the share capital of the Parent on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to Parent in any jurisdiction or country;

a **Negative Rating Event** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer or any Guarantor does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or (ii) if the Issuer or any Guarantor does so seek and use such endeavours, it is unable to obtain such an Investment Grade Rating by the end of the Change of Control Period;

Rating Agency means S&P, Fitch or Moody's or any of their respective successors or any rating agency of equivalent international standing (a **Substitute Rating Agency**) substituted for any of them by the Issuer or any Guarantor from time to time with the prior written approval of the Trustee; and

Relevant Potential Change of Control Announcement means any public announcement or statement by the Parent or any other member of the Group, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where, within 180 days following the date of such announcement or statement, a Change of Control occurs.

8.9 Early Redemption Amounts

For the purpose of Conditions 8.2, 8.4 and Condition 11:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount;

(b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{y}$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365); and

(c) each Index Linked Note will be redeemed at the Early Redemption Amount, subject to adjustment in accordance with Condition 6.2.

8.10 Purchases

The Issuer, any Guarantor or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, the relevant Guarantor or the relevant Subsidiary, as applicable, surrendered to a Paying Agent or the Registrar for cancellation.

8.11 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.10 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.12 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 to 8.8 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.9(b) above as though

the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or any Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the United Kingdom; or

(b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting such Note or Coupon for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or

(d) in respect of a FATCA Deduction.

As used herein:

(i) **FATCA Deduction** means a deduction or withholding from a payment made under or pursuant to the Notes required by FATCA;

(ii) **FATCA** means:

(A) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (as amended) or any associated regulations;

(B) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (A) above; or

(C) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (A) or (B) above with the US Internal Revenue Service, the US Government or any governmental or taxation authority in any other jurisdiction.

(iii) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the relevant Guarantor, as the case may be, of principal and interest on the Notes become generally subject; and

(iv) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

10. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs 11.1(b), 11.1(d) (other than the winding up or dissolution of the Issuer or any Guarantor), 11.1(e) to 11.1(h) inclusive or any other event having an analogous effect pursuant to paragraph 11.1(j) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

(a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 15 days in the case of interest; or

(b) if the Issuer or a Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, a Guarantor or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, a Guarantor or any Principal Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, a Guarantor or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made

by the Issuer, a Guarantor or any Principal Subsidiary in making any payment on the due date as extended by any originally applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event referred to in this Condition 11.1(c) shall constitute an Event of Default unless the relative Indebtedness for Borrowed Money either alone or when aggregated with other Indebtedness for Borrowed Money relative to all (if any) other such events which shall have occurred shall amount to at least £25,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, a Guarantor or any Principal Subsidiary, save for the purposes of a Permitted Reorganisation; or

(e) (i) if the Issuer, a Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a Permitted Reorganisation, or (ii) the Issuer, a Guarantor or any Principal Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer, a Guarantor or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, a Guarantor or any Principal Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(g) if the Issuer, a Guarantor or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), in each case, save for the purposes of a Permitted Reorganisation; or

(h) if the Issuer or any Guarantor (other than the Parent) ceases to be a Subsidiary of the Parent; or

(i) if the Guarantee ceases to be, or is claimed by the Issuer or a Guarantor not to be, in full force and effect; or

(j) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

11.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or either or both of the Guarantors as it may think fit to enforce the provisions of the Trust

Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11.3 Definitions

For the purposes of the Conditions:

Principal Subsidiary means any Subsidiary of the Parent whose total assets (excluding intra-Group items) at any time represents 10 per cent. or more of the total assets of the Group.

A report by two Authorised Signatories of the Parent whether or not addressed to the Trustee that in its opinion a Subsidiary of the Parent is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

Permitted Reorganisation means:

(a) any reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution;

(b) in the case of a Guarantor, any solvent reorganisation where all or substantially all of the undertaking and assets of the relevant Guarantor are transferred to or otherwise vested in one or more other Guarantor(s) or an entity which upon such transfer or vesting simultaneously accedes as an Additional Guarantor pursuant to Condition 3.3 above;

(c) in the case of a Principal Subsidiary which is not a Guarantor, any solvent reorganisation where all or substantially all of the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in one or more Guarantors or another of the Parent's Subsidiaries;

(d) in the case of a Principal Subsidiary which is not a Guarantor, any transaction under which the whole or substantially the whole of such Principal Subsidiary's business is transferred to a third party for full consideration on arms' length terms; or

(e) in the case of a Principal Subsidiary which is not a Guarantor, a voluntary solvent winding-up where surplus assets are available for distribution.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and

indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar and, whilst any Index Linked Notes are outstanding, a Calculation Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than any jurisdiction in which the Issuer or any Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantors and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided

above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, AND MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes and the Coupons or any of the provisions of the Trust Deed and/or Agency Agreement. Such a meeting may be convened by the Issuer, or any Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent

given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Parent, subject to (i) the Notes being unconditionally and irrevocably (subject as provided in Condition 3.4) guaranteed on a joint and several basis by the Guarantors, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iii) certain other conditions set out in the Trust Deed being complied with.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTORS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including:

(i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction; and

(ii) provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer, either Guarantor and any entity related to the Issuer or the Guarantors without accounting for any profit.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, Guarantor and/or any Subsidiary of the Parent and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer,

any Guarantor and/or any Subsidiary of the Parent, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and construed in accordance with, English law.

20.2 Submission to jurisdiction

(a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 Other documents and the Guarantors

The Issuer and the Guarantors have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts.

USE OF PROCEEDS

The net proceeds of the first issue of Notes under the Programme will be applied by the Issuer for the purpose described below. The net proceeds from each subsequent issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of a subsequent issue of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

Refinancing of the Group's existing financial indebtedness

The net proceeds of the first issue of Notes under the Programme (the date on which such Notes are issued, being the **Initial Issue Date**) will be applied on or shortly after the Initial Issue Date towards refinancing financial indebtedness under the Existing Notes (defined below) and paying related hedging and transaction costs, in a total amount outstanding of approximately £3,950,000,000, as described further below (the **Refinancing**).

On the Initial Issue Date:

(a) the proceeds of the refinancing (which are expected to be around £3,950,000,000 (the **Refinancing Amount**)), comprising:

  (i) around £3,400,000,000, which will consist of any term loan drawings made under the facilities agreement to be entered into by the Issuer on or before the Initial Issue Date (the **Facilities Agreement**) together with any net proceeds of a first issue of Notes under the Programme; and

  (ii) around £550,000,000 of new equity to be raised from existing investors; and

(b) the Group will repay in full all amounts outstanding under the intra-Group loans relating to the transactions entered into in connection with the Existing Notes (the **Intra-Group Loans**) to enable the redemption or defeasance of the Existing Notes, as described below.

Redemption and defeasance of the Existing Notes

On or shortly after the Initial Issue Date, following the repayment in full of the Intra-Group Loans:

(a) Annington Finance No. 1 plc (**AF No.1**) will redeem in full the outstanding 8 per cent. secured notes due 2021 issued by AF No.1 (the **AF1 Notes**) and pay any applicable premium or make-whole amount;

(b) Annington Finance No. 4 plc (**AF No.4**):

  (i) will redeem in full the outstanding class A secured zero coupon notes due 2022 issued by AF No.4 (the **AF4 Class A Notes**) and pay any applicable premium or make-whole amount;

  (ii) will redeem in full the outstanding class B1 secured zero coupon notes due 2023 issued by AF No.4 (the **AF4 Class B1 Notes**) and pay any applicable premium or make-whole amount;

  (iii) will redeem in full the outstanding class C1 fixed rate notes due 2023 issued by AF No.4 (the **AF4 Class C1 Notes**) and pay any applicable premium or make-whole amount; and

  (iv) will defease the outstanding class B3 secured floating rate notes due 2023 issued by AF No.4 (the **AF4 Class B3 Notes**) and the outstanding class M secured fixed / floating rate notes due 2023 (the **AF4 Class M Notes** and, together with the AF4 Class B3 Notes, the **AF4 Defeased Notes**) by transferring an amount equal to the aggregate amount of

outstanding principal and interest that will be payable in respect of the AF4 Defeased Notes (on the applicable date of redemption) to one or more defeasance accounts held in the name of AF No.4 and secured for the benefit of the holders of the AF4 Defeased Notes; and

(c) Annington Finance No.5 plc (**AF No.5**) will satisfy and discharge the outstanding senior PIK notes due 2023 issued by AF No.5 (the **AF5 Discharged Notes**) by transferring an amount equal to the aggregate amount of outstanding principal, interest and make-whole amount that will be payable in respect of the AF5 Discharged Notes (on the applicable date of redemption) to an account held in the name of the note trustee (the **AF5 Trustee** and such account, the **AF5 Account**) in respect of the AF5 Discharged Notes,

(the AF1 Notes, the AF4 Class A Notes, the AF4 Class B1 Notes, the AF4 Class C1 Notes, the AF4 Defeased Notes and the AF5 Discharged Notes being the **Existing Notes**); and

(d) in conjunction with the foregoing, all security and guarantees granted by the relevant Group Companies in respect of the Existing Notes (other than AF No.4 as to which see below) will be terminated and released.

The security granted by AF No.4 over its assets will remain in place until the AF4 Defeased Notes are redeemed in full. Immediately following the redemption of the AF4 Defeased Notes, the security granted by AF No.4 will be fully released and discharged.

Redemption of the AF4 Defeased Notes

On or around 10 October 2017, AF No.4 will apply the amounts standing to the credit of its defeasance account(s) to redeem in full the AF4 Defeased Notes and pay accrued but unpaid interest.

Redemption of the AF5 Discharged Notes

On or around 28 July 2017 (and subject to the Issuer having received the Refinancing Amount), the AF5 Trustee will apply the amounts standing to the credit of the AF5 Account to redeem in full the AF5 Discharged Notes at the relevant make-whole amount and pay accrued but unpaid interest.

Other uses of the Refinancing Amount

On or about 24 December 2013 Annington Rentals (Holdings) Limited, as borrower and The Royal Bank of Scotland plc as facility agent entered into a facility agreement (the **Existing Facility Agreement**). As of the date of this Offering Circular, there is approximately £143,000,000 outstanding under the Existing Facility Agreement. The Existing Facility Agreement may or may not be repaid on or shortly after the Initial Issue Date.

The remaining Refinancing Amount will be applied towards (i) paying related hedging costs, (ii) paying certain costs and expenses associated with the Refinancing and (iii) capitalising certain intercompany loans and shareholder loans and notes.

DESCRIPTION OF THE ISSUER

Annington Funding plc

Annington Funding plc (the **Issuer**) was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 11 May 2017 with registered number 10765119. The registered office of the Issuer is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. The Issuer's issued share capital comprises 50,000 ordinary shares of £1 fully paid up. The Issuer is a direct wholly-owned subsidiary of Annington Homes Limited.

The Issuer is a finance subsidiary formed for the purpose of funding the operations of the Group. The Issuer's activities will principally comprise (a) raising finance, including (but not limited to) by issuing Notes from time to time under the Programme, (b) making the proceeds of such finance-raising available to the Group, and (c) other activities which are reasonably incidental to the activities described in this paragraph.

The Issuer has no subsidiaries.

The directors of the Issuer and their respective principal activities or business occupations are:

Name	Principal Activities / Business Occupation
Andrew Peter Chadd	Chief Financial Officer
James Christian Hopkins	Chief Executive Officer
Nicholas Peter Vaughan	Commercial Director

The board of directors of the Issuer is generally responsible for managing the business and affairs of the Issuer. A biography of each director of the Issuer is set out below under "*Description of the Original Guarantors—Annington Limited*".

None of the directors of the Issuer has any potential conflict of interests between duties to the Issuer and their private interests or other duties.

The business address for each of the directors of the Issuer is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of the Issuer. The registered office of Deloitte LLP is 2 New Street Square, London, EC4A 3BZ.

As at the date of this Offering Circular no financial statements have been prepared by the Issuer.

DESCRIPTION OF THE ORIGINAL GUARANTORS

Annington Limited

Annington Limited (**AL**) was incorporated in England and Wales as a private company limited by shares under the Companies Act 2006 on 29 October 2012 with registered number 08271384. The registered office of AL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. AL's issued share capital comprises 8,475,620,000 ordinary shares of £0.01 paid up per share. AL is the direct wholly-owned subsidiary of Annington Holdings (Guernsey) Limited.

AL, the parent of the Group, is a holding company and does not carry on any operating business. AL is the direct holding company of Annington Homes Limited.

The directors of AL and their respective principal activities or business occupations are:

Name	Principal Activities / Business Occupation
Andrew Peter Chadd	Chief Financial Officer
Fraser Scott Duncan	Director
James Christian Hopkins	Chief Executive Officer
Justin Matthew King	Director
Baroness Helen Lawrie Liddell	Director / Chairman
Jonathan Ottley Short	Director / Deputy Chairman
Dominic Lee Spiri	Director
Nicholas Peter Vaughan	Commercial Director
Steven Keith Webber	Director

The board of directors of AL is generally responsible for managing the business and affairs of AL.

None of the directors of AL has any potential conflict of interests between duties to AL and their private interests or other duties.

The business address for each of the directors of AL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of AL. The registered office of Deloitte LLP is 2 New Street Square, London, EC4A 3BZ.

Baroness Helen Liddell (Chairman)

Baroness Helen Liddell has considerable political experience, having previously been a Member of Parliament from 1994-2005, during which time she held a variety of influential positions including Economic Secretary to the Treasury, Minister for Transport, Minister for Energy and Competitiveness in Europe and the Secretary of State for Scotland. Between 2005 and 2009, she was the British High Commissioner to Australia. Prior to this, she held positions in the Scottish Trades Union Congress, worked for the BBC, the Scottish Daily Record and the Sunday Mail and was the Chief Executive of Business Ventures.

Jonathan Ottley Short (Deputy Chairman)

Jonathan Ottley Short has a background predominately in banking and finance, having worked for American National Bank and Trust Company, S.G.Warburg, Baring Brothers, Lazard and Pramerica Real Estate Investors before setting up his own fund, Internos Global Investors, in 2007 where he is the Chairman. Internos is a pan-European investment manager which operates across the risk spectrum from core real estate to opportunistic and private equity investment including hotel and healthcare real estate. It currently has €3.5 billion of assets under management, fourteen funds and 10 separate accounts with offices in eight cities.

James Hopkins (Chief Executive Officer)

James Hopkins joined the Group as Chief Executive Officer in July 1998. He is also a Trustee of the Annington Trust. He was previously the Managing Director of Hanson Land Limited. Prior to joining Hanson plc in 1987, he spent six years in the Army where he served in a variety of roles with his regiment, The Life Guards.

Andrew Chadd (Chief Financial Officer)

Andrew Chadd has 29 years' experience in finance and has been the Chief Financial Officer of the Group since October 2012. Prior to joining the Group, he spent 13 years with Terra Firma and Nomura's PFG (the predecessor of Terra Firma). During that time, he was the Finance Director with responsibility for a number of Terra Firma's portfolio businesses, including the Group, and worked on numerous mergers and acquisitions.

Nick Vaughan (Commercial Director)

Nick Vaughan has 32 years' experience in the real estate sector and joined the Group in December 1998 as Financial Analyst, Strategy and Programme Manager. He was appointed Commercial Director in January 2001. Prior to joining the Group, he worked for The British Land Company plc in various roles, including Finance Director of the health club division and in strategic projects and acquisitions. Prior to that, he was the Financial Director of a number of Rosehaugh plc group companies.

Fraser Duncan (Non-Executive)

Fraser Duncan joined the Board of AL on 17 December 2012. He also chairs the Audit, Finance and Nomination & Remuneration Committees.

Justin King (Non-Executive)

Justin King joined Terra Firma as Vice Chairman and Head of Portfolio Businesses in September 2015. Subsequently, he joined the Board of AL in March 2016, as a representative of Terra Firma. He has a wealth of business experience, including as CEO of Sainsbury's between 2004 and 2014.

Dominic Spiri (Non-Executive)

Dominic Spiri joined the Board of AL on 1 August 2016 and is also a member of Terra Firma's Executive Committee. He joined Terra Firma's Finance team in 2005 as a tax and structuring specialist. Before that, he worked in Deloitte's Private Equity Transaction Services Group.

Steven Webber (Non-Executive)

Steve Webber joined the Board of AL on 9 July 2012 but has had a continuing involvement with the Group since its formation in 1996.

Annington Homes Limited

Annington Homes Limited (**AHL**) was incorporated in England and Wales as a private company limited by shares under the Companies Act 1985 on 29 July 1996 with registered number 3232682. The registered office of AHL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. AHL's issued share capital comprises 1 ordinary share of £1 fully paid up. AHL is the direct wholly-owned subsidiary of AL.

AHL is a holding company and does not carry on any operating business. AHL is the direct holding company of the Issuer, Annington Rentals (Holdings) Limited (the holding company of the group of companies holding the Non-MQE Portfolio) and Annington Developments Holding Limited (the holding company for joint venture and development activity) and the indirect holding company of Annington Property Limited (a description of which is below).

The directors of AHL and their respective principal activities or business occupations are:

Name	Principal Activities / Business Occupation
Andrew Peter Chadd	Chief Financial Officer
James Christian Hopkins	Chief Executive Officer
Nicholas Peter Vaughan	Commercial Director

The board of directors of AHL is generally responsible for managing the business and affairs of AHL. A biography of each director of AHL is set out above under "*—Annington Limited*".

None of the directors of AHL has any potential conflict of interests between duties to AHL and their private interests or other duties.

The business address for each of the directors of AHL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of AHL. The registered office of Deloitte LLP is 2 New Street Square, London, EC4A 3BZ.

Annington Property Limited

Annington Property Limited (**APL**) was incorporated in England and Wales as a private company limited by shares under the Companies Act 1985 on 29 July 1996 with registered number 03232852. The registered office of APL is at 1 James Street, London, W1U 1DR, telephone number +44 (0)20 7960 7500. APL's issued share capital comprises 1 ordinary share of £1 fully paid up. APL is an indirect wholly-owned subsidiary of AHL.

APL is the property owning company which holds the Married Quarters Estate, a description of which is set out in "*Description of the Group—Married Quarters Estate*".

The directors of APL and their respective principal activities or business occupations are:

Name	Principal Activities / Business Occupation
Andrew Peter Chadd	Chief Financial Officer
James Christian Hopkins	Chief Executive Officer
Sally Elizabeth Parsons	Property Director
Nicholas Peter Vaughan	Commercial Director

The board of directors of APL is generally responsible for managing the business and affairs of APL. A biography of each director of APL is set out above under "*—Annington Limited*".

None of the directors of APL has any potential conflict of interests between duties to APL and their private interests or other duties.

The business address for each of the directors of APL is 1 James Street, London W1U 1DR, United Kingdom.

Deloitte LLP are the auditors of APL. The registered office of Deloitte LLP is 2 New Street Square, London, EC4A 3BZ.

DESCRIPTION OF THE GROUP

Overview

The Group is one of the largest private owners of residential property in the United Kingdom. The primary property asset of the Group is a portfolio of residential property units (**Units**) which it acquired from the Ministry of Defence (the **MoD**) on 5 November 1996 (the **1996 Acquisition Date**) for a total consideration of £1.662 billion (the **1996 Acquisition**), the largest ever acquisition of its kind in the United Kingdom. Collectively, these properties are referred to herein as the **Married Quarters Estate**. The Married Quarters Estate is held by APL.

On the 1996 Acquisition Date, the Married Quarters Estate consisted of:

- 765 sites on which one or more Units were located (**Sites**), almost all on 999-year leases, comprising 55,060 Units (the **Retained Estate**), which were then leased back to the MoD for a term of 200 years to provide the majority of the MoD's subsidised accommodation (**Service Family Accommodation**) for Armed Forces service personnel and their families in the UK (**Service Families**). The MoD subsequently combined various Units to create larger single properties, such that the revised total number of Units within the original Retained Estate was 55,051;
- 58 Sites comprising 2,374 Units (the **Surplus Estate**), which were no longer required by the MoD for purposes of providing Service Family Accommodation; and
- certain related assets (**Related Assets**), consisting primarily of buildings used for purposes such as housing administration and welfare offices, community centres, crèches and thrift shops, as well as playground areas, sports pitches, tennis and squash courts and undeveloped open spaces.

As at 31 December 2016:

- the Retained Estate comprised 38,979 Units (**Retained Units**) and 181 Related Assets, representing approximately 78% of the MoD's total Service Family Accommodation; and
- the Surplus Estate comprised 164 Units (**Surplus Units**).

In addition to the Married Quarters Estate, the Group operates a separate property portfolio of private rented sector accommodation which does not form part of the Married Quarters Estate (the **Non-MQE Portfolio**), which, as of 31 December 2016, consisted of 1,388 properties owned and 78 managed property units, let on bulk or assured shorthold tenancies.

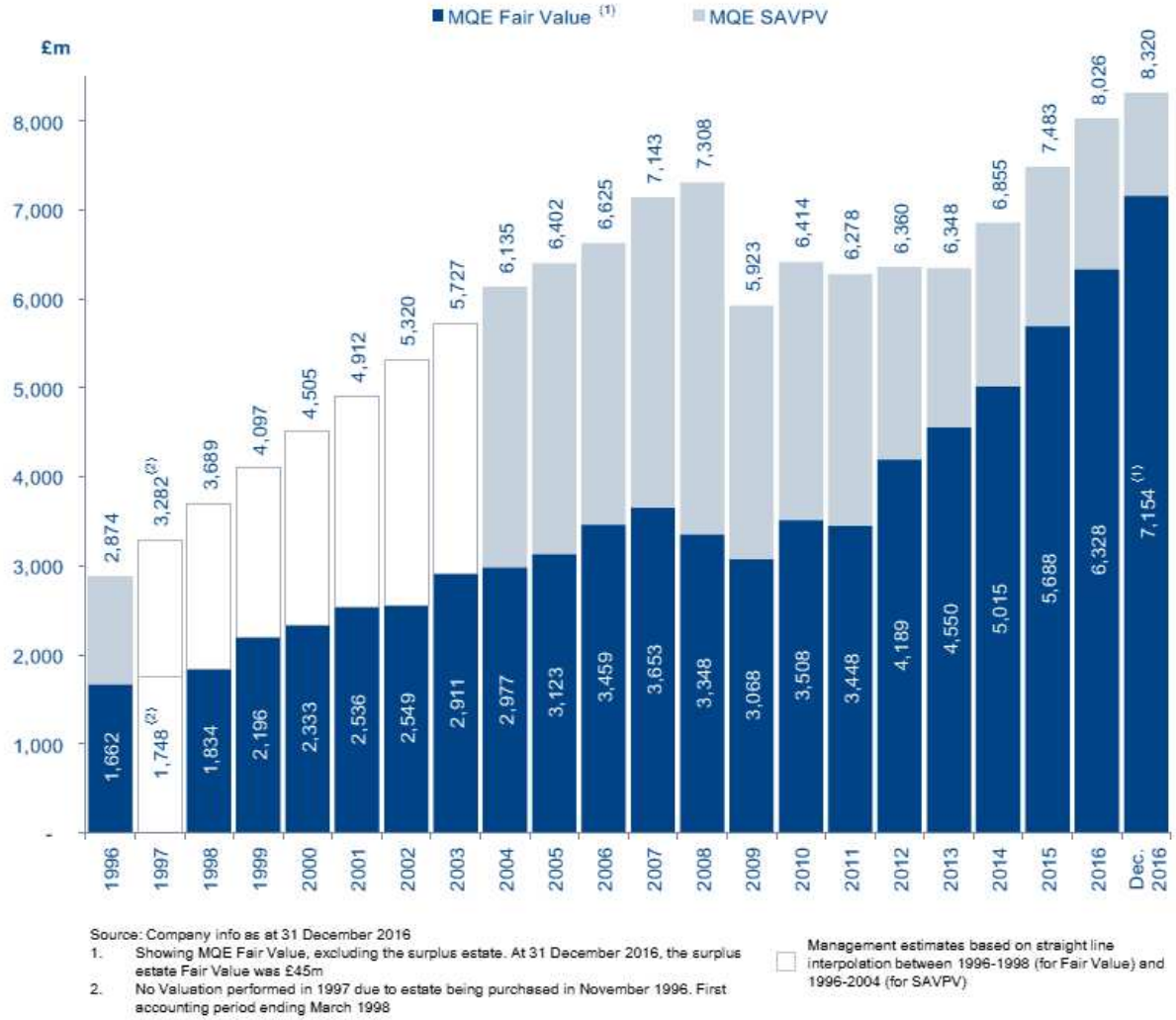
The Group also has an in-house development capability (**Developments**), which was established in 1999 for the purpose of providing planning and development support including by entering into joint venture arrangements.

Married Quarters Estate

The Married Quarters Estate, held by APL, is the core asset of the Group. APL's primary business consists of renting Retained Units to the MoD, conducting periodic rent reviews and selling or renting out Units which are released by the MoD from the Retained Estate from time to time.

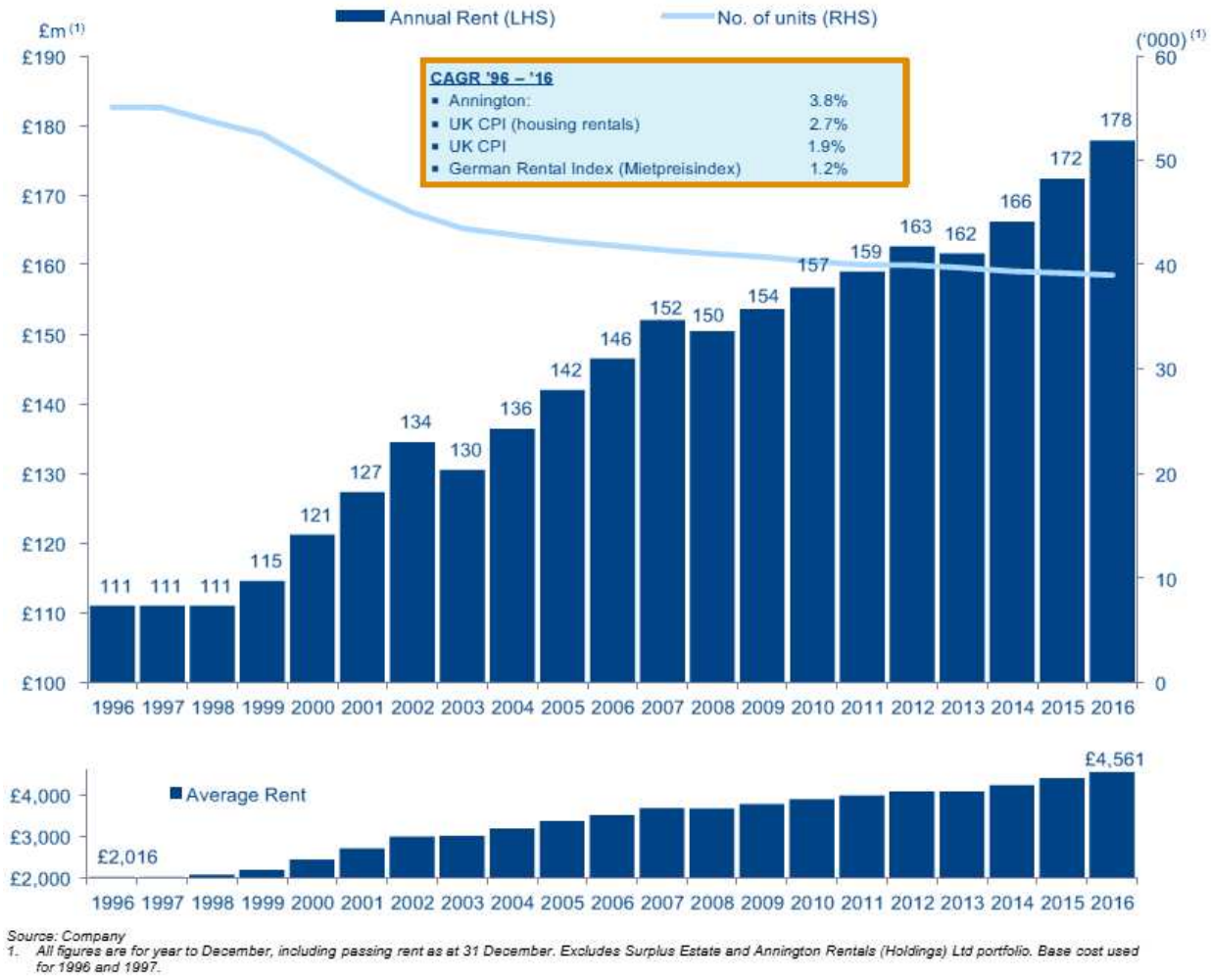
As of 31 December 2016, the fair value of the Married Quarters Estate is estimated to be £7,198.6 million and the SAVPV is estimated to be £8,364.6 million.

The graph below sets out the estimated fair value and the SAVPV of the Retained Estate. It does not include the Surplus Estate (unlike the fair value estimate for the Married Quarters Estate above which is in respect of both the Retained Estate and the Surplus Estate).



Following the completion of the most recent Rent Review, as at 31 December 2016, annualised passing rent in respect of the Married Quarters Estate was £178.0 million. For the financial year ended 31 March 2016, APL generated £120.6 million of gross income by selling Units released by the MoD from the Retained Estate.

Married Quarters Estate rental stream, stated as at 31 December



Source: Company
1. *All figures are for year to December, including passing rent as at 31 December. Excludes Surplus Estate and Annington Rentals (Holdings) Ltd portfolio. Base cost used for 1996 and 1997.*

Headleases and Underleases

Headleases

On the 1996 Acquisition Date, the MoD granted a headlease (each, a **Headlease**) for each of the Sites within the Retained Estate to APL for a term of 999 years (where the MoD owned the freehold of the relevant Site) or, where the MoD's interest in the Site was itself leasehold, for a term just shorter than the remaining term of the MoD's lease.

No rent is payable by APL under the Headleases and APL has an option to purchase the MoD's freehold (or leasehold) reversion in the applicable Site for a nominal sum when the Underlease (as defined below) in respect of that Site is terminated in whole or in part.

The MoD retains a right of re-entry in case of any breach of APL's covenants (other than in respect of covenants which the MoD is solely responsible for complying with as tenant under the Underlease). In addition to APL's general right to apply for relief from forfeiture if the MoD seeks to forfeit the Headlease, each Headlease also specifically grants APL a 12-month grace period to remedy any remediable breaches before the MoD can exercise its right of re-entry.

Underleases

Immediately following the grant of each Headlease on the 1996 Acquisition Date, APL granted back to the MoD a corresponding underlease (each, an **Underlease**) for a term of 200 years (or less in the few cases where the MoD has a superior lease of the applicable Site of less than 200 years).

Rent is payable by the MoD in the amount specified in each Underlease.

Rental payments

The Retained Units are rented to the MoD at a 58% discount to open market rent. In 1998, when it was reviewing the 1996 Acquisition, the National Audit Office detailed the component parts of this 58% rent discount as follows:

Benefit to Annington of the Guaranteed Payments	10%
Bulk nature of lettings	20%
Continuing maintenance obligations	28%
Total	**58%**

The MoD is obliged to make rental payments to the Group on all Retained Units, regardless of occupancy, meaning there is no rental void risk while the properties are leased to the MoD. Under the terms of the 1996 Acquisition, the MoD agreed to make certain guaranteed payments (the **Guaranteed Payments**) to the Group until September 2021, which are payable on a quarterly basis in accordance with an agreed payment schedule that reduces over time. The Guaranteed Payments are payable irrespective of the number of Units remaining within the Retained Estate. The remaining Guaranteed Payments are shown in the table below:

Calculation date: 25 December	Amount of Guaranteed Payment for each quarter in the relevant year ending on the calculation date
2017	£12,700,000
2018	£12,025,000
2019	£11,325,000
2020	£10,625,000
2021	£9,950,000

APL also receives additional rent payments from the MoD on a quarterly basis in an amount over and above the applicable Guaranteed Payment to the extent necessary to make up the difference between such Guaranteed Payment and the total amount of rent due on all properties, as calculated by reference to the number of Units rented by the MoD at the applicable time (**Excess Rent**).

The MoD is solely responsible for paying all rates, taxes and other outgoings and for the condition, management and maintenance of the Retained Units that it leases from APL. At lease termination the MoD is obliged to return the premises in good tenantable repair and decorative order. To the extent that the premises are not in this state of repair, the MoD must pay damages, in lieu, for dilapidations. On average, the Group has succeeded in recovering 82% of all amounts claimed from the MoD for dilapidations since 1996.

Rent reviews

At the time of the 1996 Acquisition, the original Retained Estate was split into four broadly homogenous tranches, each encompassing approximately 25% of the Retained Estate (**Tranches**), for purposes of rent reviews (**Rent Reviews**). Rent Reviews are conducted on a five-year rolling basis, with a single Tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year. Given the impracticality of reviewing all Retained Units within a particular Tranche, certain Units, known as **Beacon Units**, located on each Site have been specified in the related underleases as being broadly representative of all of the Units on that particular Site. On the applicable review date, the rent payable on the Beacon Unit is reviewed against the open market rent as of that date, and any resulting percentage change to the Beacon Unit rent is then applied to the Site as a whole. This enables the Group to avoid the administrative costs and delays in respect of the Married Quarters Estate which would otherwise arise out of evaluating all Retained Units located on a particular Site. Rents can increase and decrease as a result of this

review process, subject to a floor, meaning rents cannot fall below the initial rent level that was set at the time of the 1996 Acquisition.

The third round of the fourth Rent Review cycle concluded in December 2016 and resulted in a 17.9% uplift across all reviewed Sites. This represents a £6.6 million increase in rental income per annum. Over the past 19 years, substantially all Rent Reviews have resulted in rent increases at each Site, with only a small minority of Sites experiencing either no change or a decrease in rent.

The results of the previously completed Rent Reviews are summarised in the table below:

As at 25 December	Number of Retained Units	Rent receivable (£'000)	Increase in rent receivable per Unit (%)
1996	55,054	110,985	-
2002	44,987	134,427	48.2%
2007	41,393	152,040	22.9%
2012	39,952	162,603	10.9%

Site reviews

In addition to the Rent Review cycle described above, each Site will be reviewed over a four-year period commencing in December 2021 (the **Site Review**). When the first Site Review is conducted in 2021 the pre-determined discount of 58% to full market rent will cease to apply and the rent will be rebased for each individual Site to the full market rental value for the Site as a whole, reflecting the various features of the underlying lease arrangements with the MoD. Similar to the Rent Review process, the Site Review is performed in four separate tranches, with approximately 25% of Sites being reviewed in each of the respective review years. The Site Review is subsequently repeated on the 15th anniversary of the initial Site Review, with the five-yearly Rent Reviews continuing between each Site Review.

Property releases

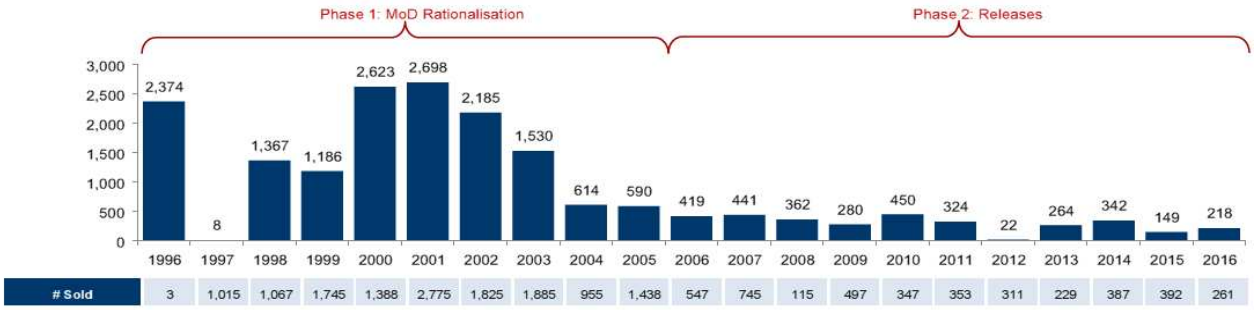
As the MoD's requirements for Service Family Accommodation change, it may choose to give up its rights to occupy Sites (or certain parts thereof) by terminating the related lease upon six months' notice and certain minimum release criteria. Upon termination of a lease, APL is left with vacant possession of the applicable Units released from the Retained Estate (**Released Units**) and is free to use or dispose of them as it sees fit, although historically the Group's financing structures placed limitations on its ability to retain Released Units and therefore take full advantage of a proprietary source of properties for private rental. However, such limitations will no longer be in place following the refinancing of such financing structures with the net proceeds of the first issue of the Notes under the Programme (for further information see "*Use of Proceeds—Refinancing of the Group's indebtedness*"). Subject to certain parameters, the number, location and timing of property releases are at the sole discretion of the MoD and the Group has no control over this process.

As part of the 1996 Acquisition, the MoD agreed to adhere to a minimum property release schedule (the **Minimum Release**), whereby the MoD guaranteed to release a cumulative total of 13,213 properties (in addition to the 2,374 properties in the Surplus Estate) by the end of 2021. The MoD has already satisfied this obligation and is no longer subject to any contractual requirements to release any Units from the Retained Estate.

Pursuant to a utilities agreement entered into between the MoD and APL, the MoD also agreed to continue to provide temporary, interim or long-term supply or disposal for certain utilities (any or all of water, electricity and domestic sewerage) to or from the boundaries of those Sites released to APL where there is intermediate transformation, pumping or treatment of such utility or utilities on the adjacent MoD land.

As of 31 December 2016, in addition to the initial 2,374 Surplus Units the MoD had released a total of 16,072 Released Units together with an additional 181 Related Assets since the 1996 Acquisition Date.

The graph below summarises the number of Released Units released during each calendar year since the 1996 Acquisition Date (including the Surplus Estate as at the time of the 1996 Acquisition) together with the number of Units sold:



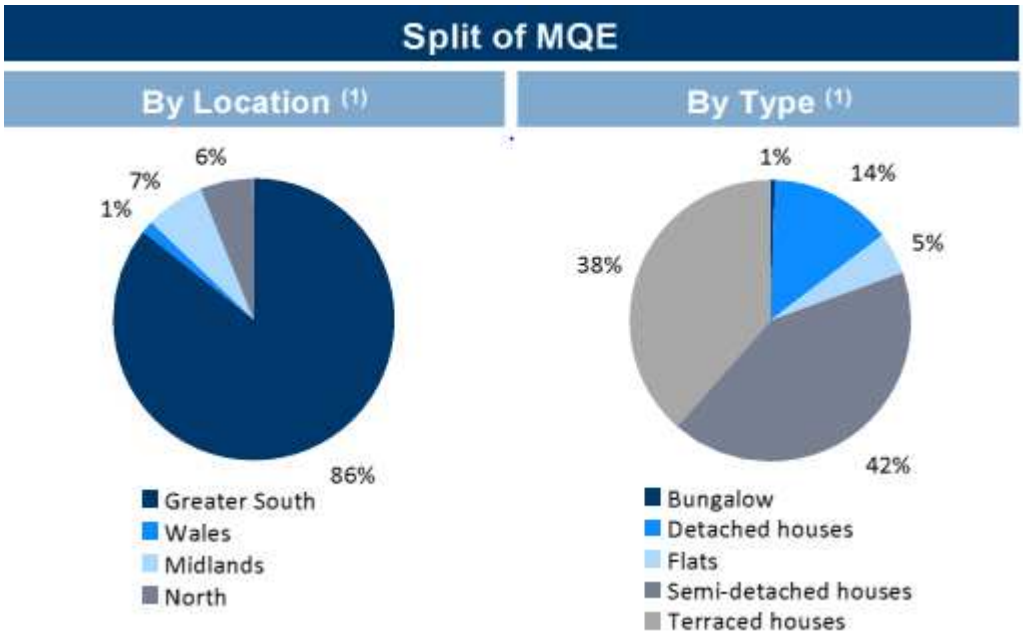
Historically, Released Units were refurbished and sold by APL (including to other members of the Group holding the Non-MQE Portfolio) at arm's length and on market terms, or temporarily leased at open market value, thereby providing an immediate uplift in value given that such properties will no longer be subject to the discounted rent being paid by the MoD prior to their release.

APL has transferred 4.7% of the total Released Units to the Non-MQE Portfolio at fair value. A number of Released Units are also rented to third parties, principally where the Released Units are on or near large retained Sites where they may be held for open market rent comparisons in support of the Beacon Unit rent review process. Where the MoD has from time to time released large numbers of Units on a Site, APL has adopted a mixed disposal strategy of selling and renting, thereby benefiting from earlier occupation and increased income. APL has also rented Units which have been designated for future redevelopment and are capable of generating short-term rental income.

Details of the portfolio

The entire Married Quarters Estate is located in England and Wales. As of 31 December 2016, as measured by property value, approximately 86% of Units within the Retained Estate were located in East Anglia, Greater London, the South East and the South West.

The majority of the Retained Estate consists of Units located on Sites that form part of or are near to military bases. The Units vary in age, but as of 31 December 2016 approximately 92% of Units within the Retained Estate were built from 1945 onwards. While the Married Quarters Estate includes a broad selection of property types, as of 31 December 2016, approximately 80% of Units within the Retained Estate were two- and three-bedroom terraced or semi-detached properties.



Source: Annington as of 31 December 2016.

1. By SAVPV, including 164 homes held for sale, excluding 8 new builds in progress

The Non-MQE Portfolio

The Non-MQE Portfolio consisted of 1,388 properties owned by eight companies, and 78 managed properties as of 31 December 2016. Of these eight companies, two own properties that help generate comparison data which the Group uses in rent negotiations with the MoD during Rent Reviews, two let properties to the MoD at market value and four let properties to third parties on the open market. Annington Rentals Management Limited (**ARML**), from time to time lets certain unoccupied Units within the Retained Estate on the open market on behalf of the MoD (the rental income generated from letting such Retained Units to third parties on the open market is shared equally between ARML and the MoD, after recovering certain costs incurred by ARML).

The Group, through the Non-MQE Portfolio, seeks opportunities to maximise returns through strategic acquisitions of residential property from third parties and by transferring Released Units from APL to the Non-MQE Portfolio property owning companies.

As at 31 December 2016, annualised passing rent in respect of the Non-MQE Portfolio was £14.4 million. As of 31 December 2016, the fair value of the Non-MQE Portfolio is estimated to be £290.1 million and VPV is estimated to be £300.0 million.

Developments

The Group also has an in-house development capability (**Developments**), which was established in 1999 for the purpose of providing planning and development support. Where opportunities arise to create added value through infill development or wholesale redevelopment of landholdings, Developments may carry out limited development on its own account or enter into joint venture arrangements (mainly via Annington Developments Limited (**ADL**) as the joint venture holding company) with other landowners and property developers where the combination of skills, assets and resources are expected to yield higher returns. As at 31 March 2016, the Group's net profit from joint ventures was £7.2 million.

ADL (through its 50% interest in Countryside Annington (Mill Hill) Limited) is currently involved in one active joint venture arrangement with Countryside Properties plc, consisting of 395 homes (including 90 affordable homes provided to eligible households whose needs are not met by the market). Construction work started in June 2007 and, when measured by sales, is approximately 90% complete. Completion is expected by the end of December 2017.

ADL has previously undertaken two other joint venture arrangements, namely:

- a venture with Countryside Properties plc consisting of 256 homes (including 65 affordable homes provided to eligible households whose needs are not met by the market) which is now built and sales complete, with the last unit sold in April 2013; and
- a residential development in Cove, near Farnborough, which has been completed, with the last unit sold in September 2006.

Developments has assisted APL with its joint venture with the London Borough of Barnet and Vinci St. Modwen (The Inglis Consortium LLP) which is redeveloping 74 acres of land in Mill Hill, which will, when completed (with an expected completion date of December 2022), provide 2,174 new homes, a school, 10,100 square meters of retail space and 3,470 square meters of employment space.

Key Strengths of the Group

Stable, long-term, contracted cash flows from a strongly rated tenant

Substantially all of the Group's properties benefit from 200-year leases entered into at the time of the 1996 Acquisition with a tenant that has a strong sovereign credit rating,[4] which provides a stable, long-term, contracted rental income stream. The MoD has an obligation to pay rent on all Retained Units, regardless of occupancy, and to cover all maintenance costs, taxes and all other associated outgoings in respect of the Retained Estate. Further, the MoD is obliged to continue making the Guaranteed Payments in connection with these lease arrangements until September 2021.

A property portfolio with a favourable regional bias and resilient asset values

The Married Quarters Estate benefits from a regional bias towards Southern England and Greater London, which are traditionally more affluent regions where house prices and rental growth rates have historically outperformed UK national averages and where the Issuer and the Guarantors believe prospects for economic growth and prosperity remain the strongest in the country.

As of 31 December 2016, as measured by property value, approximately 86% of Units within the Retained Estate were located in East Anglia, Greater London, the South East and the South West.

Since the 1996 Acquisition Date, rent inflation on the 38,979 Units within the Retained Estate as of 31 December 2016 recorded a compound annual growth rate of 3.8%. The Issuer and the Guarantors also believe that sales of Released Units have successfully captured uplifts in house price inflation, as shown by the fact that since 2000, the average sales price (net of refurbishment and improvement costs (including a 10% margin on direct cost to reflect certain overhead resources), dilapidation claims and income from sales of land and infill) that the Group has achieved on sales of Released Units has been approximately 97.5% of Indexed Bid SAVPV.

The Married Quarters Estate generally consists of spacious properties of a type that has consistently been in high demand

Many of the Group's properties offer spacious accommodation and feature larger-than-average rooms and gardens compared to properties of a similar type built more recently. Further, the Group's developments are often set in much more open space than typically found elsewhere in the United Kingdom, especially when compared to more modern developments. The substantial majority of the Group's portfolio consists of two- or three-bedroom properties, which the Issuer and the Guarantors believe are ideal sizes for families,

[4] As at the date of this Offering Circular, the United Kingdom has a sovereign credit rating of AA with negative outlook (Standard & Poor's Credit Market Services Europe Limited (**S&P**) and Fitch Ratings Limited (**Fitch**)) and Aa1 with negative outlook (Moody's Investors Services Limited (**Moody's**)). Each of S&P, Fitch and Moody's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (**CRA Regulation**) and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

consisting of detached, semi-detached or terraced houses, as opposed to flats or bungalows. Demand for the Group's housing has been consistently strong, particularly among first-time homebuyers, public sector "key workers" and "down-sizers". A reasonable proportion of the Group's properties are also sold to Service and ex-Service Families.

A demonstrated ability to unlock value through the efficient disposal or reletting of released properties

Releases of properties by the MoD have allowed the Group to unlock significant value through the sale or reletting of Released Units on the open market at full, or close to full, Indexed Bid SAVPV. For example, the average annual market rent achieved on properties that previously formed part of the Retained Estate, but which have since been released by the MoD and are now privately let by APL, was approximately £9,400 per Unit as at 31 December 2016, whereas the average annual rent paid by the MoD on those properties immediately prior to termination was approximately £3,500 per Unit. The Issuer and the Guarantors believe these uplifts clearly demonstrate the benefit the Group will receive once properties are no longer being rented subject to the MoD's 58% rent discount.

Since 2000, the Group has achieved an average sales price (net of refurbishment and improvement costs (including a 10% margin on direct cost to reflect certain overhead resources), dilapidation claims and income from sales of land and infill) on sales of Released Units of approximately 97.5% of Indexed Bid SAVPV. This evidences the Group's ability to manage a wide range of releases (in terms of geography, property type, size and local market).

Lease arrangements with the MoD provide mechanisms that offer the Group the opportunity to realise significant value uplifts

The Group's lease arrangements with the MoD provide mechanisms designed to keep rent levels in line with movements in market rates on an ongoing basis. Through the Group's established Rent Review procedures, together with an active approach to property management (whereby the Group research market rents payable in respect of comparable properties to provide evidentiary support for asking rates), the Group has successfully captured upward movements in rent levels since the 1996 Acquisition and improved rents on the Group's core rental stock. The Group has outperformed the UK rental market through the Rent Review process, as shown by the fact that between 2011 and 2016 the United Kingdom experienced rent inflation of approximately 23%, whereas the Group achieved approximately 30% rent inflation across the entire Married Quarters Estate over the same period.

The Group benefits from a strong and experienced management team

Members of the Group's senior management have worked together for over 19 years, with the Group's Chief Executive Officer, James Hopkins, having led the Group since 1998. Management's achievements include establishing the protocol around managing the leases for the Retained Estate with the MoD (including the Rent Review and dilapidations claims protocols and procedures), the release of properties by the MoD, developing an efficient and effective refurbishment and sales capability, establishing the private rental sector portfolio of the Group through the Non-MQE Portfolio, and earning a strong reputation in the debt markets.

The Group's Strategies

The Group enjoys a unique role as the MoD's primary landlord, benefiting from stable, long-term, contracted rental income with the potential for significant capital appreciation. The key elements of the Group's business strategies, which aim to ensure the Group continues to maximise the benefits of this opportunity, are described below.

Focus on the Site Review

The first Site Review will begin in December 2021. The purpose of each Site Review is to rebase the rent for each individual Site to the full market rental value for the Site as a whole, reflecting the various features of the underlying lease arrangements with the MoD. Management will increasingly focus on the rent negotiations with the MoD in the period leading up to the first Site Review in December 2021 and market research has and will continue to be been undertaken in preparation for such negotiations.

The Issuer and the Guarantors believe there are a number of factors that, together, are likely to yield a significant increase in the level of rent payable by the MoD as a result of the Site Review process. These factors include the fact that each Site will be reviewed independently, so that the bulk nature of the Retained Estate, as a whole, should no longer put downward pressure on rents, the fact that Guaranteed Payments will have ceased to be payable by the MoD by the time the Site Review process first commences and the fact that the MoD will continue to benefit from a right to terminate on six months' notice under its leases.

Rigorously appraising options for Released Units

The Group appraises Released Units in accordance with strict criteria designed to optimise the Group's returns on investment and to examine all potential options on a Site-specific basis, including whether to sell the Units to third party purchasers or to members of the Group holding the Non-MQE Portfolio in order to expand the Group's private rental sector capabilities. The Group's management reviews and evaluates options for Released Units and pursues appropriate strategies having regard to market conditions and other circumstances existing at the time. From time to time, the Group may also choose to rent out certain properties prior to sale if this approach appears more likely to yield greater value due to market conditions or otherwise.

Developing systems and processes to minimise cost of sales of Released Units to third party purchasers and reduce time from release to sale

In respect of Released Units which are intended to be sold to third party purchasers, the Group adopts a wide variety of systems and processes to minimise the cost of sales of Released Units and reduce the time from release to sale, including the use of key task tracking to identify every aspect of a Released Unit's transition from handover by the MoD to sale in order to allocate responsibility and to control programme implementation and costs. The Group also maintains an extensive use of outsourcing to control workflows and match the uncertainties of variable MoD property release levels. Preferred contractors are employed on a schedule of rates in order to guarantee pricing levels. The refurbishment process is also standardised with the use of design guides, thereby reducing design time and enabling cost-efficient bulk purchasing of raw materials and labour. The Group expects that management will, where necessary, continue to offer certain sales incentives to maximise sales volumes, as well as employing sales support providers and a national network of estate agents having detailed knowledge of the local markets in which they operate.

Actively managing tenancies and acquiring portfolios in locations where market improvements are anticipated

Through the Non-MQE Portfolio, the Group intends to continue diversifying its property portfolio, by letting at market rates to the MoD or third parties on the open market, and improve the Group's returns through actively managing the Group's tenancies and rental levels. The Group intends to continue acquiring properties either from (a) APL in respect of Units released from the Married Quarters Estate or (b) from third parties in order to grow its private rental sector. 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 re-letting. If it becomes uneconomic to retain such properties, potential options to maximise value will be considered, including refurbishment, redevelopment and disposal. The Group intends to make bulk acquisitions of properties for the purpose of its Non-MQE Portfolio from either APL or third parties in locations where a particular housing demand is identified or where housing market conditions are anticipated to improve.

Undertaking planning and development initiatives and seeking joint venture and other development opportunities where appropriate

As and when opportunities arise, Developments will continue to undertake planning and development initiatives within, and provide planning and development skills to, the wider Group. At the same time, Developments will continue to pursue investment opportunities when market conditions and the terms of the Group's financing arrangements permit, including entering into joint venture arrangements where a sharing of skills, assets and resources provides the possibility of increased returns.

Other indebtedness of the Group

Facilities Agreement

On or before the Initial Issue Date, the Issuer (as borrower and guarantor) will enter into an unsecured £1,950,000,000 facilities agreement (the **Facilities Agreement**) with, among others, Barclays Bank plc, and J.P. Morgan Chase Bank N.A., London Branch as original lenders. Each of AL, AHL and APL will also enter into the Facilities Agreement and guarantee the Issuer's (and each other borrower and guarantor's) obligations thereunder.

Under the Facilities Agreement, it is anticipated that a five-year £400 million term loan will be drawn by the Issuer on the Initial Issue Date and a further drawing may be made by the Issuer under an up to £1,250,000,000 three-year term loan (depending on the aggregate principal amount of Notes issued on the Initial Issue Date) to partially fund the refinancing of the Group's existing indebtedness outstanding on the Initial Issue Date (for further information, see "*Use of Proceeds—Refinancing of the Group's existing financial indebtedness*"). A £300 million five-year revolving credit facility will also be made available to the Issuer (and any other subsidiaries of AL that accede as additional borrowers) under the Facilities Agreement.

Hedging

The Issuer may enter into certain hedging arrangements (including foreign exchange and interest rate hedging) with one or more hedge counterparties, in connection with foreign exchange and/or interest rate risks arising under (a) any Notes to be issued on the Initial Issue Date that may be denominated in a currency other than Sterling; and (b) the Facilities Agreement, to the extent that any drawings are made thereunder, in either case pursuant to ISDA Master Agreements and related documentation. One or more members of the Group, including each of APL, AL and AHL, may be required to guarantee the Issuer's obligations arising under such hedging arrangements.

Statement of current trading position

The Group's results of operations for the 25 weeks ended 23 June 2017 have been in line with management's expectations.

Rent received from the MoD in respect of the Married Quarters Estate was £44.4 million in March 2017 and £44.4 million in June 2017.

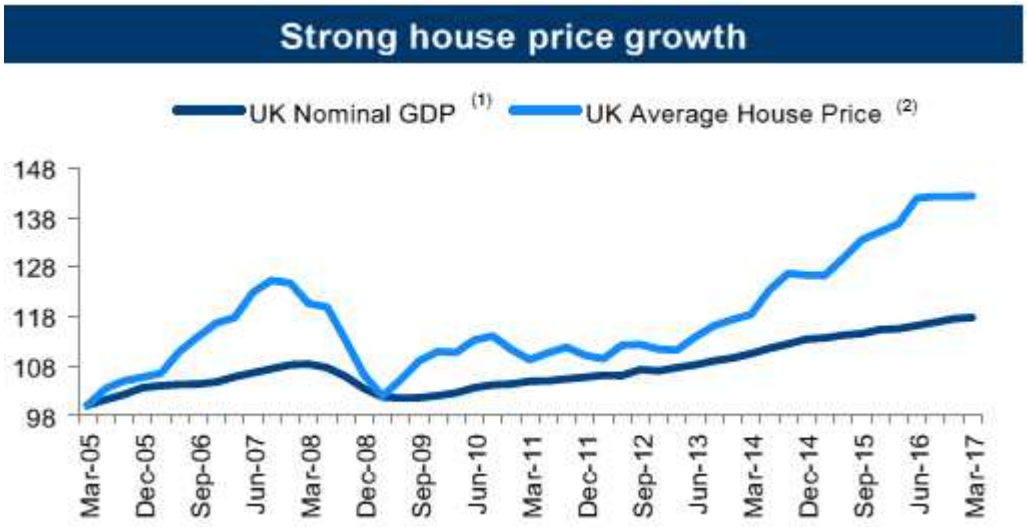
Since 31 December 2016, the MoD has released a further 10 Units and disposals from the Married Quarters Estate of Released Units and infill units totalled 75, with a further 23 properties disposed from the Non-MQE Portfolio.

INDUSTRY OVERVIEW

The UK Housing Market

The UK housing market has been notable for its long term growth in average house prices, which has generally exceeded both wage and retail price inflation. However, there have been two major downturns in the last thirty years, each of which resulted in severe corrections to house prices and disruption in the market. During the decade prior to the 2008/2009 financial crisis, house prices had seen year-on-year growth, rising by approximately 200% between 1997 and 2007 according to the Nationwide House Price Index (**Nationwide HPI**), which represented a compound annual growth of 12%.

Following the financial crisis in 2008/2009, house prices fell by 18.6%[5] or 18.4%[6] and the total value of loans approved for house purchases during 2008/2009 fell by 61.7%[7]. Subsequently, the housing market entered a period of recession, with severe adverse effects on transaction volumes and values across the United Kingdom.



1. *Gross Domestic Product, May 2017 (Source: Office for National Statistics); rebased to Q1-2005*
2. *Average UK house price, March 2017 (Source: Office for National Statistics based on data from HM Land Registry, Registers of Scotland, Land and Property Services Northern Ireland and Office for National Statistics); rebased to Q1-2005*

However, since 2013, house prices have risen steadily and, by May 2014, the average UK house price had exceeded its 2007 peak, according to the Nationwide HPI, albeit with strong regional variations.

The cost of an average house in the UK was £215,847 in March 2017 (according to the Land Registry) and £216,000 (according to the ONS, up from £169,000 in December 2012). In each case this represented annual growth of 4.1%. The average house price in England was £233,000 as at March 2017, an increase of 4.4% over the preceding 12 month period. The average house price in Wales was £148,000 as at March 2017, an increase of 4.3% over the preceding 12 month period[8]. On a regional basis, as at March 2017, London had the highest average house price at £472,000, followed by the South East and the East of England, at £312,000 and £277,000 respectively. The lowest average price remained the North East at £122,000[9].

[5] Source: Nationwide HPI.

[6] Source: Source: Office for National Statistics (**ONS**).

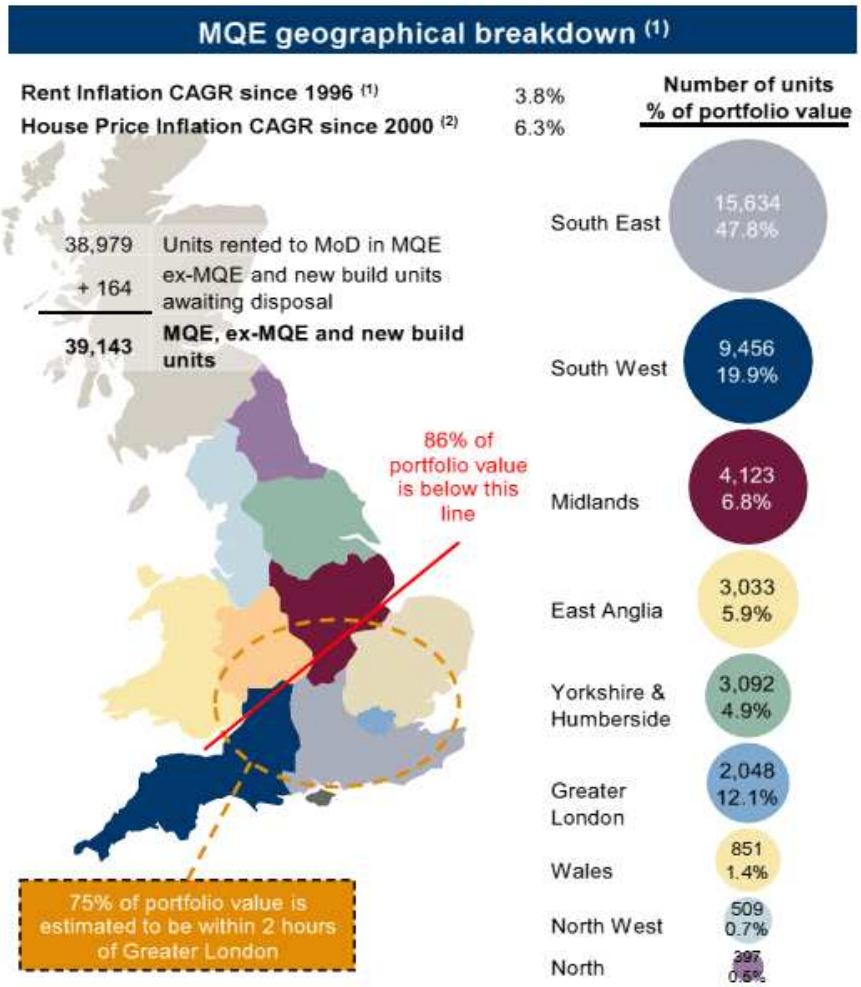
[7] Source: Bank of England.

[8] Source: ONS.

[9] Source: ONS.

The areas of strongest growth have been those in which the Group has its highest concentrations of property, namely the East of England, the South East, the South West and London, in which more than 77% by volume and 86% by value of the Group's portfolio is located.

Group portfolio, geographical distribution by volume and value, March 2017

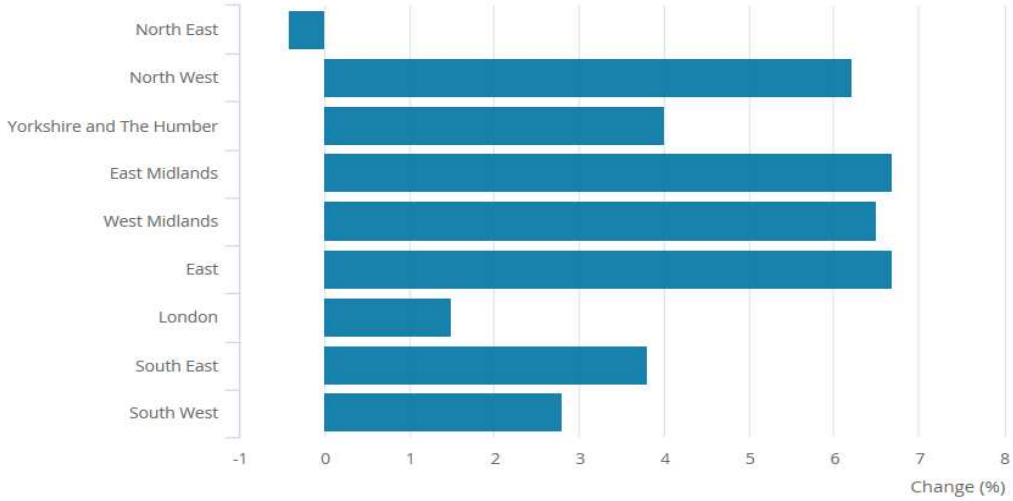


Source: Annington data as of 31 December 2016
1. By SAVPV, including 164 homes held for sale, excluding 8 new builds in progress
2. Group analysis based on regionally blended average of Nationwide and Halifax HPI

The East Midlands and the East of England experienced the greatest increases in property prices over the 12 month period to March 2017, each with an average increase of 6.7%[10] .

[10] Source: Land Registry.

All dwellings annual house price rates of change, year to March 2017, by English region (Source: HM Land Registry and Office for National Statistics)



The Halifax reported that annual house price growth had reduced to 3.8% in the year to end March 2017, a figure supported by the Nationwide which reported 3.5% growth. This is similar to the data reported by the Land Registry and the ONS. London house prices recorded an annual increase of 1.5% in the year to March 2017 and 3.8% in the South East, falling behind five other regions[11]. In Hometrack's UK Cities Index, London house prices recorded an annual increase of 1.9% in the year to March 2017 whilst prime property prices in central London declined. This data demonstrates that growth is recorded in regions outside of London and the South East, supported by record low interest rates and relatively affordable price levels (compared to London and the South East). The general picture across England and Wales is mixed with, according to the Nationwide, six regions seeing an acceleration in house price growth, six a deceleration and one static.

In February 2017, the Council of Mortgage Lenders (**CML**) reported that there were approximately 68,000 house purchase approvals in December 2016. While this was weaker than the approximately 70,000 approvals in December 2015, it was a marked improvement from the low of approximately 61,000 over the 2016 summer following the UK's decision to leave the European Union (**Brexit**). The recovery has led the Bank of England's Monetary Policy Committee to revise upwards its forecast for approvals; it currently expects to see 71,000 approvals each month in the first nine months of 2017. Mortgage approvals tend to lead property transactions by a couple of months, as monthly sale transactions were above 100,000 for the first time in the 10 months to January 2017.

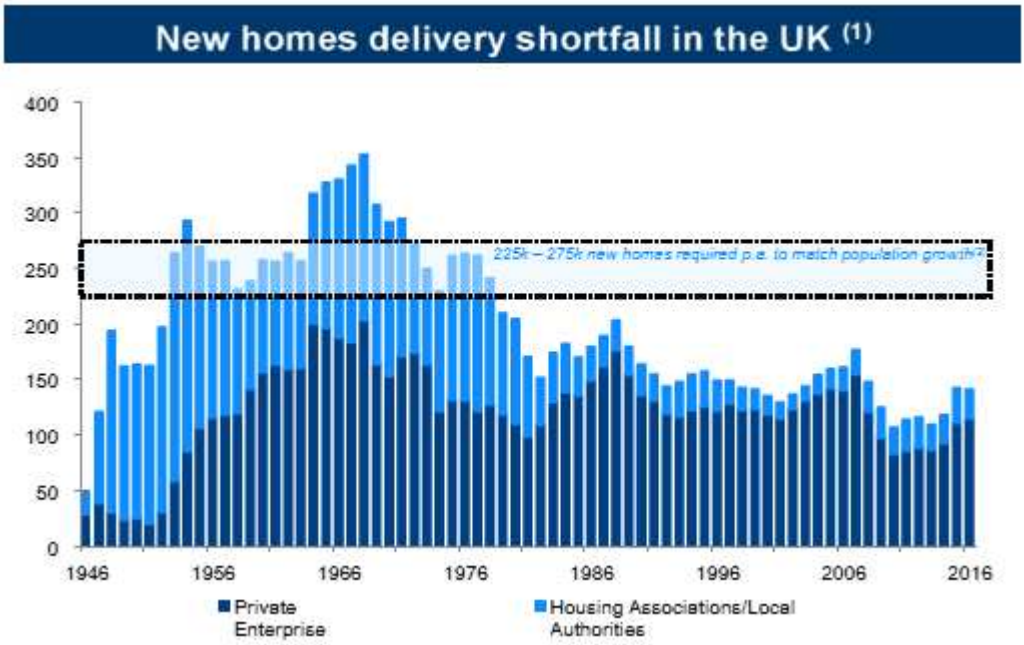
Whilst a number of factors have contributed to the change in the housing market since 2013, the imbalance between supply and demand continues to be the most significant factor. The UK housing market has been in a long-term position of structural undersupply for over 25 years as the number of new completions has failed to keep pace with the number of new household formations and the replacement of redundant stock. The Barker report, published in 2004, identified that while the UK was completing around 125,000 homes per year at that time, a further 120,000 were required each year to meet growing demand and to maintain real house price inflation at around 1.1 % per year. This has not happened.

Given the supply constraints, which include land availability, planning, capacity in the house building sector, skilled labour shortages and material and labour costs, the shortfall in housing production is not expected to materially change in the short to medium term, notwithstanding the efforts being made by Government to stimulate production. Delivery of the Government's million new homes ambition by 2020 will alone require 174,000 net additions each year[12]. Current annual housing starts in England totalled only 162,880 in the year to March 2017, up 15% on the previous year. Annual new build completions for the same period totalled

[11] Source: Land Registry/ONS.

[12] Source: National Audit Office (**NAO**).

147,960[13], both significantly short of the numbers required to meet current demand and historic shortfall. Although Government initiatives and the reaction of the house building industry may lead to modest increased output, it is not expected to be capable of remedying the housing shortage.



1. Permanent dwellings completed by tenure, Department for Communities and Local Government, May 2017
2. 'Fixing our broken housing market', Department for Communities and Local Government, February 2017

Although the potential impact of Brexit is unknown, increases in the UK population continue to impact the UK housing market. During the previous four years, the UK population grew by almost 2 million and the UK population is projected to increase by a further 9.7 million over the next 25 years from an estimated 64.6 million in mid-2014, to reach 70 million by mid-2027 rising to 74.3 million in mid-2039[14].

The demand for housing remains strong and has been supported over the period since 2012, by the continuing policy of low interest rates and increasing consumer confidence during a period of stable economic growth and stable employment. First time buyer's ability to enter the housing market has been affected by increased deposit requirements and while there has been real wage growth, this has not matched the HPI.

The continued lack of supply is expected to continue adding upward pressure on prices but this is expected to be moderated over the next 12 months by concerns regarding the commencement of Brexit negotiations. However, expectations for sales and prices remain in positive territory for both the three and twelve month forecasts according to the RICS's Residential Market Survey. Savills predicts that house prices on average across the UK will not rise during 2017, but projects growth for the UK of 13% over the next five years, ranging from 9% in the North East to 19% in the East of England. This is not dissimilar to Jones Lang LaSalle which is forecasting 13.1% growth for the period 2017 – 2021.

The current projection for house prices and the market over the short to medium term, underpinned by the continued lack of supply and continued demand, mean that the forecast for the housing market in England and Wales remains positive, although rising interest rates or an outcome from the Brexit negotiations which has a major impact on the UK economy may have an adverse effect.

[13] Source: The Department for Communities and Local Government

[14] Source: ONS.

The Rental Market

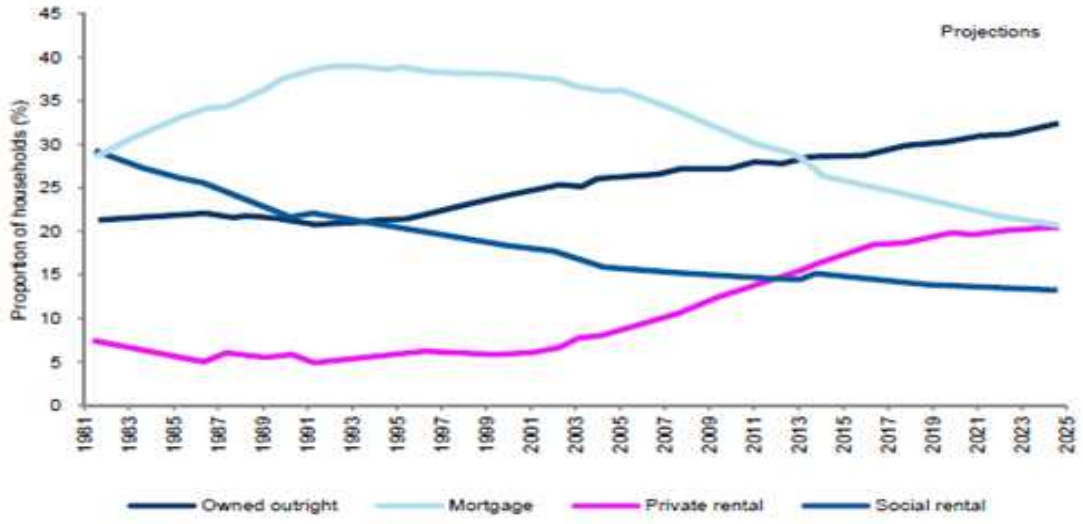
The state of the housing market has a clear and direct impact on the rental market. House price inflation over the past five years has resulted in an increasing number of people, particularly the young, being unable to afford to purchase a house.

For 25 to 29-year-olds, home ownership has fallen by more than half in the last 25 years from 63% in 1990 to 31% most recently. The Redfern Review of 2016 reported that home ownership for the 25-34 age group fell from 58.6% to 36.7% between 2003 and 2015. This data is supported by further research by the Local Government Association (**LGA**) which revealed that only 20% of 25 year olds own their own home compared to more than half 10 years ago. According to the LGA, average prices are now at 7.9 times average earnings and the average size of a deposit required to obtain a mortgage is 62% of annual income.

The Redfern Review (2016) identified three key drivers in the fall in home ownership; the higher cost, and restrictions on, mortgage lending for first time buyers, the increase in house prices and the decline in incomes of younger people. Even if mortgage payments are affordable, funding a deposit represents a significant impediment to purchasing, even with parental and family financial support. Over a third of first-time buyers in England (34%) now obtain financial assistance from family members to purchase a house compared to 1-in-5 (20%) seven years ago[15].

The UK's private rented sector (**PRS**) has expanded rapidly in recent years at the expense of home ownership and social rented housing. In 2016, the PRS accounted for approximately 4.5 million or 20% of all households, the second largest tenure behind home ownership and ahead of social and affordable rented stock (4.0 million). Home ownership fell from approximately 71% to 63% in the period 2003 to 2016[16] whilst those in private rental has doubled. Private rental has been the fastest growing sector over the last 10 years and is projected to continue that trajectory over the next 10 years.

Historic and projected growth of the UK PRS Market



Source: Department for Communities and Local Government; The Lyons Housing Review, Town and Country Planning; Savills; Council of Mortgage Lenders, Office for National Statistics, Halifax, PwC analysis

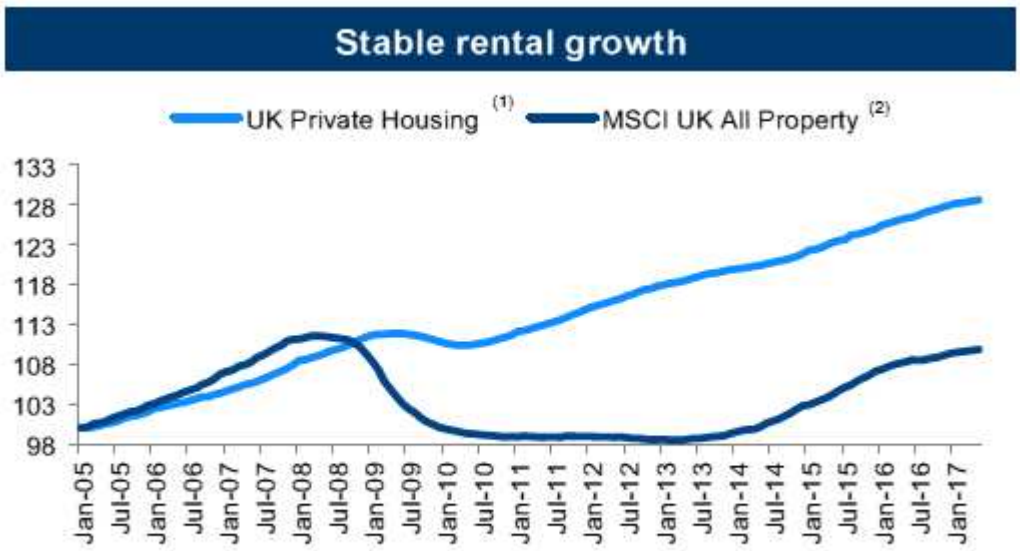
Total residential stock in the UK was valued at £5,375 billion in 2015, with private rented residential stock (including buy-to-let investors) amounting to £1,015 billion. Of this only £17 billion was owned by institutional investors, less than 3% of the total. According to the ONS, 78% of all landlords own one property, highlighting the fragmented nature of the rental market but also the opportunity for large scale institutional landlords.

[15] Source: Social Mobility Commission, "Family Support to Home Ownership", March 2017.

[16] Source: English Housing Survey, March 2017.

Whilst the demand for private rented accommodation has continued to grow, the increase in the supply of rental properties has lagged behind and this has resulted in increased rents. Supply constraints have meant that institutional investors are resorting to build-to-rent (**BtR**) to enter the PRS market. According to the British Property Federation (**BPF**), there are 69,824 BtR units either completed or in the pipeline in the UK, as at the end of March 2017, with 38,648 in London and 31,176 in the regions. Local authorities are also now actively seeking investment in the private rented sector as a means of providing new good quality housing for local residents as well as generating a reliable income stream to cross-subsidise social and affordable housing.

In such circumstances, Savills' current forecast is that rents will continue to rise over the next five years. Private rental prices paid by tenants in England rose by 2% in the 12 months to the end of March 2017 and in Wales by 0.7%. Savills have also predicted steady growth in UK mainstream rents over the next five years totaling 19%.



1. Index of Private Housing Rental Prices, May 2017 (Source: Office for National Statistics) rebased to January 2005. Uses data for England before 2011 and Great Britain thereafter.

2. MSCI Market Rental Value Growth index, May 2017 (Source: MSCI rebased to January 2005).

The Defence Estate

The Ministry of Defence (**MoD**) holds one of the largest estates in the country, accounting for approximately 1.8% of the UK land mass and valued at £31 billion. In 2015-16 the MoD spent £4.8 billion (12%) of its budget on the estate, mainly on maintaining, building and upgrading the built estate.[17]

The 2010 SDSR (as defined herein) established the framework for the current defence environment against the backdrop of a £38 billion "black hole" in the defence budget. This led to the withdrawal of 20,000 troops from Germany and a reduction of 30,000 in the full-time strength of the Armed Forces. The policy focus following the 2015 SDSR (as defined herein) remains a smaller defence force and a smaller defence estate.

In 2011 the MoD established the Defence Infrastructure Organisation (**DIO**) to manage the estate centrally. The objective was to cut costs, drive further rationalisation and to create commercial opportunities for using the estate but the intended transformation was not executed. In 2014, the MoD appointed Capita as its

[17] Source: National Audit Office Report, "Delivering the Defence Estate", November 2016.

Strategic Business Partner (**SBP**) in the DIO, the purpose being to bring in new management with specialist skills to deliver the savings the MoD could not achieve on its own[18].

After years of limited progress in determining the right size and shape of the estate it requires, in 2016 the MoD published its report "A Better Defence Estate", setting out a vision for its estate in 2040 that supports military capability, while meeting Government targets[19]. The report identifies that the strategy will require an additional investment in the estate of £4 billion over the next 10 years, £1 billion of which has been provided by Government, a further £1 billion is expected from disposal proceeds leaving a shortfall of £2 billion for which there are currently no identified sources.

The Footprint Strategy[20], announced in November 2016, sets out plans for making a significant contribution to the targets set by Government for the MoD to reduce its built estate by 30% by 2040 and, as part of its Spending Review settlement, it must also make £1 billion between 2016-17 and has a target of releasing enough land to build 55,000 homes. "The Footprint Strategy will contribute around 15,000 houses towards the housing target by 2020 and contribute £1.1 billion to capital receipts up to 2026. The remainder of the land required to meet the housing target will be met through ongoing estate optimisation work, transfers to the Homes and Communities Agency, release of homes owned by Annington Homes and new build Service Family Accommodation."[21] This suggests that the MoD will only meet its targets if surplus properties from the Married Quarters Estate are released to the Group over the period to 2040.

The NAO report, "Delivering the defence estate" highlights "huge challenges" for the MoD in not only maintaining its estate but implementing its strategy and funding the improvements needed. The MoD is aware that based on current plans and forecasts there will be a funding gap of at least £8.5 billion. The NAO highlight that this funding gap does not include all possible future liabilities associated with the built estate, including costs associated with Service Family Accommodation.

Service Family Accommodation

The MoD has provided subsidised accommodation for Armed Forces service personnel and their families as a condition of service throughout the post-war period. A number of factors influence the future of Service Family Accommodation (**SFA**) in the United Kingdom, including basing, the cost of management and maintenance, the general condition of the housing stock, current Government policy with respect to defence, service personnel terms and conditions of employment and budgets.

The MoD has 49,699 SFA units in the United Kingdom, the majority of which are owned by the Group.

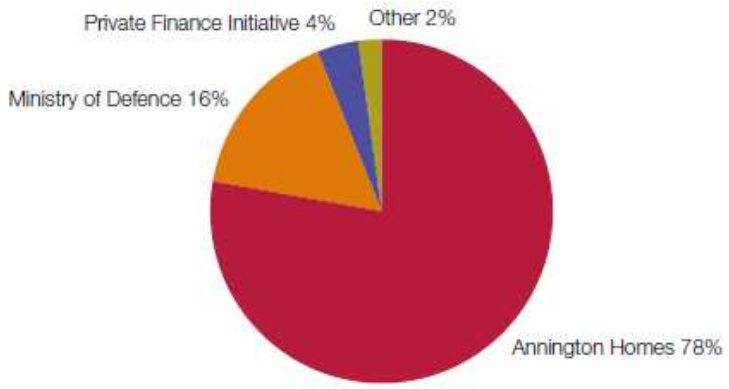
[18] Source: NAO Report, "Delivering the defence estate", November 2016.

[19] The MoD suggest in the report that the plans will provide savings of over £140m of running costs over the next 10 years, rising to nearly £3b in total to 2040, to be recycled into Defence.

[20] The Footprint Strategy built on the Army Basing Plan announced in 2013, which set out a future basing strategy for the Army, including bringing back troops from Germany.

[21] Source: NAO, Delivering the defence estate, November 2016.

The breakdown of Service Family Accommodation in the UK by type of provision



Source: NAO, Service Family Accommodation, June 2016

As at 1 March 2016, 40,752 SFA units were occupied by service personnel and their families and, of these, 937 were Substitute Service Family Accommodation.[22] This implies that the balance constitute void properties. The previous data point was in June 2016 when there were 10,187 void properties, including 7,680 belonging to the Group.[23]

Management of Service Family Accommodation

The management of SFA is the responsibility of the DIO within the MoD. It does this largely through the use of private sector contractors. The private sector provider responsible for maintaining SFA is Carillion Amey, through the National Housing Prime Contract. The Group is not responsible for management and maintenance of those properties leased to the MoD so carries no void risk.

Cost of Service Family Accommodation

The cost to the MoD of providing Service Family Accommodation over the last five years is summarised in the table below.

Cost to MoD of Service Family Accommodation, 2011/12 to 2015/16

	2011/12	2012/13	2013/14	2014/15	2015/16
	(£ in millions)				
Rental payments to Annington Homes	156	159	161	161	167
Improvements (resource)	37	49	38	28	53
Maintenance	47	42	40	41	36
Improvements (capital)	11	15	58	28	3
Purchases	29	18	116	40	20
Dilapidation fee	3	2	2	3	7
Total expenditure	283	285	415	312	286
Income from SFA charges	147	144	141	136	138
Net expenditure	136	141	274	175	148

Source: National Audit Office, Service Family Accommodation update, February 2017.

[22] Substitute Service Family Accommodation is privately rented properties which are provided to service personnel where they are entitled to SFA but there is not suitable or available accommodation at present.

[23] Response by Julian Brazier MP (Parliamentary Under-Secretary, Ministry of Defence) to a Parliamentary Question, June 2016: "As at 6 June 2016, there are 10,187 void properties across the UK, 7,680 of which are owned by Annington Homes Ltd, out of a total stock of 49,699. This gives a proportion of 20.5% of properties void nationally. If the 7,680 properties owned by Annington Homes Ltd remained void for the whole year, then the Ministry of Defence (MOD) would pay £32.8 million in maintenance and rent."

The MoD is under considerable pressure to reduce costs and the financial burden of providing SFA is under review, leading to proposals for alternatives to a fully managed and maintained housing estate. "Within the accommodation element of the New Employment Model, the Department (MoD) has sought to deliver increased domestic stability for service personnel and their families through providing realistic housing choices and reducing their dependency on housing provided by the Department, for example, through support for home ownership."[24]

Although a third of the MoD accommodation budget relates to service and rental payments to the Group, the MoD currently pays a discounted rent of 42% of open market rental value on all the properties leased from the Group. As at 31 March 2017, the average annual rent for a Retained Unit was approximately £4,561, compared to average private rents in the open market of £10,848 per annum[25]. Rightmove Group Limited estimates the national average asking rent for Q1 2017, excluding Greater London, at £9,216 per annum, and for Greater London at £23,244. Accordingly, notwithstanding the significant expense, the MoD's lease arrangements with the Group provide it with a very cost-effective housing solution.

Condition of Service Family Accommodation

In April 2016, the MoD changed the way it measured the standard of SFA by adopting the Government's Decent Homes Standard, the minimum standard for anyone housed in public sector accommodation. As at 30 April 2016, 87% of SFA was said to meet the Decent Homes Standard[26]. However, only 46% of occupants are satisfied with the overall standard of their accommodation[27], down 4% on the previous year. This arises from a lack of maintenance, refurbishment and renovation stretching back many years.

"The condition of much of the Department's estate is poor and deteriorating. In 2009, in response to financial pressure at the time, the Department abandoned its aim of improving the estate to 'target condition' and keeping it at that level through a planned maintenance programme. Instead, it reduced the service levels to those necessary to provide a safe and legal estate. The Department intended that, by adopting this policy, it would avoid investing in estate that it was not using. However, without a clear plan regarding the future size, location and composition of the estate on which to base decisions about spending priorities, the result has been a general deterioration."

The "keep me safe, keep me legal" basis of management, requires the contractor, Carillion Amey, to maintain the estate to a minimum standard that is compliant with health and safety and other legislation. Any works above this standard, such as to reduce running or maintenance costs, are not funded under existing maintenance budgets. [28]

In the period 2009/10 to 2014/15, the MoD spent £886 million on maintaining, upgrading and purchasing SFA, of which £514 million related to small scale improvements and £147 million to larger capital improvements.[29] The £514 million spent on small scale improvements equates to approximately £2,000 per property per annum and the £147 million on larger capital improvements equates to less than £600 per property per annum.

Under the terms of the contractual arrangements with the Group the MoD has to pay compensation (dilapidations) if it does not return properties to the Group in the correct condition which is defined in the Underlease as "good tenantable repair and decorative order". Poor maintenance of the Married Quarters Estate has resulted in higher dilapidations claims, which according to the MoD are running at an average of

[24] Source: NAO, Service Family Accommodation, June 2016.

[25] Source: HomeLet Rental Index, April 2017.

[26] Source: NAO, Service Family Accommodation, June 2016.

[27] Source: UK Regular Armed Forces Continuous Attitude Survey 2017.

[28] Source: NAO, Service Family Accommodation, June 2016.

[29] Source: NAO, Service Family Accommodation, June 2016.

£14,000 per unit[30], although this is based on the last five years whilst the long term average is £6,241 per unit[31].

The current moratorium on the improvement programme is likely to lead to further deterioration of SFA, greater dissatisfaction by its occupants and the potential for increased voids. All of this reinforces the MoD's view that it must find a long-term alternative to the provision of a fully maintained SFA offering, something which is at the core of the Future Accommodation Project (**FAM**).

The Future of Service Family Accommodation

The future of SFA is intricately tied to the overall strategy for the estate but also to the New Employment Model and the terms and conditions under which men and women serve in the Armed Forces.

The FAM is the latest iteration of the MoD's strategy for SFA and Single Living Accommodation (**SLA**), building on the work carried out between 2011 and 2015 in the Living Accommodation Strategy Review (**LASR**) and following a commitment in the 2015 SDSR "to make a new accommodation offer to help more personnel live in private accommodation and meet their aspirations for home ownership."[32]

The MoD has concluded that the current model of directly providing subsidised accommodation to service personnel through SFA is becoming less attractive to service personnel and their families, increasingly unaffordable and less effective at meeting the MoD's operational and business needs. For example, the current accommodation model bases entitlement to SFA on marital status and rank and, in its view, does not reflect the diversity of today's Service Families. The MoD's objectives for FAM are to deliver a more flexible, attractive and better value-for-money approach to accommodation for military personnel and the MoD by developing a new accommodation offer to help more service personnel live in private accommodation and meet the aspirations that many have for home ownership. This could involve subsidies to either rent in the open market or advances of salary/loans to purchase a home. The Forces Help to Buy (**FHTB**) scheme already exists and could be extended to facilitate this[33].

FAM is a defence wide project that will affect all three Services. It is a complex project and, at this stage, no firm decisions have been taken, but if approval is given during 2017, it would be implemented gradually with a pilot commencing in a few years' time[34]. Surveys have been undertaken which indicate that 55% of service personnel think the proposed FAM package is attractive. The survey has, however, been the subject of much criticism and has been seen in some quarters of the MoD as very contentious as the design, methodology and conduct of the survey was viewed as being flawed and the sample size too small.[35] There has also been opposition, including from the Army Families Federation, which sees SFA has an essential ingredient of service life.[36] It is not known at present what the final proposals will be or whether FAM will be adopted at all given the budgetary constraints and the possible costs of implementation.

---

[30] Source: NAO, Delivering the Defence Estate, November 2016

[31] Source: Annington data.

[32] Source: MoD, Guidance "What you need to know about the Future Accommodation Model", August 2016.

[33] Source: The FHTB scheme enables qualifying Service Personnel to borrow up to 50% of their salary and any recruitment and retention pay up to a maximum of £25,000. The FHTB scheme is an interest free advance of salary and is repaid over ten years. It is available to Service Personnel to buy their first home or move to a new location (more than 50 miles from their current property).

[34] Source: MoD, Guidance "What you need to know about the Future Accommodation Model", August 2016.

[35] Source: The Centre for Social Justice, "Homes Fit for Heroes", March 2017.

[36] Criticism of the developing FAM policy has also come from The Centre for Social Justice in their report dated March 2017, authored by Sir Julian Brazier MP and Professor John Louth. This report concludes that the current FAM proposals will not meet the needs of SP, that the location of many military bases with their very small private rental markets will limit the opportunities for large numbers of SP to participate and that the proposals will not support retention (particularly of mid-career officers on which the military relies for its future leadership), career development and training.

In the meantime, as at 31 December 2016, the Group continues to lease 38,979 properties to the MoD with 180 years unexpired.

TAXATION

UK Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation considerations and is subject to changes in law (which may have retrospective effect).It does not constitute legal or tax advice. Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding for or on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and the Notes are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also generally be paid without withholding or deduction on account of United Kingdom income tax in the case of Notes the maturity of which is less than 365 days provided that such Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, and subject to the availability of any exemptions and reliefs an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from any payments of interest on the Notes that has a United Kingdom source. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a direction to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The United Kingdom withholding tax treatment of payments by either Guarantor under the terms of the Guarantee which have a United Kingdom source is uncertain. In particular, such payments by either Guarantor may not be eligible for the exemptions described above. Accordingly, if either Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

FATCA Disclosure

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on

instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes-Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a **participating Member State**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated on or around the date of this Offering Circular, agreed with the Issuer and the Guarantors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes"* and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantors) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and the Issuer and the Guarantors have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Index Linked Notes only

Each issue of Index Linked Notes shall be subject to such additional U.S. selling restrictions as the Issuer, each Dealer and each further Dealer appointed under the Programme may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantors, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantors, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 27 June 2017 and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of each of the Guarantors dated 27 June 2017 in respect of AL, 27 June 2017 in respect of AHL and 27 June 2017 in respect of APL.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 30 June 2017.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(a) the Memorandum (if applicable) and Articles of Association of the Issuer and each Guarantor;

(b) the Annual Financial Statements of each Guarantor;

(c) the Interim Financial Statements of AL;

(d) the most recently published audited non-consolidated annual financial statements of the Issuer, AHL and APL, the most recently published audited consolidated annual financial statements of AL and the most recently published unaudited interim financial statements (if any) of the Issuer and each Guarantor. AL currently prepares unaudited consolidated and non-consolidated interim accounts on a half-yearly basis;

(e) the Trust Deed, the Agency Agreement, and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(f) a copy of this Offering Circular; and

(g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms relevant to the Programme and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Consent

Details of the valuations of (a) the Married Quarters Estate and (b) a sample of approximately 20% of the properties forming part of the Non-MQE Portfolio by Allsop Valuations Limited (the **Valuer**) has been included in this Offering Circular, in the form and context in which such valuations are included, with the consent of the Valuer who has authorised the contents set out in "*Valuation Report*" (the **Valuation Reports**) in accordance with Rule 5.5.4 R(2)(f) of the Prospectus Rules. The address of the Valuer is 33 Wigmore Street, London, W1U 1BZ. The Valuer has no material interest in the Issuer or the Group.

For the sole purpose of Prospectus Rule 5.5.4R(2)(f), the Valuer is responsible for the Valuation Reports as part of this Offering Circular and has confirmed that it has taken all reasonable care to ensure that the information contained in each Valuation Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The reports of Deloitte LLP (the **Auditor Reports**) set out under "*Index to Financial Statements*" in respect of the Financial Statements have been included in this Offering Circular, in the form and context in which the Auditor Reports are included, with the consent of Deloitte LLP who has authorised the contents set out in the Auditor Reports in accordance with Rule 5.5.4 R(2)(f) of the Prospectus Rules. The address of Deloitte LLP is 2 New Street Square, London, EC4A 3BZ. Deloitte LLP has no material interest in the Issuer or the Group.

Deloitte LLP accepts responsibility for its Auditor Reports set out under "*Index to Financial Statements*". To the best of the knowledge and belief of Deloitte LLP (which has taken all reasonable care to ensure that such is the case), the information contained in the Auditor Reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since its incorporation on 11 May 2017 and there has been no material adverse change in the financial position or prospects of the Issuer since its incorporation on 11 May 2017.

There has been no significant change in the financial or trading position of AHL and APL since 31 March 2016 and there has been no material adverse change in the financial position or prospects of AHL and APL since 31 March 2016.

There has been no significant change in the financial or trading position of AL and the Group since 31 December 2016 and there has been no material adverse change in the financial position or prospects of AL and the Group since 31 December 2016.

There has been no significant change affecting the properties subject to the valuations set out in the Valuation Reports since 31 December 2016, being the date of the valuations contained in the Valuation Reports.

Litigation

Neither the Issuer nor any of the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantors or the Group.

Auditors

The auditors of each of the Issuer and the Guarantors are Deloitte LLP of 2 New Street Square, London, EC4A 3BZ (Registered Auditors with the Institute of Chartered Accountants in England and Wales), who have audited the Guarantors' accounts, without qualification, for each of the two financial years ended on 31 March 2015 and 31 March 2016.

Dealers transacting with the Issuer and the Guarantors

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantors and/or their affiliates in the ordinary course of business.

Trustee's action

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

Index Linked Notes

Payments of principal and interest in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from: (i) the U.K. Retail Price Index (**RPI**) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI or (**RPI Linked Notes**), (ii) the U.K. Consumer Price Index (**CPI**) (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI (**CPI Linked Notes**) or (iii) the U.K. Consumer Price Index including owner occupier's housing costs (**CPIH**) (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace CPIH (**CPIH Linked Notes**).

Payments of both interest and principal under Index Linked Notes are directly governed by the performance of the relevant Index. If the Index Ratio decreases, then payments will be lower. If the Index Ratio increases, then payments will be higher.

Background to the Indices

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (**ONS**) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of payments of interest on, and the redemption amount

of, the RPI Linked Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on RPI, including past and current levels, can be found at the following website: www.statistics.gov.uk.

CPI is a measure of inflation in the United Kingdom and is produced to international standards and is in line with European Regulations. The CPI is the inflation measure which has been increasingly used by the Government and has been the Bank of England's target for inflation since December 2003. Approximately 180,000 separate price quotations are used each month in compiling CPI. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

CPIH is a measure of UK consumer price inflation that includes owner occupiers' housing costs (**OOH**). These are the costs of housing services associated with owning, maintaining and living in one's own home. OOH does not include costs such as utility bills, minor repairs and maintenance, which are already included in the index. CPIH uses an approach called rental equivalence to measure OOH. Rental equivalence uses the rent paid for an equivalent house as a proxy for the costs faced by an owner occupier. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

Information about the past and further performance and volatility of CPI and CPIH can be found at the following website: http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Consumer+Price+Indices.

Calculation of interest and redemption amounts on Index Linked Notes

Payments of principal and interest on Index Linked Notes will be adjusted to take into account changes in the Index from the Base Index Figure specified in the applicable Final Terms.

In respect of each Tranche of Index Linked Notes, a rate of interest will be specified in the applicable Final Terms. The interest amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms) will be that rate multiplied by the ratio which reflects the change in the Index between the Base Index Figure and the Index figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date.

Subject to any early redemption of Index Linked Notes, such Index Linked Notes will be redeemed on their specified Maturity Date at a Final Redemption Amount specified in the applicable Final Terms, provided that:

(a) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in the Index will also be paid (subject to any maximum redemption amount specified in the applicable Final Terms); and

(b) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Index Linked Notes will be reduced to reflect such decrease in the Index (subject to any minimum redemption amount specified in the applicable Final Terms).

Index figure applicable

The Index Figure applicable for RPI Linked Notes relating to a particular month or date will be the figure either 3 months or 8 months prior to the particular month or date (3 months or 8 months to be specified in the applicable Final Terms). The Index Figure applicable for CPI Linked Notes or CPIH Linked Notes relating to a particular month or date will be the figure "t" months prior to the particular month or date ("t" months to be specified in the applicable Final Terms). If an 8 month period is specified as the Index Figure applicable for RPI Linked Notes, it will be the first day of the month that is 8 months prior to the month in which the relevant payment falls due. If a 3 month period is specified as the Index Figure applicable for RPI Linked Notes, or if CPI or CPIH is specified as the Index, the Index Figure applicable will be determined using the formula which is calculated by the linear interpolation between the relevant reference Index applicable to the

first calendar day of the month in which the relevant day falls and the relevant reference Index applicable to the first calendar day of the month immediately following (set out in Condition 6.1).

INDEX TO FINANCIAL STATEMENTS

CONTENTS

Page

ANNINGTON LIMITED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 DECEMBER 2016 ..... F-1

ANNINGTON HOMES LIMITED HISTORICAL FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2016 ..... F-49

ANNINGTON PROPERTY LIMITED HISTORICAL FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2016 ..... F-74

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Annington Funding Plc
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Property Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Homes Limited
1 James Street
London
W1U 1DR

28 June 2017

Dear Sirs

Annington Limited

We report on the financial information of Annington Limited (together with its subsidiaries, the "Annington Limited Group") for the two years and nine months ended 31 December 2016 set out in the Index to Financial Statements of the Offering Circular dated 28 June 2017 of Annington Funding plc (the "Issuer" and, together with its subsidiaries, the "Group") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex IX item 11.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Issuer and the Guarantors are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the consolidated financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.4R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability

to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 11.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Annington Limited Group as at 31 March 2015, 31 March 2016 and 31 December 2016 and of its profits, cash flows and changes in equity for the two years and nine months then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies that will be adopted in the Company's next annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

CONSOLIDATED INCOME STATEMENT
For the period ended 31 December 2016

	Note	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Property rental income	4	140,475	183,001	179,269
Property operating expenses		(7,526)	(17,439)	(16,861)
Net rental income	4	132,949	165,562	162,408
Other operating income		2	61	210
Administrative expenses		(9,796)	(12,231)	(12,844)
Utilities provision release/(expense)	17	634	1,085	(878)
Unrealised property revaluation gains	10	857,980	714,515	765,671
Profit on disposal of property assets	7	8,626	35,634	23,306
Share of results of joint ventures after taxation		1,869	7,196	8,730
Operating profit	5	992,264	911,822	946,603
Finance income	8	4,430	4,722	215
Finance costs	8	(201,006)	(273,925)	(275,061)
Profit before taxation		795,688	642,619	671,757
Taxation	9	(77,224)	(33,620)	(130,919)
Profit for the period after taxation		718,464	608,999	540,838
Profit attributable to shareholder		718,464	608,999	540,838

There were no items of other comprehensive income or expense and therefore the profit for the period reflects the Group's total comprehensive income.

CONSOLIDATED BALANCE SHEET
At 31 December 2016

	Note	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000	1 April 2014 £'000
Non-current assets					
Investment properties	10	7,508,959	6,699,590	6,074,852	5,370,933
Plant and equipment	11	141	98	112	183
Investment in joint ventures	12	32,436	33,403	29,155	15,958
Other receivables	13	-	19,512	-	-
		7,541,536	6,752,603	6,104,119	5,387,074
Current assets					
Trade and other receivables	13	22,810	21,900	795	582
Cash, cash equivalents and restricted cash	14	152,762	115,993	116,631	147,611
		175,572	137,893	117,426	148,193
Investment properties held for sale	10	20,455	10,686	25,525	12,956
Total assets		7,737,563	6,901,182	6,247,070	5,548,223
Current liabilities					
Trade and other payables	15	(66,017)	(58,168)	(59,263)	(74,497)
Loans and borrowings	16	(57,116)	(60,039)	(86,927)	(91,564)
Provisions	17	(2,684)	-	-	-
		(125,817)	(118,207)	(146,190)	(166,061)
Non-current liabilities					
Other payables	15	(172)	(10,329)	(6,828)	(4,551)
Loans and borrowings	16	(2,966,490)	(2,900,924)	(2,835,507)	(2,803,895)
Deferred tax liabilities	9	(807,702)	(730,478)	(696,849)	(565,581)
Provisions	17	(37,994)	(39,227)	(37,808)	(34,755)
Derivative financial instruments	18	(42,560)	(63,653)	(94,523)	(84,853)
		(3,854,918)	(3,744,611)	(3,671,515)	(3,493,635)
Total liabilities		(3,980,735)	(3,862,818)	(3,817,705)	(3,659,696)
Net assets		3,756,828	3,038,364	2,429,365	1,888,527
Capital and reserves					
Share capital	20	84,756	84,756	84,756	84,756
Merger reserve	21	(10,000)	(10,000)	(10,000)	(10,000)
Retained earnings	22	3,682,072	2,963,608	2,354,609	1,813,771
Total equity		3,756,828	3,038,364	2,429,365	1,888,527

The accompanying notes (1 to 30) should be read in conjunction with this historical financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2016

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	84,756	(10,000)	1,813,771	1,888,527
Profit attributable to shareholder, being total comprehensive income for the year	-	-	540,838	540,838
Balance at 31 March 2015	84,756	(10,000)	2,354,609	2,429,365
Profit attributable to shareholder, being total comprehensive income for the year	-	-	608,999	608,999
Balance at 31 March 2016	84,756	(10,000)	2,963,608	3,038,364
Profit attributable to shareholder, being total comprehensive income for the period	-	-	718,464	718,464
Balance at 31 December 2016	84,756	(10,000)	3,682,072	3,756,828

CONSOLIDATED CASH FLOW STATEMENT
For the period ended 31 December 2016

	Note	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Net cash from operating activities	23	121,215	157,223	143,180
Tax received		-	9	349
Net cash inflow from operating activities		121,215	157,232	143,529
Investing activities				
Proceeds from sale of property assets		71,859	94,598	67,744
Purchase of property assets	10	(2,732)	(3,568)	(4,380)
Purchase of plant and equipment	11	(105)	(72)	(41)
Loans to joint ventures	12	(4,018)	(1,250)	(6,140)
Loan repayments from joint ventures	12	2,000	-	-
Distributions from joint ventures	12	4,854	14,090	5,471
Interest received		119	249	215
Net cash inflow from investing activities		71,977	104,047	62,869
Financing activities				
Increase in borrowings	17	59,220	170,875	-
Repayment of borrowings		(121,671)	(297,141)	(140,281)
Purchase of offsetting swaps		(19,007)	(27,943)	(25,180)
Interest paid		(74,965)	(107,708)	(71,917)
Net cash outflow from financing activities		(156,423)	(261,917)	(237,378)
Net increase/(decrease) in cash, cash equivalents and restricted cash		36,769	(638)	(30,980)
Cash, cash equivalents and restricted cash at the beginning of the period		115,993	116,631	147,611
Cash, cash equivalents and restricted cash at the end of the period	14	152,762	115,993	116,631

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016

1. CORPORATE INFORMATION

Annington 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 Group's ultimate parent is presented in Note 27.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This special purpose financial information (the "Historical Financial Information") presents the financial position of the Group and results of its operations for each of the following periods: the nine month period ended 31 December 2016, and the years ended 31 March 2016 and 31 March 2015. This Historical Financial Information has been prepared for inclusion in the prospectus of Annington Funding plc for the purpose of raising new debt. This Historical Financial Information has been prepared in accordance with the requirements of item 11.1 of Annex IX to the Prospectus Directive regulation, the Listing Rules, International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. All accounting policies have been applied consistently, unless otherwise stated.

The Historical Financial Information has been approved for issue by the Board of Annington Limited on [.] June 2017.The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union.

The Group had previously prepared its financial statements 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"). Details of how the Group adopted IFRS are disclosed in Note 30.

This historical financial information is presented in pounds sterling, which is the functional currency of the Group. All values are rounded to the nearest thousand (£'000), except where otherwise indicated. They have been prepared on the historical cost basis, except for property revaluation gains and losses, investment in subsidiary companies and derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity, to benefit from its activities. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The Group meets its day-to-day working capital requirements from rental income. In uncertain economic environments, where there is uncertainty over the level of demand for properties, comfort is obtained via the fact that 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. With regards to the external bank debt within the Group, the Loan to Value and interest coverage ratios have not been breached.

There is not expected to be any breach of these covenants in the foreseeable future. The loan facility held by Annington Rentals (Holdings) Limited falls due in December 2018.

The Group's ability to elect whether interest on the Annington Finance No. 5 plc PIK Notes 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 Group is able to meet these liabilities for the foreseeable future.

The Group has reported a net current asset position at 31 December 2016. The Group receives cash on a quarterly basis in relation to its long-term rental of property assets, however, accounting regulations prescribe that the debt to be repaid in the next 12 months must be disclosed as a current liability. The receipts of the minimum guaranteed payment in the year ahead will be sufficient to meet short-term requirements.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the historical financial information has been prepared on a going concern basis.

Significant judgements and key estimates

The preparation of the historical financial information 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.

Property asset valuations
The property portfolio is carried in the balance sheet at fair value adjusted for related provisions that are disclosed separately on the balance sheet. The fair value is valued annually by professionally qualified external valuers. The valuation of the property asset portfolio is inherently subjective as it utilises, among other factors, comparable sales data and the expected future rental revenues. The valuer exercises professional judgement when determining what market observations are used in the assessment of fair value. If any assumptions made in the valuation prove to be inaccurate, this may mean that the value of the property asset portfolio differs from the valuation, which could have a material effect on the financial position of the Company. Property valuations are one of the principal uncertainties of the Company.

Accounting for debt at amortised cost
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 Group. The amortisation of finance costs and the related balances may be impacted if financial instruments are not repaid in line with current forecasts.

Provision for utilities
When determining the provision for utilities, the estimation technique requires an assumption be made of the future cost and the timing of works to connect sites to public utilities. When doing so, estimates of costs and future inflation are made, which, if not accurate could have a material effect on the provision balance.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these historical financial information, the Group has not applied the following new and revised IFRSs that have been issued but are not effective and in some cases have not yet been adopted by the EU:

New and Amended Standards		Effective date (annual periods beginning on or after)
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 7	Disclosure Initiative	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

(*) The IASB decided in December 2015 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

These standards and interpretations have not been early adopted by the Group. The Group is in the process of assessing the impact of these new standards and interpretations on its financial reporting.

4. PROPERTY AND NET RENTAL INCOME

ACCOUNTING POLICY

Property rental income – Revenue recognition

Property rental income from property assets is accounted for on an accruals basis and recognised on a straight-line basis over the operating lease term. Rent increases arising from rent reviews not able to be determined at the outset of the lease are taken into account when such reviews have been settled with the tenants. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Property rental income	140,475	183,001	179,269

Net rental income

Net rental income comprises property rental income less property operating expenses. Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants is charged to the income statement.

The Group generates substantially all of its net rental income, profits before taxation and net assets from residential property investment in England and Wales.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

5. OPERATING PROFIT

ACCOUNTING POLICY

Operating profit is stated after charging depreciation, operating lease payments and auditor remuneration, and before finance income and finance costs.

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Operating lease payments			
Machinery and motor vehicles	132	187	182
Land and buildings	316	417	421
Depreciation of plant and equipment	62	86	112

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

ACCOUNTING POLICY

Employee Benefits

The Group provides a range of benefits to employees, including annual bonuses, long-term incentives, paid holiday arrangements and defined contribution plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is rendered. Outstanding balances due to employees are shown as a liability.

The cost of providing contributions to employees' personal defined contribution schemes is charged to the income statement as contributions are made. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Directors' emoluments			
Aggregate emoluments	1,632	2,001	2,048
Amounts receivable under the Long-Term Incentive Plan	863	1,150	1,150
	2,495	3,151	3,198

No retirement benefits are accruing to directors. The emoluments including the Long-Term Incentive Plan for the highest paid director amounted to £1.1 million (31 March 2016 and 2015: £1.3 million). No directors' emoluments were paid to S Kassam, J King, A Vos and S Webber who are employed by Terra Firma Capital Partners Limited.

The Company has no direct employees. All staff are employed by the subsidiary, Annington Management Limited, on behalf of the Group.

Wages and salaries include an accrual for the future potential payments of the discretionary Long-Term Incentive Plan. This scheme (LTIP 4) was established for the period 1 April 2012 to 31 March 2017 and was settled in April 2017. The accrual is based on annual discretionary awards over the life of the scheme.

The Group contributes to employees' personal defined contribution pension schemes. The contributions made for the period were £0.3 million (31 March 2016 and 2015: £0.4 million).

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

7. PROFIT ON DISPOSAL OF PROPERTY ASSETS

ACCOUNTING POLICY

Gains or losses on the sale of properties are accounted for on a legal completion of contract basis. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Sales proceeds	51,017	148,833	74,057
Selling costs	(1,275)	(5,015)	(2,953)
Profit share	-	-	6,288
Net disposal proceeds	49,742	143,818	77,392
Carrying value of properties disposed	(41,116)	(108,184)	(54,086)
	8,626	35,634	23,306

During the period, disposals of 236 properties (31 March 2016: 492; 31 March 2015: 310 properties) were completed.

The Ministry of Defence ("MoD") and the Group entered into a Profit Share Agreement at the time of acquiring the Married Quarters Estate ("MQE"). Under the terms of the agreement, the Group was obliged to make payments to the MoD calculated on a percentage of certain gains made, or deemed to have been made, on the disposal of units or sites (including by way of letting, sale or otherwise). During the year ended 31 March 2015, an agreement was reached to settle all obligations under the Profit Share Agreement. Under this settlement, the anticipated future revisions to the profit share previously paid by the Group were determined and settled for the sum of £6.3 million and liabilities recognised by the Group of £5.8 million were extinguished.

8. 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.

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Finance income			
Interest receivable	2,344	1,441	215
Fair value gain on interest rate swaps	2,086	3,281	-
Total finance income	4,430	4,722	215

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

8. FINANCE INCOME AND COSTS (continued)

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Finance costs			
Interest payable on secured floating and fixed rate notes	107,341	147,222	137,114
Amortisation of discount and issue costs and finance expenses	83,765	111,318	88,050
Interest payable on bank loans	4,461	5,674	5,909
Unwinding of discount of provision	2,147	3,151	3,244
Fair value loss on interest rate swaps	-	354	34,850
Loss on bonds redeemed	1,616	4,722	4,506
Other finance expenses	1,676	1,484	1,388
Total finance costs	201,006	273,925	275,061

9. 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 Group 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 and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

9. TAXATION (continued)

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Current tax			
United Kingdom corporation tax at 20% (31 March 2016: 20%; 31 March 2015: 21%)	-	-	-
Consideration received for tax losses surrendered	-	(9)	(349)
Total current tax	-	(9)	(349)
Deferred tax			
Deferred taxation: origination and reversal of temporary differences	117,800	103,307	131,260
Profits taxable in the future under the Securitisation Regime at 17% (31 March 2016: 18%; 31 March 2015: 20%)	6	7	8
Impact of change in tax rate	(40,582)	(69,685)	-
Total deferred tax	77,224	33,629	131,268
Total taxation expense for the period	77,224	33,620	130,919

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (31 March 2016: 20%; 31 March 2015: 21%). The tax for the period and the previous years differ from the standard tax rates for the reasons set out in the following reconciliation:

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit before taxation	795,688	642,619	671,757
Tax on profit at the standard rate	159,138	128,524	141,069
Factors affecting the current tax for the period:			
Expenses not deductible for tax purposes	3,351	7,404	7,740
Non-taxable income	(222)	(7,739)	(8,609)
Disposal of investments	(987)	(852)	2,314
Change in tax rate	(40,582)	(69,685)	-
Effect of tax rate differential between current and deferred tax	(32,200)	(13,511)	(6,310)
Impact of indexation	(7,292)	(6,092)	(4,604)
Deferred profits taxed under securitisation regime	(4,077)	(4,420)	(332)
Consideration received for tax losses surrendered	-	(9)	(349)
Other items	95	-	-
Taxation expense for the period	77,224	33,620	130,919

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 17% from 1 April 2020, with these rates substantively enacted at the current balance sheet date.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

9. TAXATION (continued)

Deferred tax

The movement in deferred tax is as set out below:

	Accelerated tax depreciation £'000	Employment benefits £'000	Investment properties £'000	Profits under securitisation regime £'000	Deferred finance costs £'000	Tax losses £'000	Total £'000
At 1 April 2014	(23)	(2,972)	622,351	56	(304)	(53,527)	565,581
Charge/(credit) to profit or loss	(4)	1,606	142,772	8	(641)	(12,473)	131,268
At 31 March 2015	(27)	(1,366)	765,123	64	(945)	(66,000)	696,849
Charge/(credit) to profit or loss	6	(410)	109,759	7	(1,456)	(4,592)	103,314
Effect of change in tax rate	2	137	(76,512)	(6)	94	6,600	(69,685)
At 31 March 2016	(19)	(1,639)	798,370	65	(2,307)	(63,992)	730,478
Charge/(credit) to profit or loss	13	(182)	125,667	4	(2,495)	(5,201)	117,806
Effect of change in tax rate	1	91	(44,354)	(3)	128	3,555	(40,582)
At 31 December 2016	(5)	(1,730)	879,683	66	(4,674)	(65,638)	807,702

Deferred tax assets and liabilities are offset where the Group is permitted to do so. The following is an analysis of the deferred tax balances:

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Deferred tax liabilities	(880,758)	(798,489)	(767,179)
Deferred tax assets	73,056	68,011	70,330
Net deferred tax liabilities	(807,702)	(730,478)	(696,849)

At the balance sheet date, the Group has unused tax losses of £386.1 million (31 March 2016: £355.5 million; 31 March 2015: £329.7 million) available for offset against future profits. A deferred tax asset of £65.6 million has been recognised in respect of these losses (31 March 2016: £64.0 million; 31 March 2015: £66.0 million).

No deferred tax liabilities are recognised on temporary differences associated with investments in subsidiaries and interests in joint ventures for the current period and proceeding year in accordance with the accounting policy. At the balance sheet date, the group has unrecognised deferred tax liabilities relating to the investment in joint ventures of £5.6 million (31 March 2016: £6.0 million; 31 March 2015: £5.7 million). The Group has an unrecognised deferred tax asset relating to losses recognised in Annington Finance No. 4 plc of £3.5 million at 31 December 2016 (31 March 2016: £6.5 million; 31 March 2015: £11.6 million).

Part of the provision for tax arises on taxable profits under the securitisation regime that are not due to be paid until cash is realised within Annington Finance No. 4 plc.

Deferred tax balances at 31 December 2016 are measured at 17% (31 March 2016: 18%; 31 March 2015: 20%).

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

10. PROPERTY ASSETS

ACCOUNTING POLICY

Property assets comprise investment properties and investment properties held for sale.

Investment properties comprise property that is held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes and other professional fees. Subsequent to initial recognition, investment properties are recognised at the carrying value at balance sheet date which is the fair value adjusted for related provisions that are disclosed separately on the balance sheet. The fair value is determined annually by professionally qualified external valuers on a portfolio basis such that individual property calculations are not performed. Changes in the carrying value are included in the income statement in the period in which they arise. No depreciation is provided in respect of investment properties.

Where specific investment properties are expected to sell within the next 12 months, their carrying value is classified as held for sale within current assets (refer below).

Investment properties are transferred to investment properties held for sale if their carrying amount is intended to be recovered through a sales transaction rather than continuing use. This condition is regarded as met if the sale is highly probable, the property is available for immediate sale in its present condition, the property is being actively marketed, and management is committed to the sale, which is expected to qualify as a completed sale within 12 months from the date of classification.

Investment properties held for sale continue to be measured in accordance with the accounting policy for investment properties.

31 December 2016	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	6,699,590	10,686	6,710,276
Additions - capital expenditure	2,274	-	2,274
Disposals	(30,430)	(10,686)	(41,116)
Transfer to investment properties held for sale	(14,554)	14,554	-
Unrealised property revaluation gains	852,079	5,901	857,980
Total carrying value at 31 December	7,508,959	20,455	7,529,414

31 March 2016	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	6,074,852	25,525	6,100,377
Additions - capital expenditure	3,568	-	3,568
Disposals	(82,659)	(25,525)	(108,184)
Transfer to investment properties held for sale	(6,537)	6,537	-
Unrealised property revaluation gains	710,366	4,149	714,515
Total carrying value at 31 March	6,699,590	10,686	6,710,276

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

10. PROPERTY ASSETS (continued)

31 March 2015	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	5,370,933	12,956	5,383,889
Additions - capital expenditure	4,834	-	4,834
Disposals	(41,061)	(12,956)	(54,017)
Transfer to investment properties held for sale	(19,313)	19,313	-
Unrealised property revaluation gains	759,459	6,212	765,671
Total carrying value at 31 March	6,074,852	25,525	6,100,377

Properties would have been included on an historical cost basis at £1,392.6 million (31 March 2016: £1,410.6 million; 31 March 2015: £1,446.8 million).

As at 31 December 2016 there were 82 (31 March 2016: 32; 31 March 2015: 131) property assets classified as held for sale, with disposal expected within the next 12 months.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
The carrying value of investment properties and investment properties held for sale comprises:			
Freehold	325,464	329,341	357,138
Long leaseholds	9,272	13,708	17,431
Very long leaseholds (over 900 years)	7,194,678	6,367,227	5,725,808
	7,529,414	6,710,276	6,100,377

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Reconciliation of fair value/market value to carrying value:			
Market value as estimated by the external valuer	7,488,736	6,671,049	6,062,569
Add: amounts included in utilities provision (Note 17)	40,678	39,227	37,808
Carrying value for financial reporting purposes	7,529,414	6,710,276	6,100,377

IFRS requires the market value of investment properties be adjusted for assets or liabilities recognised separately on the balance sheet. Due to the method used by the external valuer in calculating market value, when arriving at carrying value, the Group has adjusted the market valuation of investment properties to exclude the utilities provision (Note 17).

All leasehold properties leased by the MoD are maintained by and remain entirely under their control. The identification of surplus properties and the timing of their release to the Group is entirely at the discretion of the MoD and, upon receiving not less than six months' notice, the Group is obliged to accept any properties declared surplus.

Future minimum rents receivable under non-cancellable operating leases are disclosed in Note 25.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

10. PROPERTY ASSETS (continued)

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Property rental income from investment properties:	140,475	183,001	179,269
Property rental expenses:			
Refurbishment costs	(5,022)	(15,024)	(15,075)
Dilapidations recovered from tenants	754	3,444	3,109
Rental running expenses	(3,258)	(5,859)	(4,895)
	(7,526)	(17,439)	(16,861)

Refurbishment costs are incurred where significant repairs are required to bring vacated properties back up to tenantable standard. Dilapidations recovered from tenants are used to defray these costs.

All of the Group's property assets generated rental income in the current and prior year, with the exception of the plots and infill areas held in the surplus estate that have future long-term development potential.

Allsop LLP ("Allsop") has prepared a market valuation of the property assets held by Annington Property Limited in alignment with the requirements of IFRS 13, *Fair Value Measurement*. This is a 'Regulated Purpose Valuation'. Allsop has provided strategic advice and agency services to Annington Property Limited since 1997 and has provided annual valuations of the portfolio since 1999.

The valuer's opinion was derived on a portfolio basis, primarily using comparable recent market transactions on arm's length terms. The valuation was carried out by an independent valuer in accordance with the requirements of the RICS Valuation Standards (sixth edition, as subsequently amended), except where it is not, in practical terms, feasible to comply due to the large number of properties involved. Allsop has confirmed that in relation to their most recent financial year, the proportion of their total fee income arising from Annington Property Limited was less than 5%, which may be regarded as minimal.

The valuation techniques which have been applied to the Retained Estate (units leased by the MoD under the original MQE that have not yet been released), the Surplus Estate (units released from the Retained Estate but not yet disposed of by the Group) and properties let under other tenancy agreements are set out in the table following.

Under the discounted cash flow method, forecast cash flows are discounted using an appropriate rate to arrive at a fair value for the portfolio. These forecasts are based on data including current rents, rental growth rates, vacancy rates, operating costs, terms and conditions of leases agreements and capital expenditure.

For other units in the Group, a vacant possession market comparison valuation technique was used. The valuer was given a representative sample of properties under assured shorthold & other bulk tenancies to value thus ensuring the whole portfolio is externally valued every five years. The valuer was instructed to value such similar properties. The valuation of these properties was then extrapolated to provide the movement for the whole short-term rentals portfolio. The basis of the extrapolation technique is the movement of the market value of the externally sampled properties, blended with recent comparable vacant possession values split by geographic region. Where no such evidence is available, due to the lack of recent comparable transactions, the value has been determined with consideration for the relevant Halifax and Nationwide regional indices and historical performance in relation to these indices in the current period.

Assumptions and valuation models used by the valuers are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

Within their valuation report, released prior to the EU Referendum, Allsop have highlighted that uncertainty related to the EU referendum on 23 June 2016 was likely to have affected market confidence at the valuation date. This risk has been reflected in the valuation as at 31 March 2016 through a downward adjustment of 5% to their calculations.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

10. PROPERTY ASSETS (continued)

The fair value measurement hierarchy level for all property assets as at 31 December 2016 was Level 3 significant unobservable inputs (31 March 2016: Level 3; 31 March 2015: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior period.

This fair value measurement hierarchy level is specified in accordance with IFRS 13 'Fair Value Measurement'. The levels are defined below:

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).

Property asset valuations are inherently subjective, depending on many factors, including property location, expected future net rental value and market yields. In valuing the properties, the following assumptions have been adopted and incorporated into the valuation model.

31 December 2016	**Fair value £'000**	**Unobservable inputs**	**Range**
Retained estate			
Fair value	7,154,000		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	177,801
		Estimated future rent increase (20 year average - %)	3.1% p.a.
		Long-term House Price Index (%)	3.0% p.a.
		IRR (%)	6.0%
Surplus estate			
Fair value	44,600		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Bulk rental discount rate (%)	12.5%
Assured shorthold & other bulk tenancies			
Fair value	290,136		
Valuation technique		Vacant possession market comparison	
		Blended House Price Index (%)	(2.1)% - 5.6%
		Rental (premium)/discount rates (%)	(2.5)% - 12.5%
Fair value at 31 December 2016	7,488,736		

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

10. PROPERTY ASSETS (continued)

31 March 2016	Fair value £'000	Unobservable inputs	Input
Retained estate			
Fair value	6,328,000		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	171,393
		Estimated future rent increase (20 year average - %)	3.1% p.a.
		Long-term House Price Index (%)	3.0% p.a.
		Discount rates (%)	1.3% - 11%
Surplus estate			
Fair value	71,320		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Bulk rental discount rate (%)	12.5%
Assured shorthold & other bulk tenancies			
Fair value	271,729		
Valuation technique		Vacant possession market comparison	
		Blended House Price Index (%)	2.3% - 13.9%
		Rental (premium)/discount rates (%)	(2.5)% - 12.5%
Fair value at 31 March 2016	6,671,049		

31 March 2015	Fair value £'000	Unobservable inputs	Input
Retained estate			
Fair value	5,688,000		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	165,788
		Estimated future rent increase (20 year average - %)	3.1% p.a.
		Long-term House Price Index (%)	3.0% p.a.
		Discount rates (%)	1.7% - 11.2%
Surplus estate			
Fair value	101,500		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Bulk rental discount rate (%)	15.0%
Assured shorthold & other bulk tenancies			
Fair value	273,069		
Valuation technique		Vacant possession market comparison	
		Blended House Price Index (%)	2.3% - 13.9%
		Rental (premium)/discount rates (%)	(5.0)% - 10.0%
Fair value at 31 March 2015	6,062,569		

All other factors remaining constant, the valuation would increase with an increase in gross rent, estimated future rent increase, long-term HPI and blended HPI, while increases in discount rates would result in a fall in the valuation and vice versa. There are interrelationships between unobservable inputs as they are determined by market conditions, and so the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions, (i.e. gross rents increase and discount rates decrease), valuation movements can be amplified whereas if they move in the same direction they may offset reducing the overall net valuation movement.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

11. PLANT AND EQUIPMENT

ACCOUNTING POLICY

Plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is on average three years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Cost			
At 1 April	1,267	1,195	1,154
Additions	105	72	41
At period end	1,372	1,267	1,195
Accumulated depreciation			
At 1 April	1,169	1,083	971
Depreciation charge for the period	62	86	112
At period end	1,231	1,169	1,083
Net book value			
At period end	141	98	112

12. INVESTMENT IN JOINT VENTURES

ACCOUNTING POLICY

The results, assets and liabilities of joint ventures are accounted for using the equity method. Investments in joint ventures are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment. Losses in a joint venture in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations on behalf of the joint venture.

The Group's joint venture undertakings at 31 December 2016 are shown below:

Name of joint venture	Principal activity	Holding
Annington Wates (Cove) Limited	Property development	50.00%
Countryside Annington (Colchester) Limited	Property development	50.00%
Countryside Annington (Mill Hill) Limited	Property development	50.00%
The Inglis Consortium LLP	Property development	28.55%

Each of these entities operates within the United Kingdom.

The Group has held these investments since the following dates:

Held through Annington Developments Limited as 100% interest in "X" Ordinary shares:

22 July 2004	Annington Wates (Cove) Limited
17 March 2005	Countryside Annington (Colchester) Limited
8 December 2006	Countryside Annington (Mill Hill) Limited

Each of the above entities has issued 500 "X" Ordinary and 500 "Y" Ordinary shares. The rights of the holders of the "X" Ordinary shares and "Y" Ordinary shares are identical and rank in pari passu.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

12. INVESTMENT IN JOINT VENTURES (continued)

Held through Annington Property Limited:

4 April 2011	The Inglis Consortium LLP

The Group's rights and obligations with respect to The Inglis Consortium LLP are set out in the Co-operation agreement and Limited Liability Partnership Deed dated 4 April 2011. Under this agreement the Group benefits from an interest in the partnership's operations and profits set at 28.55%, but has one third of the voting rights. All partnership decisions must be formed by unanimous agreement.

	Share of net assets £'000	Loans £'000	Total £'000
At 1 April 2014	9,867	6,091	15,958
Additions	3,792	6,140	9,932
Interest on loans	-	537	537
Distributions	(5,471)	-	(5,471)
Share of profit for the year	8,199	-	8,199
At 31 March 2015	16,387	12,768	29,155
Additions	9,869	1,250	11,119
Interest on loans	-	797	797
Distributions	(14,090)	-	(14,090)
Share of profit for the year	6,422	-	6,422
At 31 March 2016	18,588	14,815	33,403
Additions	-	4,018	4,018
Interest on loans	-	(2,000)	(2,000)
Distributions	(4,854)	-	(4,854)
Share of profit for the period	1,100	769	1,869
At 31 December 2016	14,834	17,602	32,436

The Group's share of profits from joint ventures represents profits from continued operations. There are no discontinued operations within the joint ventures. The joint ventures have not recorded any other comprehensive income and the share of profits disclosed in the above table also represents the Group's share of total comprehensive income.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

13. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are initially recognised at fair value, subsequently measured at amortised cost using the effective interest method and less any impairment.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year			
Trade receivables	63	59	16
Sundry receivables	454	187	-
Deferred consideration on property sales	21,807	21,008	423
Other taxation and social security	-	41	44
Prepayments and accrued income	486	605	312
	22,810	21,900	795
Amounts falling due after one year			
Deferred consideration on property sales	-	19,512	-

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

Trade receivables are stated after provisions for impairment of £4,250 (31 March 2016: £293,127; 31 March 2015: £281,505).

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Trade receivables can be analysed as follows:			
Amount receivable not past due	63	59	16
Amount receivable impaired (gross)	4	293	282
Less impairment	(4)	(293)	(282)
	63	59	16

14. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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 an insignificant risk of changes in value.

Short-term investments relate to shares held in an investment company that has ten highly liquid cash funds. The fair value of the short-term investments has been determined based on the redemption rules as set out in the product's prospectus. Redemption requests can be made at any time on a dealing day as set out in the product's prospectus.

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

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Cash at bank	2,203	4,423	19,068
Short-term deposits	35,508	32,809	13,504
Short-term investments	64,000	22,002	19,000
Cash and cash equivalents	101,711	59,234	51,572
HSBC deposits	28,845	23,803	56,795
Holdback custodian account	956	2,403	2,037
RBS deposits	21,250	30,553	6,227
Restricted cash	51,051	56,759	65,059
Cash, cash equivalents and restricted cash	152,762	115,993	116,631

Restricted cash

HSBC deposits

The Group holds primary standby deposit accounts with HSBC established in July 2012. The balance reported includes a balance of £20.6 million (31 March 2016: £23.7 million; 31 March 2015: £50.9 million) related to the drawn liquidity facilities from RBS and associated interest (refer Note 16). These deposits are restricted and can only be withdrawn provided certain conditions have been met.

Holdback custodian account

On behalf of AF4, the RBS administers a custodian bank account. A holdback mechanism is required to maintain security for the Class A Zero Coupon and Class B Zero Coupon Notes. This mechanism calculates holdback amounts with reference to property disposals and are held in a custody account. These funds are restricted as they are held on behalf of the Class A Zero Coupon and Class B Zero Coupon Noteholders, in accordance with the holdback custody agreement.

RBS deposits

In compliance with the RBS funding arrangements and attaching to the Group's loan facilities held by Annington Rentals (Holdings) Limited, bank accounts exist to cover various aspects of operations. These are in the name of each company and administered by RBS. These funds can only be released provided certain conditions are met.

15. 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.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year			
Trade payables	334	552	430
Accruals	25,043	17,647	20,183
Taxes and social security	175	397	389
Deferred income	40,465	39,572	38,261
	66,017	58,168	59,263
Amounts falling due after one year			
Accruals	172	10,329	6,828

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

16. LOANS AND BORROWINGS

ACCOUNTING POLICY

After initial recognition, 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.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year			
Secured notes	36,482	36,295	36,056
Drawn liquidity facility	20,634	23,744	50,871
	57,116	60,039	86,927
Amounts falling due between one and five years			
Secured notes	149,247	148,217	151,709
Bank loans	140,803	140,405	139,927
	290,050	288,622	291,636
Amounts falling due after five years			
Secured notes	2,424,695	2,437,398	2,543,871
Unsecured notes	251,745	174,904	-
	2,966,490	2,900,924	2,835,507
Total loans and borrowings	3,023,606	2,960,963	2,922,434

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

16. LOANS AND BORROWINGS (continued)

Reconciliation of movements

	31 December 2016 £'000	Amortisation of bond issue costs and finance charges £'000	Issued /Drawn /(Repaid) £'000	31 March 2016 £'000
Annington Limited				
11% Unsecured Zero Coupon Notes 2024	251,745	17,621	59,220	174,904
Annington Finance No. 1 plc				
8% Secured Bonds 2012/2021	185,729	404	(27,860)	213,185
Drawn liquidity facility	14,100	-	-	14,100
	199,829	404	(27,860)	227,285
Annington Finance No. 4 plc				
Zero Coupon Notes 2022 Class A	928,119	46,307	(2,209)	884,021
Zero Coupon Notes 2023 Class B	587,595	33,150	(2,212)	556,657
Floating Rate Notes 2023 Class B3	3,526	34	-	3,492
Fixed Rate Notes 2023 Class C	148,787	151	-	148,636
Fixed Rate/FRN 2023 Class M	148,897	4,167	(63,914)	208,644
Drawn liquidity facility	6,534	-	(3,110)	9,644
	1,823,458	83,809	(71,445)	1,811,094
Annington Finance No. 5 plc				
PIK Notes 2023	607,771	21,246	(20,750)	607,275
Annington Rentals (Holdings) Limited				
Royal Bank of Scotland – 5yr	140,803	398	-	140,405
Total loans and borrowings	3,023,606	123,478	(60,835)	2,960,963

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

16. LOANS AND BORROWINGS (continued)

	31 March 2016 £'000	Amortisation of bond issue costs and finance charges £'000	Issued /Drawn /(Repaid) £'000	31 March 2015 £'000
Annington Limited				
11% Unsecured Zero Coupon Notes 2024	174,904	4,029	170,875	-
Annington Finance No. 1 plc				
8% Secured Bonds 2012/2021	213,185	625	(36,682)	249,242
Drawn liquidity facility	14,100	-	-	14,100
	227,285	625	(36,682)	263,342
Annington Finance No. 4 plc				
Zero Coupon Notes 2022 Class A	884,021	58,568	(9,248)	834,701
Zero Coupon Notes 2023 Class B	556,657	41,634	(3,789)	518,812
Floating Rate Notes 2023 Class B3	3,492	48	(40,361)	43,805
Fixed Rate Notes 2023 Class C	148,636	201	-	148,435
Fixed Rate/FRN 2023 Class M	208,644	8,230	(50,713)	251,127
Drawn liquidity facility	9,644	-	(27,127)	36,771
	1,811,094	108,681	(131,238)	1,833,651
Annington Finance No. 5 plc				
PIK Notes 2023	607,275	7,261	(85,500)	685,514
Annington Rentals (Holdings) Limited				
Royal Bank of Scotland – 5yr	140,405	478	-	139,927
Total loans and borrowings	2,960,963	121,074	(82,545)	2,922,434

Security

Annington Finance No. 1 plc
This Bond is secured on the Guaranteed Minimum Rent payable by the MoD over the 25 years ending 2021. The MQE currently consists of 38,979 properties (31 March 2016: 39,014, 31 March 2015: 39,262).

Annington Finance No. 4 plc
These five Notes are secured on the proceeds, generated by Annington Property Limited, from excess rental income from the Retained Estate (income generated above the guaranteed minimum received from the MoD), from the disposal of the Surplus Estate and net rental income from the Surplus Estate. These Notes are also secured on the remaining MQE.

Annington Finance No. 5 plc
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 Annington Finance No. 5 plc from Annington Homes Limited and fixed and floating expenses over all of the undertakings, goodwill, property, assets and rights, present and future, of each of Annington Finance No. 5 plc and Annington Homes Limited.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

16. LOANS AND BORROWINGS (continued)

Annington Rentals (Holdings) Limited

The facility is secured by way of a fixed and floating charge on all assets and undertakings present and future of Annington Rentals (Holdings) Limited and its subsidiary undertakings.

17. PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Utilities provision			
At 1 April	39,227	37,808	34,755
Unwinding of discount	2,147	3,151	3,244
Amounts (credited)/charged to income statement	(634)	(1,085)	878
Utilised	(62)	(647)	(1,069)
At period end	40,678	39,227	37,808
Current provision	2,684	-	-
Non-current provision	37,994	39,227	37,808
	40,678	39,227	37,808

There is a legal agreement to provide for the adoption of private utilities on sites where there have been releases of property that are currently dependent, for the supply of water and/or certain sewage treatment, on adjacent MoD bases. In addition, there is a constructive liability to provide for the adoption of certain utilities on certain sites which are not base dependent. Full provision has been made on the base dependent sites in accordance with the legal agreement and for all obligations which have crystallised on non-base dependent sites. Of the total provision, £4.0 million (31 March 2016: £2.1 million; 31 March 2015: £2.1 million) is anticipated to be incurred over the next three years (31 March 2016: three years; 31 March 2015: three years), and the balance during the period December 2019 to December 2024. The provision has been discounted in accordance with the relevant borrowing costs of the Group. There is a contingent liability (refer Note 25) in respect of base dependent sites where properties have not been released.

18. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes and the derivative financial instruments are not designated as hedging instruments.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value are recognised in the income statement. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Financial liabilities carried at fair value through profit or loss (FVTPL)			
Interest rate swaps that are not designated in hedge accounting relationships	42,560	63,653	94,523

Reconciliation of movements

	31 December 2016 £'000	Revaluation adjustment £'000	Issued /Drawn /(Repaid) £'000	31 March 2016 £'000
Annington Finance No. 4 plc				
Interest rate swaps	38,203	(1,362)	(19,007)	58,572
Annington Rentals (Holdings) Limited				
Interest rate swaps	4,357	(724)	-	5,081
Total derivative financial instruments	42,560	(2,086)	(19,007)	63,653

	31 March 2016 £'000	Revaluation adjustment £'000	Issued /Drawn /(Repaid) £'000	31 March 2015 £'000
Annington Finance No. 4 plc				
Interest rate swaps	58,572	(3,281)	(27,943)	89,796
Annington Rentals (Holdings) Limited				
Interest rate swaps	5,081	354	-	4,727
Total derivative financial instruments	63,653	(2,927)	(27,943)	94,523

Further details of derivative financial instruments are provided in Note 19.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and net of directly attributable transaction costs as appropriate.

Financial assets

Impairment of financial assets

The Group's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are 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.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

The Group has the following financial instruments:

	Note	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Financial assets				
Cash and receivables:				
Trade and other receivables	13	22,324	40,766	439
Cash, cash equivalents and restricted cash	14	152,762	115,993	116,631
Total financial assets		175,086	156,759	117,070
Financial liabilities				
Liabilities measured at fair value through profit and loss:				
Interest rate swaps	18	42,560	63,653	94,523
Liabilities measured at amortised cost:				
Trade and other payables	15	25,549	28,528	27,441
Loans and borrowings	16	3,023,606	2,960,963	2,922,434
		3,049,155	2,989,491	2,949,875
Total financial liabilities		3,091,715	3,053,144	3,044,398

Exposure to credit, liquidity, and interest rate risks arise in the normal course of the Group's business activities. Derivative financial instruments are in place to manage exposure to fluctuations in interest rates but are not employed for speculative purposes.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk

The Group's principal financial assets are cash and cash equivalents, restricted cash and trade and other receivables.

The Group has an agreement with FTI Finance Limited, trading as FTI Treasury, to manage and optimise the liquidity resources and requirements of the Group. Credit risk on cash and deposits is minimised by using a revolving panel of banks, which have all been identified as low risk according to Credit Agency ratings. The maximum amount of funds that can be placed with any one institution is also limited. The banks and criteria are reviewed and updated periodically to ensure they reflect the prevailing market conditions.

The Group has a low credit risk as the Retained Estate portfolio is leased on a 200-year underlease to the MoD. All properties under these arrangements continue to be maintained by, and remain entirely under the control of, the MoD dependent upon their operational needs. The rent is payable quarterly in advance and, to date, has always been received by the due date.

The Group's credit risk is attributed primarily to its trade and other receivables, which consists principally of instalments due under property disposals, agreed dilapidations claims outstanding and rents due from tenants. The balance is low compared to the scale of the balance sheet.

Tenant receivables relate to properties let to third parties. Let properties include those released and returned from the MoD (where a rental strategy is being pursued), and properties that are rented to residential tenants. The Group employs a managing agent to actively pursue arrears and this policy has resulted in minimal bad debts to date.

Other than amounts due from the joint venture companies and dilapidations claims outstanding, the Group has no other significant concentration of credit risk. Trade receivables are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate, as set out in Note 13.

The carrying amount of financial assets recorded in the historical financial information represents the Group's maximum exposure to credit risk.

Debt Management

The Group's borrowings are through the issue of various classes of notes on the securitisation of the MQE by way of two income streams generated by the portfolio:

(i) Guaranteed Rental Income received from the MoD;

(ii) Excess income from net sales and rents.

There are various borrowing facilities in place to ensure that there is no default in the repayment of the borrowing and interest to the bond holders. These facilities are renewed annually and to date have never been called upon.

The Group has one medium-term external bank loan secured on its investment property rental portfolio (Note 16).

The Group has no overdraft arrangements in place as it has adequate funds invested on the money market in short to medium-term deposits to maintain its short-term liquidity. In addition the Group also forecasts its liquidity requirements using five-year rolling cash forecasts, which are updated on a monthly basis.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt and equity. Debt includes loans and borrowings (Note 16) and cash, cash equivalents and restricted cash, and equity comprises equity attributable to equity holders of the parent, being issued share capital, reserves and retained earnings (Notes 20 - 22).

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

There is one bank facility agreement in place that requires covenant tests to be maintained.

	Loan to value	Gross Interest cover	Net Interest cover
Annington Rentals (Holdings) Limited	65%	175%	150%

All of these covenant tests have been complied with during the period ended 31 December 2016 and previous periods.

Interest Rate Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. There are a number of interest rate swaps in place to fix the exposure the Group has to fluctuations in interest rates.

Between December 1997 and October 2015, Annington Finance No. 4 plc had two interest rate swap agreements in place for the Class B3 Floating Rate Notes, where the Group pays fixed 6.93% and receives variable rates linked to LIBOR, and the opportunity to purchase offsetting swaps. At 31 March 2015 offsetting swaps with a notional value of £691.7 million were in place to fix interest rate exposures that result by the early redemption of Class B3 Floating Rate Notes ahead of the original payment profile, where the Group receives fixed at 6.93% and pays variable rates linked to LIBOR. Under these agreements, Annington Finance No. 4 plc had a net notional liability position of £76.3 million at 31 March 2015. In October 2015, the original swaps and all associated offsetting swaps were cancelled.

In August 2004 two further interest rate swap agreements, totalling an additional £260 million were entered into by Annington Finance No. 4 plc relating to the Class M Fixed/Floating Rate Notes. The floating rate interest on these notes came into effect in April 2015, with swap payments commencing at the same time, with a termination date in January 2023. The Group pays fixed 5.284% and receives variable rates linked to LIBOR. Offsetting swaps amounting to £114.6 million as at 31 December 2016 (31 March 2016: £50.7 million; 31 March 2015: £nil) were in place to fix interest rate exposures that result from the early redemption of the Notes ahead of the original payment profile, under which the Group receives fixed at 5.284% and pays variable rates linked to LIBOR. Under these agreements, Annington Finance No. 4 plc has a net notional liability position of £145.4 million as at 31 December 2016 (31 March 2016: £209.3 million; 31 March 2015: £260.0 million).

At 31 December 2016, the fair value of the originating swaps in Annington Finance No. 4 plc was a liability of £68.3 million (31 March 2016: £72.8 million; 31 March 2015: £271.7 million), while the fair value of the offsetting swaps was an asset of £30.1 million (31 March 2016: £14.2 million; 31 March 2015: £181.9 million).

At 31 December 2016, Annington Rentals (Holdings) Limited held a number of interest rate swap and cap agreements totalling £128.8 million (31 March 2016: £129.9 million; 31 March 2015: £142.0 million), with caps comprising 25% of the total set at the fixed rate of the swap contract to which they relate. Under the swap contracts Annington Rentals (Holdings) Limited receives variable rates linked to LIBOR and pay at a fixed weighted average of 1.83% (31 March 2016: 1.83%; 31 March 2015: 1.84%). As at 31 December 2016, the fair value of interest rate swaps was a liability of £4.4 million (31 March 2016: £5.1 million; 31 March 2015: £4.7 million).

The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

A 50 basis point increase/decrease in the interest rate in which derivative financial instruments are held would lead to a £4.5 million decrease (31 March 2016: £6.8 million decrease; 31 March 2015: £15.9 million decrease)/£6.2 million increase (31 March 2016: £11.5 million increase; 31 March 2015: £16.1 million increase) in the Group's net finance costs.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Cash Management and Liquidity

Cash levels are monitored to ensure sufficient resources are available to meet the Group's current and projected operational commitments. The Group has borrowing facilities in place for AF1 of £14.1 million (31 March 2016 and 2015: £14.1 million) and for AF4 of £81.5 million (31 March 2016: £84.6 million; 31 March 2015: £111.8 million) to ensure no default on the quarterly bond repayments.

The £14.1 million (31 March 2016 and 2015: £14.1 million) facility held by AF1 and the £6.5 million (31 March 2016: £9.6 million; 31 March 2015: £36.8 million) facility held by AF4 are drawn down from RBS and placed with HSBC which holds the necessary rating.

AF4 holds a £75.0 million (31 March 2016 and 2015: £75.0 million) liquidity facility with Nationwide, this is undrawn at both the current and previous balance sheet dates. The current facility limit is renewed annually and expires in one year or less.

Cash balances are invested in short to medium-term money market deposits and are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk. Longer-term liquidity requirements are forecast to be met out of future operational cash and income streams.

Liquidity risk and financial maturity analysis

In respect of non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. In respect of derivative financial instruments, the fair values have been calculated using appropriate market discount rates to arrive at the future cash flows.

	31 December 2016			
	Total £'000	**Less than one year £'000**	**One to five years £'000**	**More than five years £'000**
Non-derivative financial liabilities				
Trade and other payables	25,549	25,377	172	-
Loans and borrowings	4,858,651	88,901	360,531	4,409,219
Total non-derivative financial liabilities	4,884,200	114,278	360,703	4,409,219
Derivative financial instruments				
Interest rate swaps	46,562	9,392	29,369	7,801
Total financial liabilities	4,930,762	123,670	390,072	4,417,020
Financial assets				
Trade and other debtors	(23,811)	(23,811)	-	-
Cash, cash equivalents and restricted cash	(152,762)	(152,762)	-	-
Total financial assets	(176,573)	(176,573)	-	-
Net financial liabilities/(assets)	4,754,189	(52,903)	390,072	4,417,020

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	31 March 2016			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Trade and other payables	28,528	18,199	10,329	-
Loans and borrowings	5,113,605	96,373	394,934	4,622,298
Total non-derivative financial liabilities	5,142,133	114,572	405,263	4,622,298
Derivative financial instruments				
Interest rate swaps	67,923	11,522	40,627	15,774
Total financial liabilities	5,210,056	126,094	445,890	4,638,072
Financial assets				
Trade and other receivables	(44,479)	(22,363)	(22,116)	-
Cash, cash equivalents and restricted cash	(115,993)	(115,993)	-	-
Total financial assets	(160,472)	(138,356)	(22,116)	-
Net financial liabilities/(assets)	5,049,584	(12,262)	423,774	4,638,072

	31 March 2015			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Trade and other payables	27,441	20,613	6,828	-
Loans and borrowings	5,500,080	142,920	481,099	4,876,061
Total non-derivative financial liabilities	5,527,521	163,533	487,927	4,876,061
Derivative financial instruments				
Interest rate swaps	155,173	19,840	84,647	50,686
Total financial liabilities	5,682,694	183,373	572,574	4,926,747
Financial assets				
Trade and other receivables	(439)	(439)	-	-
Cash, cash equivalents and restricted cash	(116,631)	(116,631)	-	-
Total financial assets	(117,070)	(117,070)	-	-
Net financial liabilities/(assets)	5,565,624	66,303	572,574	4,926,747

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values

The fair values of the Group's borrowings, interest rate swaps and offsetting swaps are determined by a Level 2 valuation technique. The fair value measurement hierarchy levels have been defined in Note 10.

	31 December 2016		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured notes	230,095	251,745	271,358
Secured notes	3,381,134	2,610,424	3,283,742
Drawn liquidity facility	20,634	20,634	20,634
Secured bank loan	141,688	140,803	141,688
	3,773,551	3,023,606	3,717,422
Derivative financial liabilities			
Interest rate swaps	-	42,560	42,560
	3,773,551	3,066,166	3,759,982

	31 March 2016		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured notes	170,875	174,904	184,630
Secured notes	3,500,787	2,621,910	3,226,260
Drawn liquidity facility	23,744	23,744	23,744
Secured bank loan	141,688	140,405	141,688
	3,837,094	2,960,963	3,576,322
Derivative financial liabilities			
Interest rate swaps	-	63,653	63,653
	3,837,094	3,024,616	3,639,975

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	31 March 2015		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Secured notes	3,735,732	2,731,636	3,327,551
Drawn liquidity facility	50,871	50,871	50,871
Secured bank loan	141,688	139,927	141,688
	3,928,291	2,922,434	3,520,110
Derivative financial liabilities			
Interest rate swaps	-	94,523	94,523
	3,928,291	3,016,957	3,614,633

	31 December 2016	31 March 2016	31 March 2015
Weighted average interest rate	8.42%	8.66%	9.27%
Weighted average period of fixed interest rates	6.0 years	6.8 years	7.6 years

Unsecured and secured notes
At 31 December 2016 listed Notes have been valued based on the Luxembourg Stock Exchange indicative price at balance sheet date. Where Notes are not listed these have been valued via a discounted cash flow approach, using a comparable of Treasury 8% 2021 Notes yielding 0.39%, and applying an appropriate market discount rate. At 31 March 2016 these notes have been valued via a discounted cash flow approach, using a comparable of Treasury 8% 2021 Notes yielding 0.80% (31 March 2015: yielding 1.21%), and applying an appropriate market discount rate. This represents a Level 2 fair value measurement.

Interest rate swaps
The fair value of derivative financial instruments is based on counterparty valuations using the present value of estimated future cash flows, which are discounted using the applicable yield curves derived from quoted interest rates as at 31 December 2016, 31 March 2016 and 31 March 2015.

Secured bank loan
This loan relates to a £165.0 million Five Year Term and Revolving Facility Agreement ending in December 2018 with The Royal Bank of Scotland plc, secured against residential properties held by all of its subsidiaries (Note 28). This facility requires three covenant tests to be maintained: Loan to Value, Gross Interest Coverage Ratio and Net Interest Coverage Ratio. Interest on the loan is payable at a floating rate but has been fixed by swaps, the fair value of this debt was determined to be the outstanding balance drawn down.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

20. SHARE CAPITAL

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Called up, allotted and fully paid			
8,475,620,000 ordinary shares of £0.01 each	84,756	84,756	84,756

On inception, the Company allotted one fully paid ordinary share with a nominal value of £1. On 3 December 2012, this share was subdivided into 100 equal fully paid ordinary shares with a nominal value of £0.01 each.

On 10 December 2012, the Company allotted 999,999,900 ordinary shares of £0.01 nominal value in consideration for the purchase of Annington Homes Limited from Annington Holdings (Guernsey) Limited as part of the Group restructure set out within the basis of consolidation in Note 2. As merger accounting has been applied, no share premium was recognised on issue.

On 13 December 2012, the Company allotted 7,475,620,000 fully paid ordinary shares with a nominal value of £0.01.

21. MERGER RESERVE

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Merger reserve	10,000	10,000	10,000

The merger reserve arose during the group restructure set out within the basis of consolidation in Note 2.

22. RETAINED EARNINGS

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

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Distributable profits	(682,818)	(669,491)	(632,324)
Non-distributable profits	4,364,890	3,633,099	2,986,933
Total retained earnings	3,682,072	2,963,608	2,354,609

Non-distributable profits represents unrealised gains arising on remeasurement of the Group's property assets net of deferred tax.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

23. NOTE TO THE CASH FLOW STATEMENT

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit after taxation	718,464	608,999	540,838
Adjustment for:			
Taxation	77,224	33,620	130,919
Finance costs	201,006	273,925	275,061
Finance income	(4,430)	(4,722)	(215)
Share of results of joint ventures after taxation	(1,869)	(7,196)	(8,730)
Profit on disposal of property assets	(8,626)	(35,634)	(23,306)
Unrealised property revaluation gains	(857,980)	(714,515)	(765,671)
Utilities provision (release)/expense	(634)	(1,085)	878
Depreciation expense	62	86	112
Movements in working capital:			
Increase in debtors	(1,290)	(92)	(213)
(Decrease)/increase in creditors	(650)	4,484	(5,424)
Decrease in provisions	(62)	(647)	(1,069)
Net cash inflow from operating activities	121,215	157,223	143,180

24. ANALYSIS OF CHANGES IN NET DEBT

	At 31 December 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 1 April 2016 £'000
Cash, cash equivalents and restricted cash	152,762	36,769	-	115,993
Debts falling due within one year	(57,116)	30,970	(28,047)	(60,039)
Debts falling due after more than one year	(3,009,050)	50,488	(94,961)	(2,964,577)
	(3,066,166)	81,458	(123,008)	(3,024,616)
Net debt	(2,913,404)	118,227	(123,008)	(2,908,623)

	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 1 April 2015 £'000
Cash, cash equivalents and restricted cash	115,993	(638)	-	116,631
Debts falling due within one year	(60,039)	63,809	(36,921)	(86,927)
Debts falling due after more than one year	(2,964,577)	90,401	(124,948)	(2,930,030)
	(3,024,616)	154,210	(161,869)	(3,016,957)
Net debt	(2,908,623)	153,572	(161,869)	(2,900,326)

Non-cash changes include amortisation of discounts and issue costs relating to debt issues.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

25. COMMITMENTS AND CONTINGENCIES

ACCOUNTING POLICY

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified. For arrangements entered into prior to 1 April 2014, the date of inception is deemed to be 1 April 2014 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership, in accordance with IAS 17 Leases, for properties leased to tenants and has determined that such leases are operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Group as a lessee

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Contingent liabilities

Contingent liabilities comprise either a possible obligation depending on whether some uncertain future event occurs, or a present obligation where payment is not probable or the amount cannot be measured reliably. Any such possible obligations are disclosed but not accreted.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

25. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments – Group as lessor

The Group has entered into property leases on its property assets portfolio. The Group has performed an evaluation of the terms and conditions of the arrangements of these leases. This includes factors such as the lease term not constituting a substantial portion of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property. The Group also retains all the significant risks and rewards of ownership of these properties. As such, all of these leases are accounted for as operating leases.

At 31 December 2016, the Group had contracted with tenants the following future minimum rentals receivable under non-cancellable operating leases:

	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Within one year	99,038	95,973	93,401
In two to five years	14,282	14,234	22,792
After five years	33,813	141	997
	147,133	110,348	117,190

Operating lease commitments – Group as lessee

The Group has entered into property leases on land and buildings, machinery and motor vehicles. The lease terms are between one to five years but the Group has the option, under some of its leases, to lease the assets for additional terms of up to 12 months.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	Land and buildings			Machinery and motor vehicles		
	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000	31 December 2016 £'000	31 March 2016 £'000	31 March 2015 £'000
Within one year	492	503	503	161	196	158
Between one and five years	165	76	579	87	193	129
	657	579	1,082	248	389	287

Contingent liabilities

As stated in Note 17, there is a contingent liability to allow for the adoption of private utilities on sites that are currently base dependent (dependent on the MoD) for their supply of water and sewage treatment and where there have been no releases of property from the MoD. This amounts to £125.0 million (31 March 2016: £122.3 million; 31 March 2015: £121.2 million).

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

26. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

On 18 December 2015, Annington Limited entered into an agreement with its parent company Annington Holdings (Guernsey) Limited permitting it to issue Zero Coupon Subordinated and Unsecured Loan Notes in an aggregate principal amount of up to £290.7 million due in 2024. During the period, £59.2 million (31 March 2016: £170.9 million) was borrowed under this agreement. Accreted interest on this borrowing brought the book value of the debt to £251.7 million (31 March 2016: £174.9 million) at 31 December 2016.

During the current period, the Group has had transactions with joint ventures that include distributions, loans and associated interest. These transactions form the basis for the movements disclosed in Note 12.

In addition, during the year ended 31 March 2016 Annington Property Limited sold two parcels of land to the Inglis Consortium LLP for £9.9 million.

Information regarding key management personnel

Details of payments to key management personnel are disclosed in Note 6.

27. 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 Holdings (Guernsey) Limited, a company registered in Guernsey, is the immediate parent of Annington Limited. Annington Holdings (Guernsey) Limited is a subsidiary of the Terra Firma Special Opportunities Fund 1 LP. The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

The smallest and largest group in which the Company's results are consolidated is shown within this historical financial information. Group financial statements for the Company are available on request from the registered office at 1 James Street, London W1U 1DR.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

28. SUBSIDIARIES AND RELATED UNDERTAKINGS

ACCOUNTING POLICY

Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity, to benefit from its activities. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

The subsidiary undertakings of Annington Limited at 31 December 2016, which are wholly owned, incorporated in Great Britain and included in the consolidated historical financial information, are shown below. The address of the registered office for all subsidiary undertakings, with the exception of Annington Nominees Limited and its undertakings, is 1 James Street, London W1U 1DR.

Name of subsidiary undertakings	Principal activity
Annington Homes Limited[a]	Intermediate group holding company
Annington Subsidiary Holdings Limited	Intermediate group holding company
Annington Property Limited	Property investment
Annington Management Limited	Management
Annington Receivables Limited	Income management
Annington Guarantee Limited	Dormant
Annington Nominees Limited[b]	Residents property management
Annington Finance No. 1 plc	Finance
Annington Finance No. 2 Limited	Finance
Annington Finance No. 4 plc	Finance
Annington Finance No. 5 plc	Finance
Annington Developments (Holdings) Limited	Intermediate group holding company
Annington Developments Limited	Property investment
Annington (DA) Investment Limited	Property investment
Annington Rentals (Holdings) Limited	Intermediate group holding company
Annington Rentals Limited	Property investment
Annington Rentals (No.2) Limited	Property investment
Annington Rentals (No.3) Limited	Property investment
Annington Rentals (No. 4) Limited	Property investment
Annington Rentals (No. 5) Limited	Property investment
Annington Rentals (No.6) Limited	Property investment
Annington Rentals (No.7) Limited	Property investment
Annington Rentals (No.8) Limited	Property investment
Annington Rentals Management Limited	Property investment

[a] The ordinary shares in this undertaking are directly owned by the Company

[b] The address of Annington Nominees Limited's registered office is 1 Callaghan Square, Cardiff CF10 5BT. Annington Nominees Limited owns one Class "A" share in each of the companies listed overleaf, all of which are property management companies. Each company is incorporated in Great Britain and the address of their registered office is Unit 8 Minerva Business Park, Lynch Wood, Peterborough PE2 6FT. Each company in the table below has issued one Class "A" share. Class "B" shares are allotted to homeowners on the relevant sites. Class "A" shareholders are entitled to receive notices of, attend, speak and vote at general meetings of the Company. The Class "A" shareholder shall transfer its share to the purchaser of the last house on the site. Class "B" shareholders are not entitled to receive notices of, attend, speak or vote at general meetings of the Company until the Class "A" share is redesignated as a Class "B" share. Where all Class "B" shares have been issued, the Class "A" share is converted to a Class "C" share, on 'handover of the Company to resident control'. Class "C" shareholder is not entitled to receive notices of, attend, speak or vote at general meetings of the Company.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

28. SUBSIDIARIES AND RELATED UNDERTAKINGS (continued)

The results for each of these undertakings are not consolidated into the group historical financial information of Annington Limited as they are not considered material for the purposes of giving a true and fair view to the consolidated results.

Name of subsidiary undertaking	Holding %
Arborfield East Residents Company Limited	3.03
Ashchurch (St. David's) Residents Company Limited	5.26
Beaconside Residents Company Limited	1.75
Biggin Hill Residents Company Limited	3.33
Bordon Residents Company Limited	0.95
Boulmer Residents Company Limited	1.79
Britannia Crescent Residents Company Limited	1.10
Bulford Residents Company Limited	2.13
Burgoyne Heights Residents Company Limited	0.75
Butlers Meadow Residents Company Limited	1.32
Cardiff Place Residents Company Limited	2.56
Catterick (Anzio) Residents Company Limited	2.70
Chester (Dale Camp) Residents Company Limited	2.00
Chicksands Residents Company Limited	0.85
Chivenor Residents Company Limited	2.94
Coningsby (West Drive) Residents Company Limited	1.35
Cove Residents Company Limited	100.00
Cranwell Residents Company Limited	3.13
Dale Road Residents Company Limited	0.78
Dishforth Residents Company Limited	3.23
Donnington Residents Company Limited	1.25
Donnington (Richards Road) Residents Company Limited	1.59
Driffield Ramsden Residents Company Limited	7.14
East Vale Residents Company Limited	0.31
Exmouth (York Close) Residents Company Limited	10.00
Foulkes Terrace (Aldershot) Residents Company Limited	25.00
Garats Hay Residents Company Limited	7.69
Graham Road (Redruth) Residents Company Limited	1.82
Greenmill Residents Company Limited	3.13
Henlow Residents Company Limited	5.00
High Wycombe (Woodcock) Residents Company Limited	6.25
Hilsea (Farmside Gardens) Residents Company Limited	100.00
Honington (Poplar Close) Residents Company Limited	3.03
Innsworth Residents Company Limited	1.28
Keith Park Road (Uxbridge) Residents Company Limited	0.60
Kirton (York Road) Residents Company Limited	25.00
Kirton in Lindsey Residents Company Limited	1.25
Lancaster Square Residents Company Limited	1.75
Limerick (Balham) Residents Company Limited	2.63
Longtown Rosetrees Residents Company Limited	7.14
Marham Residents Company Limited	4.76
Mayne Avenue Residents Company Limited	1.10
Mostyn Court Bushey Residents Company Ltd	4.55
North Luffenham Residents Company Limited	1.59
Northwood Residents Company Limited	12.50
Nottingham Road Residents Company Limited	3.23
Petersfield (Kings Road) Residents Company Limited	20.00
Ringwood Crescent Residents Company Limited	11.11
Salerno Residents Company Limited	100.00
Scampton Residents Company Limited	0.61
Shorncliffe Drive Residents Company Limited	5.26
South Wigston Residents Company Limited	1.67
St. Columb Minor Residents Company Limited	1.72
St. Eval Parc Residents Company Limited	0.34
Stanbridge Residents Company Limited	10.00
Stokesay Road Residents Company Limited	1.89
Strensall Residents Company Limited	2.86
Thirsk Residents Company Limited	2.86
Uxbridge (Buchan) Residents Company Limited	1.96
Uxbridge (Southern) Residents Company Limited	1.54
Uxbridge Jupiter Residents Company Limited	4.00
Waterbeach (Abbey Place) Residents Company Limited	1.00
Waterbeach Residents Company Limited	0.69
Watton Residents Company Limited	3.70
West Moors Residents Company Limited	5.00
West Vale Residents Company Limited	0.52
Whetstone Milson Close Residents Company Limited	3.23
White Waltham Residents Company Limited	12.50
Wimbish Residents Company Limited	3.85
Wittering Residents Company Limited	0.29
Woodbridge West Residents Company Limited	2.44
Wyton Residents Company Limited	0.56

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

29. POST BALANCE SHEET EVENTS

No reportable or adjusting post balance sheet events occurred after the reporting period.

30. FIRST TIME ADOPTION OF IFRS

The Group had previously prepared Companies Act financial statements for the year ended 31 March 2016 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"). The historical financial information constitutes the Group's first IFRS financial statements, with a transition date of 1 April 2014.

This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including the balance sheet as at 1 April 2014 and financial statements for the year ended 31 March 2015.

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemption:

- IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 April 2014. Use of this exemption means that FRS 102 carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS balance sheet. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

Estimates

The estimates at 1 April 2014 and at 31 March 2015 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 Group to present these amounts in accordance with IFRS reflect conditions at 1 April 2014, the date of transition to IFRS and as at 31 March 2015.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

30. FIRST TIME ADOPTION OF IFRS (continued)

Group reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Note	FRS 102 £'000	Effect of transition £'000	IFRS as at 1 April 2014 £'000
Non-current assets				
Investment properties	i	5,383,889	(12,956)	5,370,933
Plant and equipment		183	-	183
Investment in joint ventures		15,958	-	15,958
		5,400,030	(12,956)	5,387,074
Current assets				
Trade and other receivables		582	-	582
Cash, cash equivalents and restricted cash		147,611	-	147,611
		148,193	-	148,193
Investment properties held for sale	i	-	12,956	12,956
Total assets		5,548,223	-	5,548,223
Current liabilities				
Trade and other payables		(74,497)	-	(74,497)
Loans and borrowings		(91,564)	-	(91,564)
		(166,061)	-	(166,061)
Non-current liabilities				
Other payables		(4,551)	-	(4,551)
Loans and borrowings		(2,803,895)	-	(2,803,895)
Deferred tax liabilities		(565,581)	-	(565,581)
Provisions		(34,755)	-	(34,755)
Derivative financial instruments		(84,853)	-	(84,853)
		(3,493,635)	-	(3,493,635)
Total liabilities		(3,659,696)	-	(3,659,696)
Net assets		1,888,527	-	1,888,527
Capital and reserves				
Share capital		84,756	-	84,756
Merger reserve		(10,000)	-	(10,000)
Retained earnings		1,813,771	-	1,813,771
Total equity		1,888,527	-	1,888,527

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

30. FIRST TIME ADOPTION OF IFRS (continued)

Group reconciliation of equity as at 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Utilities provision[ii] £'000	IFRS as at 31 March 2015 £'000
Non-current assets					
Investment properties	i	6,062,569	(25,525)	37,808	6,074,852
Plant and equipment		112	-	-	112
Investment in joint ventures		29,155	-	-	29,155
		6,091,836	(25,525)	37,808	6,104,119
Current assets					
Trade and other receivables		795	-	-	795
Cash, cash equivalents and restricted cash		116,631	-	-	116,631
		117,426	-	-	117,426
Investment properties held for sale	i	-	25,525	-	25,525
Total assets		6,209,262	-	37,808	6,247,070
Current liabilities					
Trade and other payables		(59,263)	-	-	(59,263)
Loans and borrowings		(86,927)	-	-	(86,927)
		(146,190)	-	-	(146,190)
Non-current liabilities					
Other payables		(6,828)	-	-	(6,828)
Loans and borrowings		(2,835,507)	-	-	(2,835,507)
Deferred tax liabilities		(689,320)	-	(7,529)	(696,849)
Provisions		(37,808)	-	-	(37,808)
Derivative financial instruments		(94,523)	-	-	(94,523)
		(3,663,986)	-	(7,529)	(3,671,515)
Total liabilities		(3,810,176)	-	(7,529)	(3,817,705)
Net assets		2,399,086	-	30,279	2,429,365
Capital and reserves					
Share capital		84,756	-	-	84,756
Merger reserve		(10,000)	-	-	(10,000)
Retained earnings		2,324,330	-	30,279	2,354,609
Total equity		2,399,086	-	30,279	2,429,365

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

30. FIRST TIME ADOPTION OF IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Utilities provision[ii] £'000	IFRS for the year ended 31 March 2015 £'000
Property rental income		179,269	-	-	179,269
Property operating expenses		(20,983)	-	4,122	(16,861)
Net rental income		158,286	-	4,122	162,408
Other operating income		210	-	-	210
Administrative expenses		(12,844)	-	-	(12,844)
Utilities provision expense		-	-	(878)	(878)
Unrealised property revaluation gains		727,863	-	37,808	765,671
Profit on disposal of investment properties		23,306	-	-	23,306
Share of results of joint ventures after taxation		8,730	-	-	8,730
Operating profit		905,551	-	41,052	946,603
Finance income		215	-	-	215
Finance costs		(271,817)	-	(3,244)	(275,061)
Profit before taxation		633,949	-	37,808	671,757
Taxation		(123,390)	-	(7,529)	(130,919)
Profit for the year after taxation		510,559	-	30,279	540,838
Profit attributable to shareholder		510,559	-	30,279	540,838

There were no items of other comprehensive income or expense and therefore the profit for the year reflects the Group's total comprehensive income.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
For the period ended 31 December 2016 (continued)

30. FIRST TIME ADOPTION OF IFRS (continued)

Notes to the Group reconciliation of equity as at 1 April 2014 and 31 March 2015 and Group total comprehensive income for the year ended 31 March 2015

i Investment properties held for sale

IFRS requires non-current assets to be classified as held for sale where the carrying amount is recovered principally through a sale transaction rather than through continuing use, whereas previous FRS 102 did not have any concept of held for sale assets. This has resulted in a reclassification of those properties that had been released for sale at year end to investment properties held for sale.

ii Reclassification of utilities provision

Under FRS 102, the market value of investment properties was equal to the carrying value. IFRS 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 Group adjusting the market valuation for investment properties to exclude the utilities provision that has been recognised separately.

Under FRS 102, the discount unwind of the utilities provision and the provision amount charged/released to the income statement were included in cost of sales. Under IFRS, these are disclosed separately, with the discount unwind recognised as a borrowing cost. This has resulted in the Company separately disclosing these amounts in the income statement. The discount unwind has been included in finance costs.

REGISTERED OFFICE

1 James Street
London, United Kingdom
W1U 1DR

Telephone: 020 7960 7500
www.annington.co.uk
Registered in England No 8271384

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Annington Funding Plc
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Homes Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Property Limited
1 James Street
London
W1U 1DR

28 June 2017

Dear Sirs

Annington Homes Limited

We report on the financial information of Annington Homes Limited for the two years ended 31 March 2016 set out in the Index to Financial Statements of the Offering Circular dated 28 June 2017 of Annington Funding plc (the "Issuer" and, together with its subsidiaries, the "Group") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex IX item 11.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Issuer and the Guarantors are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.4R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection

with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 11.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Annington Homes Limited as at 31 March 2015 and 31 March 2016 and of its profits, cash flows and changes in equity for the two years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms

INCOME STATEMENT
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Operating profit	4	-	-
Finance income	6	17,278	16,173
Finance costs	6	(201,088)	(184,340)
Loss before taxation		(183,810)	(168,167)
Taxation	7	9	22
Loss for the year after taxation		(183,801)	(168,145)
Loss attributable to shareholder		(183,801)	(168,145)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Items that may subsequently be recycled through the income statement			
Change in fair value of investment in subsidiary companies	8	(140,400)	1,059,100
Total other comprehensive income		(140,400)	1,059,100
Loss for the year		(183,801)	(168,145)
Total comprehensive income for the year		(324,201)	890,955
Total comprehensive income attributable to shareholder		(324,201)	890,955

BALANCE SHEET
At 31 March 2016

	Note	2016 £'000	2015 £'000	1 April 2014 £'000
Non-current assets				
Investment in subsidiary companies	8	4,168,900	4,309,300	3,250,200
Receivables	9	232,096	217,183	202,266
		4,400,996	4,526,483	3,452,466
Current assets				
Cash and cash equivalents	10	2,296	3,661	9,858
Receivables	9	-	-	2
		2,296	3,661	9,860
Total assets		4,403,292	4,530,144	3,462,326
Current liabilities				
Borrowings	11	(1,648)	(1,648)	(1,639)
Non-current liabilities				
Borrowings	11	(2,519,250)	(2,321,901)	(2,145,047)
Total liabilities		(2,520,898)	(2,323,549)	(2,146,686)
Net assets		1,882,394	2,206,595	1,315,640
Capital and reserves				
Share capital	13	-	-	-
Revaluation reserve		1,913,671	2,054,071	994,971
Retained earnings	14	(31,277)	152,524	320,669
Total equity		1,882,394	2,206,595	1,315,640

The accompanying notes (1 to 21) should be read in conjunction with this historical financial information.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

	Note	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014		-	994,971	320,669	1,315,640
Loss attributable to shareholder		-	-	(168,145)	(168,145)
Change in fair value of investment in subsidiary companies	8	-	1,059,100	-	1,059,100
Balance at 31 March 2015		-	2,054,071	152,524	2,206,595
Loss attributable to shareholder		-	-	(183,801)	(183,801)
Change in fair value of investment in subsidiary companies	8	-	(140,400)	-	(140,400)
Balance at 31 March 2016		-	1,913,671	(31,277)	1,882,394

CASH FLOW STATEMENT
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Net cash from operating activities	15	-	-
Tax received		9	22
Net cash inflow from operating activities		9	22
Investing activities			
Interest received		12	27
Loans to subsidiaries		(1,249)	(6,123)
Repayments from subsidiaries		93	-
Net cash outflow from investing activities		(1,144)	(6,096)
Financing activities			
Interest paid		(77)	(72)
Proceeds from new borrowings		-	9
Repayments of borrowings		(153)	(60)
Net cash outflow from financing activities		(230)	(123)
Net decrease in cash and cash equivalents		(1,365)	(6,197)
Cash and cash equivalents at the beginning of the year		3,661	9,858
Cash and cash equivalents at the end of the year		2,296	3,661

NOTES TO THE HISTORICAL FINANCIAL INFORMATION
For the year ended 31 March 2016

1. CORPORATE INFORMATION

Annington Homes 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 19.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This special purpose financial information (the "Historical Financial Information") presents the financial position of the Company and results of its operations for each of the following periods: the nine month period ended 31 December 2016, and the years ended 31 March 2016 and 31 March 2015. This Historical Financial Information has been prepared for inclusion in the prospectus of Annington Funding plc for the purpose of raising new debt. This Historical Financial Information has been prepared in accordance with the requirements of item 11.1 of Annex IX to the Prospectus Directive regulation, the Listing Rules, International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. All accounting policies have been applied consistently, unless otherwise stated.

The Historical Financial Information has been approved for issue by the Board of Annington Homes Limited on [.] June 2017. The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union.

This historical financial information, for the year ended 31 March 2016, are the first the Company has prepared in accordance with IFRS. The Company has previously prepared Companies Act financial statements for the year ended 31 March 2016 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"). Details of how the Company adopted IFRS are disclosed in Note 21.

This historical financial information is presented in pounds sterling, which is the functional currency of the Company. All values are rounded to the nearest thousand (£'000), except where otherwise indicated. They have been prepared on the historical cost basis, except for property revaluation gains and losses and investment in subsidiary companies that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Group historical financial information

The Company is a wholly owned subsidiary of another company for which consolidated historical financial information is prepared and therefore is not required to prepare consolidated historical financial information under IFRS 10 paragraph 4a. Therefore, the Company has presented separate historical financial information in accordance with IAS 27.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The Company is a holding company and has no day-to-day working capital requirements. The Company's exposure to credit, liquidity, and interest rate risks arise are set out in Note 12.

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 historical financial information.

Significant judgements and key estimates

The preparation of the historical financial information 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.

Accounting for debt at amortised cost
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.

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. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of this historical financial information, the Company has not applied the following new and revised IFRSs that have been issued but are not effective and in some cases have not yet been adopted by the EU:

New and Amended Standards		Effective date (annual periods beginning on or after)
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 7	Disclosure Initiative	1 January 2017

(*) The IASB decided in December 2015 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

These standards and interpretations have not been early adopted by the Company. The Company is in the process of assessing the impact of these new standards and interpretations on its financial reporting.

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

4. OPERATING PROFIT

ACCOUNTING POLICY

Operating profit is stated before finance income and finance costs.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to the Company in the current or 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.

6. 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.

	2016 £'000	2015 £'000
Finance income		
Interest receivable on intercompany balances	17,266	16,146
Other finance income	12	27
Total finance income	17,278	16,173

	2016 £'000	2015 £'000
Finance costs		
Interest payable on intercompany balances	201,012	184,268
Other finance charges	76	72
Total finance costs	201,088	184,340

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

7. TAXATION

ACCOUNTING POLICY

The taxation expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Taxable profit differs from profit before tax as reported in the income statement because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

	2016 £'000	2015 £'000
Current tax		
United Kingdom corporation tax at 20% (2015: 21%)	(9)	(22)
Deferred tax		
Deferred taxation: origination and reversal of timing differences	-	-
Total taxation gain for the year	(9)	(22)

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

7. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 21%). The tax 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 before taxation	(183,810)	(168,167)
Tax on loss at the standard rate	(36,762)	(35,315)
Factors affecting the current tax for the year:		
Group relief surrendered	30,973	32,360
Non-taxable income	(1,568)	(3,154)
Notional transfer to group company	7,357	6,109
Consideration received for consortium relief	(9)	(22)
Taxation gain for the year	(9)	(22)

No deferred tax liabilities are recognised on temporary differences associated with investments in subsidiaries for the current year and preceding year in accordance with the accounting policy. At the balance sheet date, the Company has unrecognised deferred tax liabilities relating to its investment in subsidiaries of £750.4 million (2015: £861.9 million).

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. Subsequent to the balance sheet date, the rate applicable from 1 April 2020 was further reduced to 17%.

8. 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, the excess is recognised in profit or loss.

	2016 £'000	2015 £'000
Valuation		
At 1 April	4,309,300	3,250,200
(Decrease)/increase in fair value during the year	(140,400)	1,059,100
At 31 March	4,168,900	4,309,300

The historical cost of the investment in subsidiaries was £74,756,213 (2015: £74,756,213).

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 12% discount (2015: 9% premium), 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. Of the fair value movement, a loss of £140.4 million (2015: gain of £1,059.1 million) was recognised through other comprehensive income.

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

8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary undertakings at 31 March 2016, which are wholly owned or wholly owned by other subsidiaries and incorporated in Great Britain, are shown below:

Name of subsidiary undertaking	Principal activity	Name of subsidiary undertaking	Principal activity
Annington Subsidiary Holdings Limited*	Intermediate group holding company	Annington Rentals (No.2) Limited	Property investment
Annington Property Limited	Property investment	Annington Rentals (No.3) Limited	Property investment
Annington Management Limited*	Management	Annington Rentals (No.4) Limited	Property investment
Annington Nominees Limited^	Residents property management	Annington Rentals (No.5) Limited	Property investment
Annington Receivables Limited*	Income management	Annington Rentals (No.6) Limited	Property investment
Annington Finance No.1 plc	Finance	Annington Rentals (No.7) Limited	Property investment
Annington Finance No.2 Limited*	Finance	Annington Rentals (No.8) Limited	Property investment
Annington Finance No.4 plc	Finance	Annington Rentals Management Limited	Property management
Annington Finance No.5 plc*	Finance	Annington Developments (Holdings) Limited*	Intermediate group holding company
Annington Guarantee Limited*	Dormant	Annington Developments Limited	Property investment
Annington Rental (Holdings) Limited*	Intermediate group holding company	Annington (DA) Investment Limited	Property investment
Annington Rentals Limited	Property investment		

* - The shares in these undertakings are directly owned by the Company. All shares in these undertakings are ordinary shares.

^ - The address of Annington Nominees Limited's registered office is 1 Callaghan Square, Cardiff CF10 5BT. Annington Nominees Limited owns one Class "A" share in each of the companies listed overleaf, all of which are property management companies. Each company is incorporated in Great Britain and the address of their registered office is Unit 8 Minerva Business Park, Lynch Wood, Peterborough PE2 6FT. Each company in the table below has issued one Class "A" share. Class "B" shares are allotted to homeowners on the relevant sites. Class "A" shareholders are entitled to receive notices of, attend, speak and vote at general meetings of the Company. The Class "A" shareholder shall transfer its share to the purchaser of the last house on the site. Class "B" shareholders are not entitled to receive notices of, attend, speak or vote at general meetings of the Company until the Class "A" share is redesignated as a Class "B" share. Where all Class "B" shares have been issued, the Class "A" share is converted to a Class "C" share, on 'handover of the Company to resident control'. Class "C" shareholder is not entitled to receive notices of, attend, speak or vote at general meetings of the Company.

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

8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of subsidiary undertaking	Holding %
Arborfield East Residents Company Limited	3.03
Ashchurch (St. David's) Residents Company Limited	5.26
Beaconside Residents Company Limited	1.75
Biggin Hill Residents Company Limited	3.33
Bordon Residents Company Limited	0.95
Boulmer Residents Company Limited	1.79
Britannia Crescent Residents Company Limited	1.10
Bulford Residents Company Limited	2.13
Burgoyne Heights Residents Company Limited	0.75
Butlers Meadow Residents Company Limited	1.32
Cardiff Place Residents Company Limited	2.56
Catterick (Anzio) Residents Company Limited	2.70
Chester (Dale Camp) Residents Company Limited	2.00
Chicksands Residents Company Limited	0.85
Chivenor Residents Company Limited	2.94
Coningsby (West Drive) Residents Company Limited	1.35
Cove Residents Company Limited	100.00
Cranwell Residents Company Limited	3.13
Dale Road Residents Company Limited	0.78
Dishforth Residents Company Limited	3.23
Donnington Residents Company Limited	1.25
Donnington (Richards Road) Residents Company Limited	1.59
Driffield Ramsden Residents Company Limited	7.14
East Vale Residents Company Limited	0.31
Exmouth (York Close) Residents Company Limited	10.00
Foulkes Terrace (Aldershot) Residents Company Limited	25.00
Garats Hay Residents Company Limited	7.69
Graham Road (Redruth) Residents Company Limited	1.82
Greenmill Residents Company Limited	3.13
Henlow Residents Company Limited	5.00
High Wycombe (Woodcock) Residents Company Limited	6.25
Hilsea (Farmside Gardens) Residents Company Limited	100.00
Honington (Poplar Close) Residents Company Limited	3.03
Innsworth Residents Company Limited	1.28
Keith Park Road (Uxbridge) Residents Company Limited	0.60
Kirton (York Road) Residents Company Limited	25.00
Kirton in Lindsey Residents Company Limited	1.25
Lancaster Square Residents Company Limited	1.75
Limerick (Balham) Residents Company Limited	2.63
Longtown Rosetrees Residents Company Limited	7.14
Marham Residents Company Limited	4.76
Mayne Avenue Residents Company Limited	1.10
Mostyn Court Bushey Residents Company Ltd	4.55
North Luffenham Residents Company Limited	1.59
Northwood Residents Company Limited	12.50
Nottingham Road Residents Company Limited	3.23
Petersfield (Kings Road) Residents Company Limited	20.00
Ringwood Crescent Residents Company Limited	11.11
Salerno Residents Company Limited	100.00
Scampton Residents Company Limited	0.61
Shorncliffe Drive Residents Company Limited	5.26
South Wigston Residents Company Limited	1.67
St. Columb Minor Residents Company Limited	1.72
St. Eval Parc Residents Company Limited	0.34
Stanbridge Residents Company Limited	10.00
Stokesay Road Residents Company Limited	1.89
Strensall Residents Company Limited	2.86
Thirsk Residents Company Limited	2.86
Uxbridge (Buchan) Residents Company Limited	1.96
Uxbridge (Southern) Residents Company Limited	1.54
Uxbridge Jupiter Residents Company Limited	4.00
Waterbeach (Abbey Place) Residents Company Limited	1.00
Waterbeach Residents Company Limited	0.69
Watton Residents Company Limited	3.70
West Moors Residents Company Limited	5.00
West Vale Residents Company Limited	0.52
Whetstone Milson Close Residents Company Limited	3.23
White Waltham Residents Company Limited	12.50
Wimbish Residents Company Limited	3.85
Wittering Residents Company Limited	0.29
Woodbridge West Residents Company Limited	2.44
Wyton Residents Company Limited	0.56

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

9. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially recognised at fair value, subsequently measured at amortised cost using the effective interest method and less any impairment.

	2016 £'000	2015 £'000
Amounts falling due after one year:		
Amounts owed by group undertakings	232,096	217,183

Amounts due to the Company by group undertakings over one year include:

	2016 £'000	2015 £'000
Unsecured, interest free and no fixed date of repayment	25	168
Unsecured, interest bearing - 8%, date of repayment 2020	210,064	198,270
Unsecured, interest bearing at 8% date of repayment 2025	22,007	18,745
	232,096	217,183

The recoverable amount of loans receivable from subsidiaries is reviewed annually by reference to the subsidiary balance sheet and expected future activities, with a provision recorded to the extent the loan is not considered recoverable. There are no balances past due and no impairment has been deemed necessary.

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

10. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

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

	2016 £'000	2015 £'000
Cash at bank	192	959
Short-term deposits	2,104	2,702
Cash and cash equivalents	2,296	3,661

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

11. BORROWINGS

ACCOUNTING POLICY

After initial recognition, interest bearing 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.

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts owed to group undertakings	1,648	1,648
Amounts falling due after one year		
Amounts owed to group undertakings	2,519,250	2,321,901

Amounts due by the Company to group undertakings include:

	2016 £'000	2015 £'000
Unsecured, interest free and no fixed date of repayment	178,430	178,430
Unsecured, interest bearing – 11.0%, date of repayment 2024	174,679	-
Unsecured, interest bearing - 6.6076% - 7.8%, date of repayment 2025	1,556,990	1,449,792
Secured, interest bearing - 13.2%, date of repayment 2023	610,799	695,327
	2,520,898	2,323,549

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and net of directly attributable transaction costs as appropriate.

Financial assets

Impairment of financial assets

The Company's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are 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.

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities

The Company's financial liabilities consists of intercompany borrowings.

The Company has the following financial instruments:

	Note	2016 £'000	2015 £'000
Financial assets			
Cash and receivables:			
Receivables	9	232,096	217,183
Cash and cash equivalents	10	2,296	3,661
Investment in subsidiary companies	8	4,168,900	4,309,300
Total financial assets		4,403,292	4,530,144
Financial liabilities			
Liabilities measured at amortised cost:			
Borrowings	11	2,520,898	2,323,549
Total financial liabilities		2,520,898	2,323,549

Exposure to credit, liquidity, and interest rate risks arise in the normal course of the Company's business activities.

Credit Risk

The Company's principal financial assets are cash and cash equivalents and receivables.

The Company has an agreement with FTI Finance Limited, trading as FTI Treasury, to manage and optimise the liquidity resources and requirements of the Company. Credit risk on cash and deposits is minimised by using a revolving panel of banks, which have all been identified as low risk according to Credit Agency ratings. The maximum amount of funds that can be placed with any one institution is also limited. The banks and criteria are reviewed and updated periodically to ensure they reflect the prevailing market conditions.

The Company's credit risk is attributed primarily to its receivables, which consists principally of intercompany loans to other group companies (Note 9).

The carrying amount of financial assets recorded in the historical financial information represents the Company's maximum exposure to credit risk.

Debt Management

The Company's borrowings are through intercompany loans with other group companies (Note 11).

The Company has no overdraft arrangements in place as it has adequate funds invested on the money market in short to medium-term deposits to maintain its short-term liquidity. In addition, the Company also forecasts its liquidity requirements using five-year rolling cash forecasts, which are updated on a monthly basis.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt and equity. Debt includes loans and borrowings (Note 11) and cash and cash equivalents, and equity comprises equity attributable to equity holders of the parent, being issued share capital, revaluation reserves and retained earnings (Notes 13 - 14).

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Cash Management and Liquidity

Cash levels are monitored to ensure sufficient resources are available to meet the Company's current and projected operational commitments.

Cash balances are invested in short to medium-term money market deposits and are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk. Longer-term liquidity requirements are forecast to be met out of future operational cash and income streams.

Liquidity risk and financial maturity analysis

In respect of non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2016			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Borrowings	4,587,319	1,648	-	4,585,671
Total financial liabilities	4,587,319	1,648	-	4,585,671

	2015			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Borrowings	4,271,207	1,648	-	4,269,559
Total financial liabilities	4,271,207	1,648	-	4,269,559

Fair values

The fair values of the Company's borrowings and investments in subsidiaries are determined by a Level 2 valuation technique.

This fair value measurement hierarchy level is specified in accordance with IFRS 13 'Fair Value Measurement'. The levels are defined below:

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).

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	2016 Par value of debt £'000	2016 Balance sheet value £'000	2016 Fair value £'000
Level 2			
Non-derivative financial liabilities			
Borrowings	2,520,898	2,520,898	2,520,898
Level 2			
Non-derivative financial assets			
Investment in subsidiaries	-	4,168,900	4,168,900

	2015 Par value of debt £'000	2015 Balance sheet value £'000	2015 Fair value £'000
Level 2			
Non-derivative financial liabilities			
Borrowings	2,323,549	2,323,549	2,323,549
Level 2			
Non-derivative financial assets			
Investment in subsidiaries	-	4,309,300	4,309,300

13. SHARE CAPITAL

	2016 £	2015 £
Called up, allotted and fully paid		
1 ordinary share of £1	1	1

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

14. RETAINED EARNINGS

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

	2016 £'000	2015 £'000
Distributable profits	(31,277)	152,524
Total retained earnings	(31,277)	152,524

15. NOTE TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
Profit after taxation	(183,801)	(168,145)
Adjustment for:		
Taxation	(9)	(22)
Finance costs	201,088	184,340
Finance income	(17,278)	(16,173)
Net cash inflow from operating activities	-	-

16. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 1 April 2015 £'000
Cash and cash equivalents	2,296	(1,365)	-	3,661
Debts falling due within one year	(1,648)	-	-	(1,648)
Debts falling due after more than one year	(2,519,250)	153	(197,502)	(2,321,901)
	(2,520,898)	153	(197,502)	(2,323,549)
Net debt	(2,518,602)	(1,212)	(197,502)	(2,319,888)

Non-cash changes largely relate to accrued interest.

17. COMMITMENTS AND CONTINGENCIES

The Company has no capital or other commitments at 31 March 2016 (2015: nil).

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

18. RELATED PARTY DISCLOSURES

During the year, the Company had amounts due to and owed by group undertakings and recognised finance income and finance costs related to these balances under the terms detailed in Note 9 and 11.

The following transactions with related parties where entered into during the year:

	Finance income		Finance costs	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Parent				
Annington Limited	-	-	4,022	-
Subsidiaries				
Annington Property Limited	-	-	107,198	99,780
Annington Development Holdings Limited	544	259	-	-
Annington Finance No. 5 plc	1,624	1,500	89,792	84,399
Annington Rentals (Holdings) Limited	15,099	14,387	-	-
	17,267	16,146	201,012	184,179

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Parent				
Annington Limited	-	143	174,679	-
Subsidiaries				
Annington Property Limited	-	-	1,733,773	1,626,575
Annington Development Holdings Limited	8,109	6,316	-	
Annington Finance No. 5 plc	22,007	18,745	610,798	695,326
Annington Rentals (Holdings) Limited	201,955	191,954	-	-
Annington Subsidiary Holdings Limited	25	25	-	-
Annington Management Limited	-	-	1,648	1,648
	232,096	217,183	2,520,898	2,323,549

19. 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 Holdings (Guernsey) Limited, a company registered in Guernsey, is the immediate parent of Annington 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.

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

20. POST BALANCE SHEET EVENTS

No reportable or adjusting post balance sheet events occurred after the reporting period.

21. FIRST TIME ADOPTION OF IFRS

The Company has previously prepared Companies Act financial statements for the year ended 31 March 2016 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"). The historical financial information constitutes the Company's first IFRS financial statements, with a transition date of 1 April 2014.

This note explains the principal adjustments made by the Company in restating its FRS 102 financial statements, including the balance sheet as at 1 April 2014 and financial statements for the year ended 31 March 2015.

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemption:

- IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 April 2014. Use of this exemption means that FRS 102 carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS balance sheet. The Company did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

Estimates

The estimates at 1 April 2014 and at 31 March 2015 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 IFRS reflect conditions at 1 April 2014, the date of transition to IFRS and as at 31 March 2015.

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

21. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Note	FRS 102 £'000	Effect of transition £'000	IFRS as at 1 April 2014 £'000
Non-current assets				
Investment in subsidiary companies		3,250,200	-	3,250,200
Receivables		202,266	-	202,266
		3,452,466	-	3,452,466
Current assets				
Cash and cash equivalents		9,858	-	9,858
Receivables		2	-	2
		9,860	-	9,860
Total assets		3,462,326	-	3,462,326
Current liabilities				
Borrowings		(1,639)	-	(1,639)
Non-current liabilities				
Borrowings		(2,145,047)	-	(2,145,047)
Total liabilities		(2,416,686)	-	(2,416,686)
Net assets		1,315,640	-	1,315,640
Capital and reserves				
Share capital		-	-	-
Revaluation reserve	i	-	994,971	994,971
Retained earnings	i	1,315,640	(994,971)	320,669
Total equity		1,315,640	-	1,315,640

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

21. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Subsidiaries valuation [ii] £'000	IFRS as at 31 March 2015 £'000
Non-current assets					
Investment in subsidiary companies		4,276,300	-	33,000	4,309,300
Receivables		217,183	-	-	217,183
		4,493,483	-	33,000	4,526,483
Current assets					
Cash and cash equivalents		3,661	-	-	3,661
Total assets		4,497,144	-	33,000	4,530,144
Current liabilities					
Borrowings		(1,648)	-	-	(1,648)
Non-current liabilities					
Borrowings		(2,321,901)	-	-	(2,321,901)
Total liabilities		(2,323,549)	-	-	(2,323,549)
Net assets		2,173,595	-	33,000	2,206,595
Capital and reserves					
Share capital		-	-	-	-
Revaluation reserve	i	-	2,021,071	33,000	2,054,071
Retained earnings	i	2,173,595	(2,021,071)	-	152,524
Total equity		2,173,595	-	33,000	2,206,595

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

21. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Subsidiaries valuation [ii] £'000	IFRS for the year ended 31 March 2015 £'000
Operating profit		-	-	-	-
Finance income		16,173	-	-	16,173
Finance costs		(184,340)	-	-	(184,340)
Profit before taxation		(168,167)	-	-	(168,167)
Taxation		22	-	-	22
Profit for the year after taxation		(168,145)	-	-	(168,145)
Profit attributable to shareholder		(168,145)	-	-	(168,145)

	Note	FRS 102 £'000	Effect of transition £'000	Subsidiaries valuation [ii] £'000	IFRS for the year ended 31 March 2015 £'000
Items that may subsequently be recycled through the income statement					
Change in fair value of investment in subsidiary companies		1,026,100	-	33,000	1,059,100
Total other comprehensive income		1,026,100	-	33,000	1,059,100
Profit for the year		(168,145)	-	-	(168,145)
Total comprehensive income for the year		857,955	-	33,000	890,955
Total comprehensive income attributable to shareholder		857,955	-	33,000	890,955

Notes to the reconciliation of equity as at 1 April 2014 and 31 March 2015

i Revaluation reserve

For the purpose of preparing separate financial statements, IFRS 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 Subsidiaries valuation

Under FRS 102 the market value of investment properties was equal to the carrying value. IFRS 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.

REGISTERED OFFICE

1 James Street
London, United Kingdom
W1U 1DR

Telephone: 020 7960 7500
www.annington.co.uk
Registered in England No 8271384

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Annington Funding Plc
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Homes Limited
1 James Street
London
W1U 1DR

The Board of Directors
on behalf of Annington Property Limited
1 James Street
London
W1U 1DR

28 June 2017

Dear Sirs

Annington Property Limited

We report on the financial information of Annington Property Limited for the two years ended 31 March 2016 set out in the Index to Financial Statements of the Offering Circular dated 28 June 2017 of Annington Funding plc (the "Issuer" and, together with its subsidiaries, the "Group") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex IX item 11.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Issuer and the Guarantors are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.4R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection

with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 11.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Annington Property Limited as at 31 March 2015 and 31 March 2016 and of its profits, cash flows and changes in equity for the two years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms

INCOME STATEMENT
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Property rental income	4	167,942	163,915
Property operating expenses		(14,352)	(13,840)
Net rental income	4	153,590	150,075
Other operating income		18	198
Administrative expenses		(10,234)	(10,814)
Utilities provision release/(expense)	16	1,085	(878)
Unrealised property revaluation gains	10	693,694	758,485
Share of result of joint venture after taxation	11	7,566	8,889
Profit on disposal of property assets	7	35,190	20,312
Operating profit	5	880,909	926,267
Finance income	8	108,481	99,833
Finance costs	8	(184,348)	(182,206)
Profit before taxation		805,042	843,894
Taxation	9	(35,045)	(130,331)
Profit for the year after taxation		769,997	713,563
Profit attributable to shareholder		769,997	713,563

There were no items of other comprehensive income or expense and therefore the profit for the year reflects the Company's total comprehensive income.

BALANCE SHEET
At 31 March 2016

	Note	2016 £'000	2015 £'000	1 April 2014 £'000
Non-current assets				
Investment properties	10	6,428,746	5,815,036	5,093,996
Investment in joint venture	11	16,695	13,349	6,138
Receivables	12	1,753,285	1,626,575	1,526,795
		8,198,726	7,454,960	6,626,929
Current assets				
Receivables	12	27,538	6,525	6,578
Cash and cash equivalents	13	54,214	47,978	71,856
		81,752	54,503	78,434
Investment properties held for sale	10	9,801	12,272	9,004
Total assets		8,290,279	7,521,735	6,714,367
Current liabilities				
Trade and other payables	14	(44,094)	(41,924)	(44,595)
Loans and borrowings	15	(60,753)	(61,051)	(77,978)
		(104,847)	(102,975)	(122,573)
Non-current liabilities				
Other payables	14	(1,293)	-	-
Loans and borrowings	15	(1,996,995)	(2,038,077)	(2,058,058)
Deferred tax liabilities	9	(717,964)	(682,919)	(552,588)
Provisions	16	(39,227)	(37,808)	(34,755)
		(2,755,479)	(2,758,804)	(2,645,401)
Total liabilities		(2,860,326)	(2,861,779)	(2,767,974)
Net assets		5,429,953	4,659,956	3,946,393
Capital and reserves				
Share capital	18	-	-	-
Retained earnings	19	5,429,953	4,659,956	3,946,393
Total equity		5,429,953	4,659,956	3,946,393

The accompanying notes (1 to 26) should be read in conjunction with this historical financial information.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	-	3,946,393	3,946,393
Profit attributable to shareholder, being total comprehensive income for the year	-	713,563	713,563
Balance at 31 March 2015	-	4,659,956	4,659,956
Profit attributable to shareholder, being total comprehensive income for the year	-	769,997	769,997
Balance at 31 March 2016	-	5,429,953	5,429,953

CASH FLOW STATEMENT
For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Net cash from operating activities	20	149,050	127,892
Investing activities			
Distributions from joint venture	11	14,090	5,470
Proceeds from sale of property assets		68,751	50,697
Purchase of property assets	10	(1,496)	-
Interest received		91	53
Net cash inflow from investing activities		81,436	56,220
Financing activities			
Interest paid		(78,377)	(84,116)
Repayment of borrowings		(145,873)	(123,874)
Net cash outflow from financing activities		(224,250)	(207,990)
Net increase/(decrease) in cash and cash equivalents		6,236	(23,878)
Cash and cash equivalents at the beginning of the year		47,978	71,856
Cash and cash equivalents at the end of the year	13	54,214	47,978

NOTES TO THE HISTORICAL FINANCIAL INFORMATION
For the year ended 31 March 2016

1. CORPORATE INFORMATION

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

The Company is a private company limited by shares and is registered in England and Wales. The address of its registered office is 1 James Street, London W1U 1DR. Information on the Company's ultimate parent is presented in Note 24.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This special purpose financial information (the "Historical Financial Information") presents the financial position of the Company and results of its operations for each of the following periods: the nine month period ended 31 December 2016, and the years ended 31 March 2016 and 31 March 2015. This Historical Financial Information has been prepared for inclusion in the prospectus of Annington Funding plc for the purpose of raising new debt. This Historical Financial Information has been prepared in accordance with the requirements of item 11.1 of Annex IX to the Prospectus Directive regulation, the Listing Rules, International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. All accounting policies have been applied consistently, unless otherwise stated.

The Historical Financial Information has been approved for issue by the Board of Annington Property Limited on [.] June 2017. The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union.

This historical financial information, for the year ended 31 March 2016, are the first the Company has prepared in accordance with IFRS. The Company has previously prepared Companies Act financial statements for the year ended 31 March 2016 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"). Details of how the Company adopted IFRS are disclosed in Note 26.

This historical financial information is presented in pounds sterling, which is the functional currency of the Company. All values are rounded to the nearest thousand (£'000), except where otherwise indicated. They have been prepared on the historical cost basis, except for the revaluation of property assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

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

The Company has reported a net current liability position at 31 March 2016. The Company receives cash on a quarterly basis in relation to its long-term rental of property assets, however, accounting regulations prescribe that the debt to be repaid in the next 12 months must be disclosed as a current liability. The receipts of the minimum guaranteed payment in the year ahead will be sufficient to meet short-term 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, the historical financial information has been prepared on a going concern basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Group financial statements

The Company is a wholly owned subsidiary of another company for which consolidated financial statements are prepared and therefore is not required to prepare consolidated financial statements under IFRS 10 paragraph 4a. Therefore the Company has presented separate financial statements in accordance with IAS 27.

Significant judgements and key estimates

The preparation of the historical financial information 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.

Property asset valuations
The property portfolio is carried in the balance sheet at fair value adjusted for related provisions that are disclosed separately on the balance sheet. The fair value is valued annually by professionally qualified external valuers. The valuation of the property asset portfolio is inherently subjective as it utilises, among other factors, comparable sales data and the expected future rental revenues. The valuer exercises professional judgement when determining what market observations are used in the assessment of fair value. If any assumptions made in the valuation prove to be inaccurate, this may mean that the value of the property asset portfolio differs from the valuation, which could have a material effect on the financial position of the Company. Property valuations are one of the principal uncertainties of the Company.

Provision for utilities
When determining the provision for utilities, the estimation technique requires an assumption be made of the future cost and the timing of works to connect sites to public utilities. When doing so, estimates of costs and future inflation are made, which, if not accurate could have a material effect on the provision balance.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of this historical financial information, the Company has not applied the following new and revised IFRSs that have been issued but are not effective and in some cases have not yet been adopted by the EU:

New and Amended Standards		Effective date (annual periods beginning on or after)
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

(*) The IASB decided in December 2015 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

These standards and interpretations have not been early adopted by the Company. The Company is in the process of assessing the impact of these new standards and interpretations on its financial reporting.

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

4. PROPERTY AND NET RENTAL INCOME

ACCOUNTING POLICY

Property rental income – Revenue recognition

Property rental income from property assets is accounted for on an accruals basis and recognised on a straight-line basis over the operating lease term. Rent increases arising from rent reviews not able to be determined at the outset of the lease are taken into account when such reviews have been settled with the tenants. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

	2016 £'000	2015 £'000
Property rental income	167,942	163,915

Net rental income

Net rental income comprises property rental income less property operating expenses. Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants is expensed to the income statement.

The Company generates substantially all of its net rental income, profits before taxation and net assets from residential property investment in England and Wales.

5. OPERATING PROFIT

ACCOUNTING POLICY

Operating profit is stated after charging operating lease payments and before finance income and finance costs.

	2016 £'000	2015 £'000
Operating lease payments		
Land and buildings	417	421

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to the Company in the current or 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.

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

7. PROFIT ON DISPOSAL OF PROPERTY ASSETS

ACCOUNTING POLICY

Gains or losses on the sale of properties are accounted for on a legal completion of contract basis. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

	2016 £'000	2015 £'000
Sales proceeds	120,642	49,409
Selling costs	(1,501)	(1,208)
Profit share	-	6,288
Net disposal proceeds	119,141	54,489
Carrying value of properties disposed	(83,951)	(34,177)
	35,190	20,312

During the year, disposals of 387 properties (2015: 206 properties) were completed.

The Ministry of Defence ("MoD") and the Company entered into a Profit Share Agreement at the time of acquiring the Married Quarters Estate ("MQE"). Under the terms of the agreement, the Company was obliged to make payments to the MoD calculated on a percentage of certain gains made, or deemed to have been made, on the disposal of units or sites (including by way of letting, sale or otherwise). During the year ended 31 March 2015, an agreement was reached to settle all obligations under the Profit Share Agreement. Under this settlement, the anticipated future revisions to the profit share previously paid by the Company were determined and settled for the sum of £6.3 million and liabilities recognised by the Company of £5.8 million were extinguished.

8. 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.

	2016 £'000	2015 £'000
Finance income		
Interest receivable on intercompany balances	107,198	99,780
Other interest	1,283	53
Total finance income	108,481	99,833
Finance costs		
Interest payable on intercompany balances	181,197	178,962
Unwinding of discount of provision	3,151	3,244
Total finance costs	184,348	182,206

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

9. 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 joint arrangements, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

	2016 £'000	2015 £'000
Current tax		
United Kingdom corporation tax at 20% (2015: 21%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	103,337	130,331
Impact of change in tax rate	(68,292)	-
Total deferred tax	35,045	130,331
Total taxation expense for the year	35,045	130,331

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

9. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 21%). The tax 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
Profit before taxation	805,042	843,894
Tax on profit at the standard rate	161,008	177,217
Factors affecting the current tax for the year:		
Disposal of investment properties	1,020	108
Effect of tax rate differential between current and deferred tax	(14,593)	(8,697)
Notional transfer to group company	(7,334)	(3,220)
Taxable income from investment in The Inglis Consortium LLP	1,370	1,624
Change of tax rate	(68,292)	-
Group relief claimed	(32,387)	(33,444)
Impact of indexation	(5,747)	(3,257)
Taxation expense for the year	35,045	130,331

From 1 April 2015, the headline rate of corporation tax was reduced from 21% to 20%. It will be reduced to 19% from 1 April 2017, and further reduced to 18% from 1 April 2020, with these rates substantively enacted at the current balance sheet date. Subsequent to the balance sheet date, the rate applicable from 1 April 2020 was further reduced to 17%.

Deferred tax
The movement in deferred tax is as set out below:

	Investment properties £'000	Deferred finance costs £'000	Tax losses £'000	Total £'000
At 1 April 2014	606,115	-	(53,527)	552,588
Charge/(credit) to profit or loss	142,804	-	(12,473)	130,331
At 31 March 2015	748,919	-	(66,000)	682,919
Charge/(credit) to profit or loss	108,597	(668)	(4,592)	103,337
Effect of change in tax rate	(74,892)	-	6,600	(68,292)
At 31 March 2016	782,624	(668)	(63,992)	717,964

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

9. TAXATION (continued)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £'000	2015 £'000
Deferred tax liabilities	(782,624)	(748,919)
Deferred tax assets	64,660	66,000
Net deferred tax liabilities	(717,964)	(682,919)

At the balance sheet date, the Company has unused tax losses of £355.5 million (2015: £329.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £64.0 million (2015: £66.0 million).

No deferred tax liabilities are recognised on temporary differences associated with interest in the joint venture for the current year 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 the joint venture of £3.0 million (2015: £2.7 million).

Deferred tax balances at 31 March 2016 are measured at 18% (2015: 20%).

10. PROPERTY ASSETS

ACCOUNTING POLICY

Property assets comprise investment properties and investment properties held for sale.

Investment properties comprise property that is held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes and other professional fees. Subsequent to initial recognition, investment properties are recognised at the carrying value at balance sheet date which is the fair value adjusted for related provisions that are disclosed separately on the balance sheet. The fair value is determined annually by professionally qualified external valuers on a portfolio basis such that individual property calculations are not performed. Changes in the carrying value are included in the income statement for the period in which they arise. No depreciation is provided in respect of investment properties.

Where specific investment properties are expected to sell within the next 12 months, their carrying value is classified as held for sale within current assets (refer below).

Investment properties are transferred to investment properties held for sale if their carrying amount is intended to be recovered through a sales transaction rather than continuing use. This condition is regarded as met if the sale is highly probable, the property is available for immediate sale in its present condition, the property is being actively marketed, and management is committed to the sale, which is expected to qualify as a completed sale within 12 months from the date of classification.

Investment properties held for sale continue to be measured in accordance with the accounting policy for investment properties.

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

10. PROPERTY ASSETS (continued)

2016	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Carrying value at 1 April	5,815,036	12,272	5,827,308
Additions - capital expenditure	1,496	-	1,496
Disposals	(71,679)	(12,272)	(83,951)
Transfer to investment properties held for sale	(5,713)	5,713	-
Unrealised property revaluation gains	689,606	4,088	693,694
Total carrying value at 31 March	6,428,746	9,801	6,438,547

2015	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Carrying value at 1 April	5,093,996	9,004	5,103,000
Disposals	(25,173)	(9,004)	(34,177)
Transfer to investment properties held for sale	(7,858)	7,858	-
Unrealised property revaluation gains	754,071	4,414	758,485
Total carrying value at 31 March	5,815,036	12,272	5,827,308

Properties would have been included on an historical cost basis at £1,222.0 million (2015: £1,233.7 million).

As at 31 March 2016 there were 27 (2015: 79) property assets classified as held for sale, with disposal expected within the next 12 months.

	2016 £'000	2015 £'000
The carrying value of investment properties and investment properties held for sale comprises:		
Freehold	71,320	101,500
Very long leaseholds (over 900 years)	6,367,227	5,725,808
	6,438,547	5,827,308

Reconciliation of fair value/market value to carrying value:	2016 £'000	2015 £'000
Market value as estimated by the external valuer	6,399,320	5,789,500
Add: amounts included in utilities provision (Note 16)	39,227	37,808
Carrying value for financial reporting purposes	6,438,547	5,827,308

IFRS requires the market value of investment properties be adjusted for assets or liabilities recognised separately on the balance sheet. Due to the method used by the external valuer in calculating market value, when arriving at carrying value, the Company has adjusted the market valuation of investment properties to exclude the utilities provision (Note 16).

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

10. PROPERTY ASSETS (continued)

All leasehold properties leased by the MoD are maintained by and remain entirely under their control. The identification of surplus properties and the timing of their release to the Company is entirely at the discretion of the MoD and, upon receiving not less than six months' notice, the Company is obliged to accept any properties declared surplus.

Future minimum rents receivable under non-cancellable operating leases are disclosed in Note 22.

	2016 £'000	2015 £'000
Property rental income from investment properties:	167,942	163,915
Property rental expenses:		
Refurbishment costs	(15,024)	(15,075)
Dilapidations recovered from tenants	3,444	3,109
Rental running expenses	(2,772)	(1,874)
	(14,352)	(13,840)

Refurbishment costs are incurred where significant repairs are required to bring vacated properties back up to tenantable standard. Dilapidations recovered from tenants are used to defray these costs.

All of the Company's property assets generated rental income in the current and prior year, with the exception of the plots and infill areas held in the surplus estate that have future long-term development potential.

Allsop LLP ("Allsop") has prepared a market valuation of the property assets held by Annington Property Limited in alignment with the requirements of IFRS 13, *Fair Value Measurement*. This is a 'Regulated Purpose Valuation'. Allsop has provided strategic advice and agency services to Annington Property Limited since 1997 and has provided annual valuations of the portfolio since 1999.

The valuer's opinion was derived on a portfolio basis, primarily using comparable recent market transactions on arm's length terms. The valuation was carried out by an independent valuer in accordance with the requirements of the RICS Valuation Standards (sixth edition, as subsequently amended), except where it is not, in practical terms, feasible to comply due to the large number of properties involved. Allsop has confirmed that in relation to their most recent financial year, the proportion of their total fee income arising from Annington Property Limited was less than 5%, which may be regarded as minimal.

The valuation techniques which have been applied to the Retained Estate (units leased by the MoD under the original MQE that have not yet been released) and the Surplus Estate (units released from the Retained Estate but not yet disposed of by the Company) are set out in the table following.

Under the discounted cash flow method, forecast cash flows are discounted using an appropriate rate to arrive at a fair value for the portfolio. These forecasts are based on data including current rents, rental growth rates, vacancy rates, operating costs, terms and conditions of leases agreements and capital expenditure.

Assumptions and valuation models used by the valuers are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

Within their valuation report, released prior to the EU Referendum, Allsop have highlighted that uncertainty related to the EU referendum on 23 June 2016 was likely to have affected market confidence at the valuation date. This risk has been reflected in the valuation as at 31 March 2016 through a downward adjustment of 5% to their calculations.

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

10. PROPERTY ASSETS (continued)

The fair value measurement hierarchy level for all investment properties as at 31 March 2016 was Level 3 significant unobservable inputs (2015: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior year.

This fair value measurement hierarchy level is specified in accordance with IFRS 13 'Fair Value Measurement'. The levels are defined below:

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).

Property asset valuations are inherently subjective, depending on many factors, including property location, expected future net rental value, market yields and comparable. In valuing the properties, the following assumption have been adopted and incorporated into the valuation model.

2016	Fair value £'000	Unobservable inputs	Input
Retained estate			
Fair value	6,328,000		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	171,393
		Estimated future rent increase (20 year average - %)	3.1% p.a.
		Long-term House Price Index (%)	3.0% p.a.
		Discount rates (%)	1.3% - 11% p.a.
Surplus estate			
Fair value	71,320		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Bulk rental discount rate (%)	12.5% p.a.
Fair value at 31 March 2016	6,399,320		

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

10. PROPERTY ASSETS (continued)

2015	Fair value £'000	Unobservable inputs	Input
Retained estate			
Fair value	5,688,000		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	165,788
		Estimated future rent increase (20 year average - %)	3.1% p.a.
		Long-term House Price Index (%)	3.0% p.a.
		Discount rates (%)	1.7% - 11.2% p.a.
Surplus estate			
Fair value	101,500		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Bulk rental discount rate (%)	15.0% p.a.
Fair value at 31 March 2015	5,789,500		

All other factors remaining constant, the valuation would increase with an increase in gross rent, estimated future rent increase and long-term HPI, while increases in discount rates would result in a fall in the valuation and vice versa. There are interrelationships between unobservable inputs as they are determined by market conditions, and so the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions, (i.e. gross rents increase and discount rates decrease), valuation movements can be amplified whereas if they move in the same direction they may offset reducing the overall net valuation movement.

11. INVESTMENT IN JOINT VENTURE

ACCOUNTING POLICY

The results, assets and liabilities of joint ventures are accounted for using the equity method. Investments in joint ventures are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the joint venture, less any impairment. Losses in a joint venture in excess of the Company's interest in that entity are recognised only to the extent that the Company has incurred legal or constructive obligations on behalf of the joint venture.

The principal joint venture undertaking at 31 March 2016 is shown below:

Name of joint venture	Principal activity	Holding
The Inglis Consortium LLP	Property development	28.55%

The Company's rights and obligations with respect to The Inglis Consortium LLP are set out in the Co-operation agreement and Limited Liability Partnership Deed dated 4 April 2011. Under this agreement the Company benefits from an interest in the partnership's operations and profits set at 28.55%, but has one third of the voting rights. All partnership decisions must be formed by unanimous agreement.

	Share of net assets £'000
At 1 April 2014	6,138
Additions	3,792
Distributions	(5,470)
Share of profit for the year	8,889
At 31 March 2015	13,349
Additions	9,870
Distributions	(14,090)
Share of profit for the year	7,566
At 31 March 2016	16,695

The Company's share of profits from the joint venture represents profits from continued operations. There are no discontinued operations within the joint venture. The joint venture has not recorded any other comprehensive income and the share of profits disclosed in the above table also represents the Company's share of total comprehensive income.

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

12. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially recognised at fair value, subsequently measured at amortised cost using the effective interest method and less any impairment.

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	6,440	6,440
Deferred consideration on property sales	21,008	82
Sundry receivables	14	-
Prepayments and accrued income	76	3
	27,538	6,525
Amounts falling due after one year		
Amounts owed by group undertakings	1,733,773	1,626,575
Deferred consideration on property sales	19,512	-
	1,753,285	1,626,575

The carrying value of receivables approximates the fair value.

Amounts owed by group undertakings include £1,557.0 million loans (2015: £1,449.8 million) which are unsecured and interest bearing, between 6.61% and 7.80%, and have a fixed date of repayment in March 2025, with the balance unsecured, interest free and not due to be repaid within one year of the signed balance sheet date or having no fixed date of repayment.

13. 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 an insignificant risk of changes in value.

Short-term investments relates to shares held in an investment company that has ten highly liquid cash funds. The fair value of the short-term investments has been determined based on the redemption rules as set out in the product's prospectus. Redemption requests can be made at any time on a dealing day as set out in the product's prospectus.

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

	2016 £'000	2015 £'000
Cash at bank	3,408	23,478
Short-term deposits	28,804	5,500
Short-term investments	22,002	19,000
	54,214	47,978

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

14. 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.

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade payables	213	138
Taxes and social security	211	29
Accruals	4,099	3,503
Deferred income	39,571	38,254
	44,094	41,924
Amounts falling due after one year		
Accruals	1,293	-
	1,293	-

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

15. LOANS AND BORROWINGS

ACCOUNTING POLICY

After initial recognition, 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.

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts owed to group undertakings	60,753	61,051
Amounts falling due after one year		
Amounts owed to group undertakings	1,996,995	2,038,077

Current
Amounts due to group undertakings include £40.5 million loans (2015: £41.0 million) which are secured and interest bearing at 8% (2015: 8%) and are due within one year and other amounts of £20.2 million (2015: £20.0 million) which are unsecured, interest free and have no fixed date of repayment.

Non-current
Amounts due to group undertakings includes: £176.9 million (2015: £213.2 million) which is secured and interest bearing at 8% (2015: 8%) and has a fixed date for repayment in accordance with the Annington Property Limited Issuer Loan Agreement payments schedule due to complete in 2021; £1,820.1 million (2015: £1,824.9 million) which is secured and interest bearing at fixed rates based upon external funding and swap interest rates in AF4, which has a weighted average interest rate of 7.14% (2015: 6.50%), and a margin of between 0.02% and 0.38% and have fixed dates for repayment in accordance with a Funding Loan Agreement payments schedule due to complete in 2023.

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

16. PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

	2016 £'000	2015 £'000
Utilities provision		
At 1 April	37,808	34,755
Unwinding of discount	3,151	3,244
Amount (credited)/charged to income statement	(1,085)	878
Utilised	(647)	(1,069)
At 31 March	39,227	37,808

There is a legal agreement to provide for the adoption of private utilities on sites where there have been releases of property that are currently dependent, for the supply of water and/or certain sewage treatment, on adjacent MoD bases. In addition, there is a constructive liability to provide for the adoption of certain utilities on certain sites which are not base dependent. Full provision has been made on the base dependent sites in accordance with the legal agreement and for all obligations which have crystallised on non-base dependent sites. Of the total provision, £2.1 million (2015: £2.1 million) is anticipated to be incurred over the next three years (2015: three years), and the balance during the period December 2019 to December 2024. The provision has been discounted in accordance with the relevant borrowing costs of the Company. There is a contingent liability (refer Note 22) in respect of base dependent sites where properties have not been released.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and net of directly attributable transaction costs as appropriate.

Financial assets

Impairment of financial assets

The Company's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are 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.

Financial liabilities

The Company's financial liabilities include trade and other payables and loans and borrowings.

The Company has the following financial instruments:

	Note	2016 £'000	2015 £'000
Financial assets			
Cash and receivables:			
Receivables	12	1,780,747	1,633,097
Cash and cash equivalents	13	54,214	47,978
Total financial assets		1,834,961	1,681,075
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables	14	5,605	3,641
Loans and borrowings	15	2,057,748	2,099,128
Total financial liabilities		2,063,353	2,102,769

Exposure to credit, liquidity, and interest rate risks arise in the normal course of the Company's business activities.

Credit Risk

The Company's principal financial assets are cash and cash equivalents and receivables.

The Company has an agreement with FTI Finance Limited, trading as FTI Treasury, to manage and optimise the liquidity resources and requirements of the Company. Credit risk on cash and deposits is minimised by using a revolving panel of banks, which have all been identified as low risk according to Credit Agency ratings. The maximum amount of funds that can be placed with any one institution is also limited. The banks and criteria are reviewed and updated periodically to ensure they reflect the prevailing market conditions.

The Company has a low credit risk as the Retained Estate portfolio is leased on a 200-year underlease to the MoD. All properties under these arrangements continue to be maintained by, and remain entirely under the control of, the MoD dependent upon their operational needs. The rent is payable quarterly in advance and, to date, has always been received by the due date.

The Company's credit risk is attributed primarily to its receivables, which consists principally of instalments due under property disposals, agreed dilapidations claims outstanding and rents due from tenants. The balance is low compared to the scale of the balance sheet.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Other than amounts due from the joint venture company and dilapidations claims outstanding, the Company has no other significant concentration of credit risk.

The carrying amount of financial assets recorded in the historical financial information represents the Company's maximum exposure to credit risk.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Cash Management and Liquidity

Cash levels are monitored to ensure sufficient resources are available to meet the Company's current and projected operational commitments.

Cash balances are invested in short to medium-term money market deposits and are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk. Longer-term liquidity requirements are forecast to be met out of future operational cash and income streams.

Liquidity risk and financial maturity analysis

In respect of non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. In respect of derivative financial instruments, the fair values have been calculated using appropriate market discount rates to arrive at the future cash flows.

	2016			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Trade and other payables	5,605	4,312	1,293	-
Loans and borrowings	3,931,556	60,753	259,906	3,610,897
Total financial liabilities	3,937,161	65,065	261,199	3,610,897

	2015			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Trade and other payables	3,641	3,641	-	-
Loans and borrowings	3,322,690	61,051	-	3,261,639
Total financial liabilities	3,326,331	64,692	-	3,261,639

18. SHARE CAPITAL

	2016 £	2015 £
Called up, allotted and fully paid		
1 ordinary share of £1	1	1

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

19. RETAINED EARNINGS

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

	2016 £'000	2015 £'000
Distributable profits	1,885,342	1,716,618
Non-distributable profits	3,544,611	2,943,338
Total retained earnings	5,429,953	4,659,956

Non-distributable profits represents unrealised gains after tax arising on remeasurement of the Company's property assets.

20. NOTE TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
Profit after taxation	769,997	713,563
Adjustment for:		
Taxation	35,045	130,331
Finance costs	184,348	182,206
Finance income	(108,481)	(99,833)
Share of result of joint venture after taxation	(7,566)	(8,889)
Profit on disposal of property assets	(35,190)	(20,312)
Unrealised property revaluation gains	(693,694)	(758,485)
Utilities provision (release)/expense	(1,085)	878
Movements in working capital:		
Decrease in debtors	1,187	53
Increase/(decrease) in creditors	5,136	(10,551)
Decrease in provisions	(647)	(1,069)
Net cash inflow from operating activities	149,050	127,892

21. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 1 April 2015 £'000
Cash and cash equivalents	54,214	6,236	-	47,978
Debts falling due within one year	(60,753)	-	298	(61,051)
Debts falling due after more than one year	(1,996,995)	224,250	(183,168)	(2,038,077)
	(2,057,748)	224,250	(182,870)	(2,099,128)
Net debt	(2,003,534)	230,486	(182,870)	(2,051,150)

Non-cash changes include amortisation of discounts and issue costs relating to debt issues.

22. COMMITMENTS AND CONTINGENCIES

ACCOUNTING POLICY

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified. For arrangements entered into prior to 1 April 2014, the date of inception is deemed to be 1 April 2014 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership, in accordance with IAS 17 Leases, for properties leased to tenants and has determined that such leases are operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Company as a lessee

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Contingent liabilities

Contingent liabilities comprise either a possible obligation depending on whether some uncertain future event occurs, or a present obligation where payment is not probable or the amount cannot be measured reliably. Any such possible obligations are disclosed but not accreted.

Operating lease commitments – Company as lessor

The Company has entered into property leases on its property assets portfolio. The Company has performed an evaluation of the terms and conditions of the arrangements of these leases. This includes factors such as the lease term not constituting a substantial portion of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property. The Company also retains all the significant risks and rewards of ownership of these properties. As such, all of these leases are accounted for as operating leases.

At 31 March 2016, the Company had contracted with tenants the following future minimum rentals receivable under non-cancellable operating leases:

	2016 £'000	2015 £'000
Within one year	85,751	83,295
Between two and five years	-	221
	85,751	83,516

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

22. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments – Company as lessee

The Company has entered into property leases on land and buildings. The lease terms are between one to five years but the Company has the option, under some of its leases, to lease the assets for additional terms of up to 12 months.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	Land and buildings	
	2016	2015
	£'000	£'000
Within one year	503	503
In two to five years	76	579
	579	1,082

Contingent liabilities

As stated in Note 16, there is a contingent liability to allow for the adoption of private utilities on sites that are currently base dependent (dependent on the MoD) for their supply of water and sewage treatment and where there have been no releases of property from the MoD. This amounts to £122.3 million (2015: £121.2 million).

23. RELATED PARTY DISCLOSURES

During the year, the Company entered into the following transactions with related parties:

	Sale of investment properties		Finance costs and recharge of costs	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Related parties				
Annington Finance No.4 plc	-	-	162,175	156,892
Annington Finance No.1 plc	-	-	104	124
Joint venture				
The Inglis Consortium LLP	9,869	3,792	-	-
	9,869	3,792	162,279	157,016

The transaction with Annington Finance No.1 plc relates to recharge costs incurred for administrative activities.

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

22. RELATED PARTY DISCLOSURES (continued)

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Parent				
Annington Homes Limited	1,733,773	1,626,575	-	-
Related parties				
Annington Developments Limited	6,440	6,440	-	-
Annington Finance No. 1 plc	-	-	217,432	254,231
Annington Finance No. 2 Limited	-	-	70	70
Annington Finance No. 4 plc	-	-	1,827,546	1,833,799
Annington Receivables Limited	-	-	33	33
Annington Management Limited	-	-	12,667	10,995
	1,740,213	1,633,015	2,057,748	2,099,128

The terms of these related party balances are detailed in Note 12 and 15.

In February 2007, a major land development site with 187 existing properties was sold at a market value of £36.7 million to the Group's joint venture, Countryside Annington (Mill Hill) Limited. As part of the Agreement, a deferred payment of £26.2 million was payable by the joint venture in four stages which commenced February 2008 and completed in February 2011. In March 2009 in response to adverse economic and trading conditions, the joint venture negotiated a reduction in the original price; a deed of variation was signed which reduced the remaining instalments by £6.7 million. In consideration for this reduction in "Price" the Company became entitled to "priority payments" of a more generous form of coverage up to £15 million if the profits of the joint venture recover.

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

24. 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 Subsidiary Holdings 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.

25. POST BALANCE SHEET EVENTS

No reportable or adjusting post balance sheet events occurred after the reporting period.

26. FIRST TIME ADOPTION OF IFRS

The Company has previously prepared Companies Act financial statements for the year ended 31 March 2016 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"). The historical financial information constitutes the Company's first IFRS financial statements, with a transition date of 1 April 2014.

This note explains the principal adjustments made by the Company in restating its FRS 102 financial statements, including the balance sheet as at 1 April 2014 and financial statements for the year ended 31 March 2015.

Estimates

The estimates at 1 April 2014 and at 31 March 2015 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 IFRS reflect conditions at 1 April 2014, the date of transition to IFRS and as at 31 March 2015.

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

26. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Note	FRS 102 £'000	Effect of transition £'000	IFRS as at 1 April 2014 £'000
Non-current assets				
Investment properties	i	5,103,000	(9,004)	5,093,996
Investment in joint venture		6,138	-	6,138
Receivables		1,526,795	-	1,526,795
		6,635,933	(9,004)	6,626,929
Current assets				
Receivables		6,578	-	6,578
Cash and cash equivalents		71,856	-	71,856
		78,434	-	78,434
Investment properties held for sale	i	-	9,004	9,004
Total assets		6,714,367	-	6,714,367
Current liabilities				
Trade and other payables		(44,595)	-	(44,595)
Loans and borrowings		(77,978)	-	(77,978)
		(122,573)	-	(122,573)
Non-current liabilities				
Loans and borrowings		(2,058,058)	-	(2,058,058)
Deferred tax liabilities		(552,588)	-	(552,588)
Provisions		(34,755)	-	(34,755)
		(2,645,401)	-	(2,645,401)
Total liabilities		(2,767,974)	-	(2,767,974)
Net assets		3,946,393	-	3,946,393
Capital and reserves				
Share capital		-	-	-
Retained earnings		3,946,393	-	3,946,393
Total equity		3,946,393	-	3,946,393

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

26. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of equity as at 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Utilities provision[ii] £'000	IFRS as at 31 March 2015 £'000
Non-current assets					
Investment properties	i	5,789,500	(12,272)	37,808	5,815,036
Investment in joint venture	iii	9,930	3,419		13,349
Receivables		1,626,575	-	-	1,626,575
		7,426,005	(8,853)	37,808	7,454,960
Current assets					
Receivables		6,525	-	-	6,525
Cash and cash equivalents		47,978	-	-	47,978
		54,503	-	-	54,503
Investment properties held for sale	i	-	12,272	-	12,272
Total assets		7,480,508	3,419	37,808	7,521,735
Current liabilities					
Trade and other payables		(41,924)	-	-	(41,924)
Loans and borrowings		(61,051)	-	-	(61,051)
		(102,975)	-	-	(102,975)
Non-current liabilities					
Loans and borrowings		(2,038,077)	-	-	(2,038,077)
Deferred tax liabilities		(675,390)	-	(7,529)	(682,919)
Provisions		(37,808)	-	-	(37,808)
		(2,751,275)	-	(7,529)	(2,758,804)
Total liabilities		(2,854,250)	-	(7,529)	(2,861,779)
Net assets		4,626,258	3,419	30,279	4,659,956
Capital and reserves					
Share capital		-	-	-	-
Retained earnings	iii	4,626,258	3,419	30,279	4,659,956
Total equity		4,626,258	3,419	30,279	4,659,956

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

26. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 March 2015

	Note	FRS 102 £'000	Effect of transition £'000	Utilities provision[ii] £'000	IFRS for the year ended 31 March 2015 £'000
Property rental income		163,915	-	-	163,915
Property operating expenses		(17,962)	-	4,122	(13,840)
Net rental income		145,953	-	4,122	150,075
Other operating income		198	-	-	198
Administrative expenses		(10,814)	-	-	(10,814)
Utilities provision release		-	-	(878)	(878)
Unrealised property revaluation gains		720,677	-	37,808	758,485
Share of result of joint venture after taxation	iii	-	8,889	-	8,889
Distributions received	iii	5,470	(5,470)	-	-
Profit on disposal of investment properties		20,312	-	-	20,312
Operating profit		881,796	3,419	41,052	926,267
Finance income		99,833	-	-	99,833
Finance costs		(178,962)	-	(3,244)	(182,206)
Profit before taxation		802,667	3,419	37,808	843,894
Taxation		(122,802)	-	(7,529)	(130,331)
Profit for the year after taxation		679,865	3,419	30,279	713,563
Profit attributable to shareholder		679,865	3,419	30,279	713,563

There were no items of other comprehensive income or expense and therefore the profit for the year reflects the Company's total comprehensive income.

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

26. FIRST TIME ADOPTION OF IFRS (continued)

Notes to the reconciliation of equity as at 1 April 2014 and 31 March 2015 and total comprehensive income for the year ended 31 March 2015

i Investment properties held for sale

IFRS requires non-current assets to be classified as held for sale where the carrying amount is recovered principally through a sale transaction rather than through continuing use, whereas previous FRS 102 did not have any concept of held for sale assets. This has resulted in a reclassification of those properties that had been released for sale at year end to investment properties held for sale.

ii Reclassification of utilities provision

Under FRS 102, the market value of investment properties was equal to the carrying value. IFRS 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.

Under FRS 102, the discount unwind of the utilities provision and the provision amount charged/released to the income statement were included in cost of sales. Under IFRS, these are disclosed separately, with the discount unwind recognised as a borrowing cost. This has resulted in the Company separately disclosing these amounts in the income statement. The discount unwind has been included in finance costs.

iii Equity accounting for joint ventures

Under IFRS, where an entity prepares individual financial statements, it may choose to account for its investments in jointly controlled entities at cost less impairment, at fair value, or using the equity method. The Company has elected to equity account for its investment in a jointly controlled entity and recognises its share of results in the income statement, with the resulting change in net assets reflected in the investment's carrying value. Distributions from the jointly controlled entity reduce the carrying amount of the investment. Under FRS 102 only the cost or fair value options were allowed, of which cost had been selected. Under this option, the investment is carried at cost less impairment, with distributions recognised in the income statement when there is a right to receive them.

REGISTERED OFFICE

1 James Street
London, United Kingdom
W1U 1DR

Telephone: 020 7960 7500
www.annington.co.uk
Registered in England No 3232852

INDEX TO VALUATION REPORTS

CONTENTS

Page

VALUATION OF ANNINGTON'S INTERESTS IN VARIOUS PROPERTIES WHICH COMPRISE THE MINISTRY OF DEFENCE MARRIED QUARTERS ESTATE A-1

THE FREEHOLD / UNEXPIRED LEASEHOLD INTERESTS IN PART OF A PORTFOLIO OF PROPERTIES OWNED BY ANNINGTON RENTALS GROUP A-55

allsop
valuations limited

Valuation of Annington's Interests in Various Properties Which Comprise The Ministry of Defence Married Quarters Estate

Prepared for

Annington Funding plc

As at 31st December 2016

Allsop Valuations Limited | 33 Wigmore Street | London W1U 1BZ

Property Consultants

Allsop Valuations Limited
33 Wigmore Street
London W1U 1BZ
T +44 (0)20 7437 6977
F +44 (0)20 7437 8984

www.allsop.co.uk

Registered office is at: 33 Wigmore Street, London W1U 1BZ. Reg No 7939860 England.
Regulated by the RICS.

Contents Page

1. INSTRUCTIONS A-1
2. INFORMATION RELIED UPON A-6
3. GENERAL DESCRIPTION OF THE ESTATE AS A WHOLE A-7

Condition of the Estate A-8
4. THE SURPLUS ESTATE A-8
5. THE RETAINED ESTATE A-9
6. TENURE AND INTERESTS A-10

Headlease A-10
Acquisition of Reversion A-11
SSDUK Underleases A-11
Issues Raised by Underlease A-11
Maintenance and upgrade by SSDUK A-13
Vacation of Sites by SSDUK A-14
Rent Reviews A-14
Beacon Rent Review A-14
Site Rent Reviews A-16
Demolition of Dwellings A-18
Site Exchange Option A-18
Personal Nature of the Guaranteed Release and of the Guaranteed Payment A-19
Potential Development A-19
7. UTILITIES AGREEMENT A-19

Issues arising out of Utilities Agreement A-20
Supply by SSDUK A-21
Ongoing Liability A-23
8. ENVIRONMENTAL CONCERNS A-24
9. PLANNING INFORMATION A-26
10. VALUATION METHODOLOGY A-26

Cashflow A-27
Beacon Review Costs A-29
Site Review Costs A-29
Purchase Costs A-29
Inflation A-29
Long Term Rental Inflation A-30
Capital Value Inflation A-30

Contents Page

Quality of Release A-31
Guaranteed Minimum Payment A-32
Excess Rent A-32
Disposals A-32
Required Return and Funding Constraints A-32
BREXIT – UK Referendum A-33
Surplus Estate A-33
General Factors A-34
11. VALUATION A-35

Appendices

A. Report Caveats A-38
B. Summary details of Retained Estate A-43
C. Summary details of Surplus Estate A-53

Addressee	The Directors Annington Funding plc 1 James Street LONDON W1U 1DR
Property Address	Valuation of Annington's Interests in the Properties which Comprise the Married Quarters Estate
Tenure	Long Leasehold / Freehold
Valuation Date	31st December 2016

1. INSTRUCTIONS

1.1 In accordance with your instructions, we have pleasure in reporting to you with our opinion of the Market Value ("MV") of the unexpired leasehold and freehold interests in the various properties as at 31 December 2016 ("the Valuation Date"), subject to and with the benefit of the underleases to the Secretary of State for Defence of the United Kingdom ("SSDUK") in respect of the Retained Estate and the sundry assured shorthold and other tenancies in respect of the Surplus Estate but otherwise with vacant possession. We understand the properties are held as investments.

1.2 This valuation ("Report") is a summary of our formal valuation report ("Accounts Valuation") that we provided to the Directors of Annington Property Limited ("APL") to assist in their preparation of the statutory of APL for the period ended 31 December 2016. It is provided subject to a number of caveats to which we would draw your specific attention. These are attached at **Appendix A**. The details of the Retained Estate as at the Valuation Date are set out in summary form at **Appendix B**. Summary details of the Surplus Estate are set out at **Appendix C**.

1.3 This Report reflects market conditions and information as at the Valuation Date. We have not reviewed the Accounts Valuation since its preparation and this Report presents a summary of the Accounts Valuation for the sole purpose (the "Purpose") of inclusion in the Offering Circular prepared by Annington Funding plc in connection with the establishment of its EMTN programme and the offering of notes thereunder (the "Offering Circular").

1.4 This Report has not been prepared by us (i) for the purpose of the rules of the Financial Conduct Authority made under Part VI of the Financial Services and Markets Act 2000 in relation to offers of securities to the public and to trading on a regulated market (the "Prospectus Rules") that apply specifically to property valuation reports on the basis that Annington Funding plc has advised that this Report is being included by it in the Offering Circular on a voluntary basis rather than due to a requirement of the Prospectus Rules or (ii) in accordance with the associated requirements of UK Appendix 7 to the RICS Valuation – Professional Standards, published in January 2014 as subsequently amended.

1.5 For the purposes of Prospectus Rule 5.5.4(f) alone, we are responsible for our Valuation Report and we accept responsibility for the information contained in our Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in our Valuation Report is in accordance with the facts and to the best of our knowledge

there are no omissions likely to affect its import. We confirm that this Valuation Report may not be relied upon by any party other than for the purpose of the Report.

1.6 The Accounts Valuation was prepared solely for the purpose of the preparation of APL's statutory accounts for the period ended 31st December 2016 and we provide no opinion or make any representation that it or the Report is sufficient or appropriate for the purpose of the Issue.

1.7 We confirm that we have no conflict of interest in providing this Report to you.

1.8 We consent to the inclusion of this Report in the Offering Circular. It is our opinion of the MV of the properties for accounts purposes as at 31st December 2016.

1.9 Allsop LLP ("Allsop") undertook sample internal and external inspections of some of the properties which comprise the "Surplus" element of the Married Quarters Estate between February and March 2016. Allsop agreed on a strictly without liability basis that we may rely upon that earlier work. It was not possible to undertake any inspections of the Retained Estate due to the continued occupation by MoD. In relation to the Surplus Estate, Allsop's inspections of the exteriors of the properties were conducted from ground level only. We have assumed that the properties inspected were and remain, in all material respects, representative of the remaining uninspected properties at that Site or location.

1.10 We have not undertaken any research into the individual vacant possession values of any of the properties which comprise the Retained Estate as at the Valuation Date. A sample of the Retained Estate was inspected and it was valued by Colleys in 1996. It is not now possible to make inspections of that element of the Estate due to the continued occupation by SSDUK.

1.11 The number and identity of the properties that may be released by SSDUK from the Retained Estate in the future is unknown, but a current approximate average vacant possession value is needed for incorporation into our valuation model and this has been arrived at by inflating the Colleys 1996 values in proportion with the change in the average of the relevant Halifax and Nationwide Building Society House Price Indices (the "HPI") but reflecting APL's historic performance in relation to the HPI as set out below.

1.12 Since APL acquired their interest in the MQE, they have sold over 18,000 of the original 57,434 properties (this excludes infill properties and related assets which did not have values ascribed to them by Colleys back in 1996). We requested APL to prepare an analysis of the sales prices they achieved for all completed sales from 1 January 2000 until 31 December 2016 and to compare this with the corresponding Colleys 1996 values for the same properties, inflated in line with the relevant change in the most recently available HPI.

1.13 Where the properties had been improved by APL between the date of Colleys valuation and the date of reservation for sale, an adjustment (the "improvement adjustment") was made to reflect building costs, the costs of repairs, upgrades and professional fees together with a 10% mark up on these costs. Any dilapidations receipts were then credited.

1.14 Applying the HPI to the Colleys 1996 valuations suggests gross revenue realised by 31 December 2016 would have been £1,527,589,268. In fact the revenue realised (after deduction of the improvement adjustment and any sales incentives given to purchasers) was £1,489,380,397 representing 97.5% of the expected inflated values

(i.e. a divergence of 2.5%). The sales of the properties at Chelsea Barracks were left out of the analysis, as these were sold to a special purchaser and they would distort the data as a result. The sales at Mill Hill have also been left out of account as they are a substantial redevelopment site and do not reflect the wider circumstances that the methodology seeks to apply. We monitor the running divergence to date, to enable us to consider whether this aspect of the valuation remains robust. Results for the last 10 years are as follows:

- To March 2006 2.3%
- To March 2007 4.2%
- To March 2008 2.8%
- To March 2009 3.6%
- To March 2010 3.5%
- To March 2011 4.0%
- To March 2012 4.1%
- To March 2013 3.9%
- To March 2014 2.8%
- To March 2015 2.8%
- To March 2016 2.1%

1.15 This suggests that there is no discernible trend of divergence and that the principle of estimating the current vacant possession value of the Retained Estate by reference to the 1996 work adjusted by an adjusted HPI multiple remains robust.

1.16 In relation to the Retained Estate, we have assumed that the properties are in materially the same condition as when valued by Colleys, in 1996 (or would be returned in such condition) , reflecting the general continuing obligation of SSDUK to repair and maintain them.

2. INFORMATION RELIED UPON

2.1 We have been provided with various information which includes:

- Data transfer by e-mail showing details of the Retained and Surplus Estates.

- Various information from Freshfields Bruckhaus Deringer LLP dating back to APL's acquisition of The Married Quarters Estate, including Title Reports for the vast majority of the sites and a Due Diligence Report (dated 17 October 1996) together with briefing notes. The Reports did not constitute Certificates of Title and have not been reviewed or updated in anyway by Freshfields Bruckhaus Deringer LLP.

- A draft environmental report and assessment by Dames & Moore dated July 1996. Allsop LLP were previously verbally advised by Nomura that the final report is unchanged and that they could rely upon the contents of the draft. We have relied upon that also.

- A copy of the Executive Summary of the report on utilities, prepared by Hyder Consulting Limited ("Hyder") dated July 1996. APL have also supplied to us estimated costs of dealing with utilities issues on a site by site basis in respect of those sites where there has been a full or partial release of properties. Where such estimates have been provided, we have relied on these figures rather than the earlier estimates prepared by Hyder.

2.2 Details of the aggregate capital and rental values in respect of the properties at each site provided by Colleys, together with a copy of their report dated 30 July 1996, (excluding appendices).

i. Utilities Agreement (Dated 5 November 1996).
ii. Headlease (Preferred Bidder Draft 6).
iii. Underlease (Preferred Bidder Settled Draft (proof 3)).
iv. Single Unit Underlease (Preferred Bidder Settled Draft (proof 3)).
v. Sale Agreement (Dated 24 September 1996).
vi. Transfer (Proof 5).
vii. Various agreements relating to temporary utility supplies.

2.3 We have relied upon information supplied to us and reflected this in our valuation, given below. The Directors of APL have confirmed to us that where documents are referred to as "Draft", they are in fact the final versions.

2.4 We have assumed that the views and advice reflected in those reports would not change materially if the various consultants were to be asked to update their reports although the cost base will have changed. Where estimates of costs in relation to such matters as utilities conversion or possible contamination rectification were given in 1996, we have taken such estimates and inflated them in line with the change in the BCIS (Building Cost Information Service) Index. Where part only of a site has been declared Surplus we have apportioned the costs in relation to possible contamination remediation on a "per property" basis.

3. GENERAL DESCRIPTION OF THE ESTATE AS A WHOLE

3.1 As at 31 December 2016, The Retained Estate consisted of 38,979 dwellings situated throughout England and Wales used to provide accommodation for Service Families. The Retained Estate is now located on 512 sites ranging in size from a single dwelling to 838 dwellings.

3.2 Dwellings within the Retained Estate are of varying types, ranging from flats to large prestigious detached houses, although the majority of the stock is made up of two and three bedroom, semi-detached and terraced houses, generally of post-war construction. Within each region, there are concentrations of units in traditional armed forces areas such as the Naval bases in Plymouth and Portsmouth, the Army bases around Catterick, Colchester and Aldershot and the Royal Air Force bases in East Anglia.

3.3 The properties vary in age but as will be noted from the bandings given below almost half were built in the period 1945 to 1964.

Age Band	Pre-1945	1945/64	1965/79	Post 1979
Approximate % of Retained Estate	8.4%	49.4%	31.4%	10.8%

3.4 The very great majority of the units are of traditional construction whilst the non-traditional units include a number of construction methods including, for example, *Reema* and *Wimpey No Fines* construction.

Condition of the Estate

3.5 Savills prepared an independent stock condition survey of the dwellings within the Estate as at 30 September 1995. The survey involved the selection of a statistically representative sample of units, which was then examined to provide life cycle replacement and cost projections for key elements.

3.6 It should be remembered that their report is now over 20 years historic, but their key conclusions were that:

- The majority of the stock had been well maintained and was in generally good condition;
- Maintenance had been directed towards replacing with modern materials, key elements that had fallen into disrepair;
- Principal elements of the majority of dwellings, such as bathroom fittings, central heating and windows, had a considerable remaining useful life;
- Fabric and elements had generally been maintained to a satisfactory standard in recent years, with a number of elements being reasonably new; and
- Although difficult to make comparisons, the condition and maintenance of much of the stock compared favourably with the condition and maintenance of broadly comparable stock in the private rented sector and that of Housing Associations.

3.7 In relation to the Surplus Estate, there is a wide spectrum of condition reflecting properties in need of very major repair (or redevelopment) through to properties that are in good condition and are on the market awaiting sale.

3.8 APL is not disadvantaged by the poorer condition of some of the released properties, as dilapidation settlements compensate for this.

3.9 APL has no involvement or responsibility for the maintenance of the Retained Estate (ie the properties leased to SSDUK), prior to them being declared Surplus.

3.10 Under the terms of SSDUK's Underleases, if SSDUK release units from the Retained Estate to APL these are required to be in good tenantable repair and decorative order although a lower standard applies to elements of units that are of non-traditional construction. Where properties are handed back below the required standard, APL can make a claim for dilapidations.

3.11 At inception, this issue represented an area of potential risk, cost and aggravation. The track record that has become established suggests willingness on the part of SSDUK to accept well founded claims and to deal with them promptly.

4. THE SURPLUS ESTATE

4.1 At the time of APL's acquisition, SSDUK had no further use for 2,374 of the properties. These properties were known as the Surplus Estate and were transferred to APL freehold and with vacant possession (except two properties which were leasehold and were therefore only transferred on a leasehold basis). Such properties were thus available to APL for sale, letting or redevelopment, subject to normal planning controls and various covenants. These covenants which apply to all properties released from the Retained Estate are for the benefit of the related Base and include such matters as:

- Avoiding sight into secure areas;
- Height restrictions on development;
- Avoiding telecommunications interference;
- Avoiding noise and vibration; and
- A requirement to erect fencing.

4.2 When properties are released by the MoD from the Retained Estate they pass to the Surplus Estate. A further 16,072 properties were released from the Retained Estate between 1996 and 31 December 2016. However there have also been many onward sales out of the Surplus Estate during that time. As at 31 December 2016, the Surplus Estate comprised 88 dwellings, plus additional development situations and some infill plots. Further details are included at **Appendix D**.

5. THE RETAINED ESTATE

5.1 This represents the portion of the Married Quarters Estate which SSDUK continues to occupy. The original disposal was structured in such a way that it allows for SSDUK to continue to occupy a significant but diminishing proportion of the Estate.

5.2 The sites which originally comprised the Retained Estate were transferred to APL on 999 year Headleases (except where SSDUK's interest was itself leasehold, where the interest was, of necessity, an underlease). SSDUK then took back underleases on each site for terms of 200 years, subject to the ability for it to determine these on six months' notice.

5.3 The result was that APL acquired a substantial portfolio of tenanted residential property let to a bulk tenant, with a high-quality covenant who is responsible for their management and repair.

5.4 It remains impossible to predict accurately the quantity, location or relative quality of sites or parts of sites that may be released as a result of these determinations. The uncertainty about future release levels continues to make forecasting and valuation less precise than is generally the case when valuing many other property based assets.

5.5 The Guaranteed Payment details are set out below. This shows the minimum amount that is payable on each of the four preceding quarter days up to and including the September quarter day in the year in question. For example, £24.85 million was payable on each of December 1998, March 1999, June 1999 and September 1999 quarter days. The Guaranteed Minimum Payments from SSDUK cease in 2021 with the last payment being due on the September quarter day.

Yr	£m	Yr	£m	Yr	£m	Yr	£m	Yr	£m
1997	26.70	**2002**	23.1	**2007**	19.62	**2012**	16.17	**2017**	12.7
1998	25.45	**2003**	22.4	**2008**	18.95	**2013**	15.47	**2018**	12.02
1999	24.85	**2004**	21.7	**2009**	18.25	**2014**	14.77	**2019**	11.32
2000	24.25	**2005**	21.02	**2010**	17.55	**2015**	14.1	**2020**	10.62
2001	23.8	**2006**	20.32	**2011**	16.87	**2016**	13.4	**2021**	9.95

5.6 The Retained Estate originally included approximately 300 buildings which were designated as Related Assets, consisting primarily of former Married Quarters which are used for purposes such as Housing Administration and Welfare Offices, Community Centres, Crèches and Thrift Shops. In some cases these uses are accommodated in purpose-built buildings. Many sites also have a playground or play areas and undeveloped open spaces. There are also other amenities such as sports pitches, tennis courts and squash courts included within the Estate.

5.7 No rent is payable by SSDUK in relation to these assets and no account was taken originally of their value, notwithstanding that these will revert to APL on termination of the relevant underlease. The justification for ignoring their value is that there is no certainty when they might be released. In theory they might not be released before the 200 year underleases expire and they generate no income in the intervening period. However, in many instances (and once released) they have offered opportunities for infill or more extensive development. Some are former dwellings that had been converted to alternative uses and which in many cases can be easily reinstated. Therefore whilst not actively contributing to value, when released these represent a welcome 'windfall'.

6. TENURE AND INTERESTS

6.1 38,957 Units within the Retained Estate consist of leasehold estates with 999 year terms. 22 Units consist of leasehold estates with shorter terms. All Units within the Surplus Estate constitute freehold estates.

6.2 A large number of the title reports prepared by legal counsel at the time of the 1996 acquisition of the Married Quarters Estate contained qualifications. However, the vast majority of such qualifications were reported to relate to very minor issues affecting only a small proportion of a given site, which often meant only a single unit.

6.3 SSDUK are required to give APL the necessary assistance in obtaining first registration.

Headlease

6.4 SSDUK continues to own the freehold of the majority of the sites which comprise the Retained Estate. Except as set out above, SSDUK has granted APL 999 year Headleases, out of which APL has granted SSDUK 200 year Underleases. There is one Headlease for each site and the principal terms are as follows:

- 999 years;
- nil rent;
- APL and its successors in title may assign or underlet the whole or any part of the site with SSDUK's consent. Such consent is not to be unreasonably withheld in the case of a respectable and responsible person. The ability to assign or underlet any part of a site does not apply to sites which comprise only one unit;
- There are, in appropriate cases, restrictive covenants for the benefit of any related Base which oblige APL and its successors in title not to create any nuisance;
- The Headlease reserves a right of re-entry exercisable on breach of covenant. The right is significantly qualified for the protection of APL, APL's mortgagees and any underlessees.

6.5 In the limited instances where properties were held by SSDUK on a leasehold basis, APL was granted underleases of these sites for terms equivalent to SSDUK's interest, less a nominal reversion. SSDUK then took subleases of these sites, on

substantially the same terms and conditions as for the other sites. A significant majority of these leaseholds involved underleases to APL for terms in excess of 900 years.

6.6 SSDUK are free to undertake development on adjoining property subject to certain restrictions on the effect on the flow of air and light that may have an adverse effect on the value of the subject property and no compensation would be payable.

Acquisition of Reversion

6.7 Either APL or their successors in title have the right to acquire SSDUK's freehold reversion in each site (or part of the site) as it is vacated by SSDUK. The right is exercisable within six months after the termination of SSDUK's Under-leasehold interest and each transfer of the reversion will be made in consideration of £500. The right also applies to the small number of SSDUK's leasehold reversions, but only when SSDUK's sublease in the whole of the relevant site has been terminated. We have assumed that wherever the opportunity arises, APL will exercise its rights to acquire these reversionary interests.

SSDUK Underleases

6.8 On completion of the sale, SSDUK simultaneously took back Underleases from APL over the sites within the Retained Estate. The rent reserved in each underlease was originally calculated by SSDUK on the basis of aggregating individual open market rents in respect of each unit on a site and then making an adjustment to that figure. The adjustment reduced the aggregate open market rent to take account of factors such as the bulk nature of the tenancy, together with special features of SSDUK's occupation such as:

- SSDUK responsibility for repairs;
- The overall size of the Retained Estate;
- The quality of SSDUKs covenant; and
- The Guaranteed Payment

6.9 At the time it was stated that this reduction equated to 58%, such that 42% of the aggregate rents before adjustment is payable. The annual equivalent rent payable as at 31 December 2016 amounted to £177,800,606.46 (payable quarterly in advance).

Issues Raised by Underlease

6.10 There are a number of issues contained within the underlease documentation which are rather unique to the relationship between the property and the adjoining MoD site. We have listed below some of these issues which we have considered in undertaking our valuation:-

(a) There is a provision for the tenant to sublet, but this is subject to a restriction that they should be able to get possession on not more than six months' notice, unless an existing tenant has a statutory right to renew.

(b) SSDUK resisted giving any specific undertaking to remedy any contamination created or allowed on any of the sites. It is therefore necessary to rely upon the provisions of the Environment Act. This relies upon a Local Authority serving the necessary remediation notice but in the unlikely event of their not doing so, the liability may well stay with APL.

(c) There are various complicated provisions regarding the rights to run services to and from the sites, but restrictions have been placed upon such rights on the basis of overriding operational reasons. Therefore if the obvious route to run services is through an operational base and SSDUK refuse the rights because of operational reasons, there is no right for compensation, and therefore any additional costs would have to be borne by APL.

(d) If SSDUK undertakes work on adjoining sites also owned by SSDUK that have a detrimental effect upon the value of the APL's property, SSDUK will not pay any compensation.

(e) In relation to a part determination of a site, (i.e. where only part of the site is released back to APL) if a property does not have a dedicated garage or parking space within its curtilage, SSDUK will not necessarily release the garaging or parking spaces which are currently used with any individual property. However, SSDUK will use all reasonable endeavours to release these pro rata in relation to the average provision of garaging or car parking spaces on the estate subject to the pro rata comparison being judged in relation to buildings or groups of buildings of similar density; and written certification given by or on behalf of the tenant, that there are overriding security issues which militate against such configuration. It was agreed that the rights to pass and re-pass along private roads under SSDUK's control will include the rights to parking with the exceptions of obstruction or, again, for operational reasons.

Covenants given by SSDUK

6.11 The principal covenants in the underleases are as follows:

- SSDUK is responsible for paying all rates, taxes and other outgoings (except those for which the landlord should be responsible such as tax payable on dealings with its own interest in the property);

- As and when SSDUK vacates a site or part of one, there is an obligation to leave the premises and the buildings on it in good tenantable repair and decorative order. SSDUK is expressly not required to remedy defects inherent in all buildings of non-traditional construction as specified in the Asset Register;

- SSDUK may not assign any underlease in whole or in part but may sub-underlet the whole or any part provided any sub underlease can be terminated with vacant possession on not more than six months' notice;

- SSDUK may not use any site for other than for residential and ancillary purposes without the landlords consent. However, it may put any site which is within a Controlled Perimeter (i.e. "behind the wire") to a non-residential use, subject to a requirement to reinstate and, if necessary, to secure planning permission authorising residential use or pay the landlord compensation when SSDUK finally vacates;

- SSDUK may carry out any development or alterations which are consistent with the use authorised by the underlease. However, SSDUK may not demolish any buildings which are located outside the wire without the landlord's consent, which will not be unreasonably withheld. SSDUK is not required to reinstate any alterations, including demolition and new-build but are liable to compensate the Landlord for any diminution in the value of its reversion as a result of non-

reinstatement although due regard is to be had to any buildings erected by the Tenant since the start of the lease; and

- SSDUK is obliged to comply with all title encumbrances and to comply with all statutory requirements relating to the use and occupation of the Premises, subject to any Crown immunity;

We have assumed SSDUK will be liable for any VAT that may become payable upon rents.

Maintenance and upgrade by SSDUK

6.12 SSDUK has the right to construct and demolish units but for the purposes of rent reviews, such activity is to be disregarded. If SSDUK wish to demolish the Beacon unit, both parties either have to agree on a substitute Beacon unit or a detailed description of a notional one. Throughout the lease, rent will be payable by reference to the number and type of units on the site specified in the Asset Register at the outset, irrespective of whether or not the units remain in existence and irrespective of any new units constructed by SSDUK, but taking due allowance for units surrendered in part termination of underleases.

6.13 The Service Family Accommodation Statistics reported that there were 10,000 properties vacant (20% of the total) at 31 March 2016. This represented a very marginal decrease from the 10,400 of the previous year and remains greatly in excess of the low of 6,000 vacant properties (representing 12% of the total) achieved in 2011. The increase in the vacancy rate since 2011 was explained as partly due to the Armed Forces Redundancy Program, the Army Basing Program and development of the new MOD Footprint Strategy, which have resulted in some SFA, previously earmarked for disposal, being retained.

6.14 Properties that are empty, unheated and unventilated generally suffer accelerated deterioration but it is worth remembering that in terms of the value of the Estate, failure to repair does not disadvantage APL either in relation to rent from the Retained Estate, or capital value when properties are declared surplus, when, in broad terms, they have to be brought up to the required condition, or dilapidations paid. (NB. There is a lesser repairing obligation in relation to subordinate parts of dwellings that are not identified on the Rent Particulars Schedule as being of a traditional design or construction – Underlease Clause 3.4.1).

6.15 Some work is underway to improve the units held by the MoD, and there is uncertainty about how many units are needed in the future and where these need to be located. The ongoing upgrade work might be expected to correct any long term deterioration in quality for most units, potentially allowing future releases without consideration having to be given to the often hefty dilapidations payments that are then triggered. This, in turn may lead to greater releases of units once the assessment of the MOD's future needs is complete and the majority of troops have been repatriated from Germany. However, in conjunction with the MoD needing to recognise that come the Site Review (when, based on current market conditions, rents are expected to rise very substantially) the cost of excess or poorly maintained units will become starkly obvious in future years. However, it seems that whilst the problem is understood, the funds are not universally available to meet the costs of accrued dilapidations with the result that this drives decisions to retain and pay rent.

6.16 With the increasingly recognised problem in the UK of a shortage of housing and particularly lower value housing, the political issue of MoD holding many houses empty and paying rent on them seems largely obscured from public view. If this becomes more public, we could envisage that the ensuing pressure on MoD might result in an uptick in releases.

6.17 Assuming a significant increase in rents following Site Reviews it is likely that the 'tipping point in relation to continuing rental payments versus a terminal dilapidations payment' would be altered and logic would suggest that this may produce an increase in releases.

Vacation of Sites by SSDUK

6.18 SSDUK may vacate sites of its own volition by terminating Underleases, or may be required to vacate sites through APL's exercise of the Site Exchange option. Over the course of the 25 years following APL's acquisition, SSDUK is obliged to release a number of units to APL by terminating underleases over sites, wholly or in part. This is permitted at any time on giving APL written notice no less than six months in advance. Where a part termination occurs this must relate to not less than 10% of the units (or a minimum 20 units, if this is less) on the particular site at inception and the units must not be so disparately located as to result in an unreasonable spread of vacant units in the hands of the landlord. If the underlease is terminated in part, the rent on the balance will be reduced in proportion to the number and initial rental values of units shown in the Asset Register located on the terminated part relative to the number and initial rental values of the whole site prior to the part termination.

Rent Reviews

6.19 The leases are subject to periodic reviews. At inception, the Sites were divided into four groups and every site in each group is subject to a rent review every five years (as at 25 December). Thus there are rent reviews at different Sites in four consecutive years and then in the fifth year no sites are reviewed before the process starts again with the first group being reviewed again on the fifth anniversary of their last review. The first group of reviews took effect on 25 December 1999. There is an approximately even spread of reviews each year although no sites were reviewed in 2003, 2008 or 2013.

Beacon Rent Review

6.20 As previously stated, each underlease provides for a property on each Site to be designated as the Beacon Unit. The open market rental value of this unit will be reviewed every five years (subject to staggering of particular reviews) and the percentage uplift in rent applied to the total rent reserved for that Site under the terms of the underlease.

6.21 Any alterations carried out to the Beacon Unit by the tenant since the start of the underlease other than pursuant to an obligation to the Landlord is to be disregarded. However, the effect on rent of alterations to kitchen and bathroom fixtures and fittings and heating plant and equipment and windows and window frames which were carried out more than 10 years before the relevant Beacon Review Date, are not to be disregarded. This therefore enables SSDUK not to suffer the disability of paying an increased rent because DIO have had to replace kitchens and bathrooms fittings, but does mean that having had a due allowance for the passage of time, APL is also not penalised by having to undertake reviews on an increasingly aged housing stock, in terms of its fittings.

6.22 A single unit on each Site was designated as a Beacon Unit for rent review purposes for each Underlease. The Beacon Unit was selected by SSDUK on the basis that it is broadly representative of the units on that site. The rent on the reviewed Site is linked to the change in the rental value of the Beacon unit, thereby avoiding the administration, costs and delays which would arise in valuing all units within a Site. Any disagreement about the rental value can ultimately be the subject of arbitration. (The parties have, almost without exception, managed to reach agreement rather than resort to arbitration which is costly and time consuming.)

6.23 The proportionate change in the rental value of the Beacon Unit is then applied to the rent passing in respect of the relevant Underlease. At the first Beacon rent review on each Site, the rent could not fall. On subsequent Beacon reviews it can be reduced, but not below the level of rent passing at the outset of the underlease, unless the site has been the subject of a partial release. Even then, at individual unit level, the rent cannot fall below the initial rent at the start of the underlease.

6.24 The existing and future values of the portfolio are very dependent upon the assumptions as to rental value growth being achieved. Rental performance is very difficult to predict, but with interest rates very low and cash returns on deposit not much better, investors are chasing yield across many asset classes, including residential property.

6.25 In our opinion it seems likely that Increasing rental demand from tenants who cannot afford to buy has put upward pressure on rental levels in many areas, particularly in the southern parts of England. This is having a positive effect on voids, but there are concerns that rents may hit an 'affordability ceiling'. Landlords are increasingly aware of the benefits of keeping an existing tenant in situ and may moderate future rental increases with that in mind. At the same time, there is now a recognition that an increasing swathe of the population who, based on socio economic background, would have expected to become home owners in due course may not be able to afford to do so. In that respect there may be an increasingly captive group for whom renting is the only viable option.

6.26 There is a paucity of information in relation to long term rental performance in terms of published indices. If gross yields were to remain constant then it follows that rental performance would exactly track house prices. However, that has not been the case, with capital values vastly outperforming rental values over the last 20 years. A number of factors have contributed to this but principal amongst these have been lower interest rates and an extension of supply as the 'Buy to Let' phenomenon took hold. There is undoubtedly a link to average earnings and also to general inflation.

6.27 It is interesting to look at the 2015 IPD Index results. This showed the 14 year annualised rental performance for market lets in England, Wales and Scotland (excluding Central London) to have been around +2.6%. This period included a very severe recession with constrained household finances. However, it is also worth noting that over the 14 year period, rental growth did not keep pace with wages or RPI inflation.

6.28 Data commissioned by *Estates Gazette* from Hometrack in 2015 showed that '*despite fluctuations in market rent the relationship between average rents and average earnings has remained consistent for the past decade, refusing to budge from the 33% mark.*' Forecasters are not predicting average earnings to rise at 3% pa, which might suggest that our long term rental inflation forecast is too optimistic.

6.29 However, if the Married Quarters Estate was offered in the market as at the valuation date, we would expect that prospective purchasers to consider the forecasts published by advisers in the market and the RICS. We have reviewed the output from Savills; the RICS, JLL and Knight Frank. These were for the next 5 years. The average expected annual change in rents over the next 5 years was between 2.1% and 3.6%. On that basis, and with rising inflation we believe it is reasonable to maintain our long term view of +3.0% per annum and in the shorter term we have adopted the average of these forecasts.

6.30 On this basis we have adopted the following rental growth assumptions in our model:

2017	2018	2019	2020	2021	
2.1%	3.2%	3.6%	3.2%	3.2%	then 3%pa

6.31 Based on APL's early visibility of the 2017, 2019 and 2020 rent reviews; our assumptions and the resultant anticipated results, the following projected changes in rental values have been incorporated into our valuation model:

Dec 2017	+15.0%
Dec 2018	No review
Dec 2019	+16.8%
Dec 2020	+16.26%
Dec 2021	First Site Review
Dec 2022	Second Site Review
Dec 2023	Third Site Review
Dec 2024	Fourth Site Review

As is commented upon above, and also later in the report, we have adopted assumed long term rental growth of 3.0% pa.

Site Rent Reviews

6.32 The above deals with rent reviews up to and covering the first round of four Site Reviews, which are discussed further below. The Site Reviews are staggered and will be undertaken in four groups in December 2021, 2022, 2023 and 2024 and every 15 years thereafter. The rent following Site Review will be the yearly rent reserved and payable from the Site Review date until the next Beacon Review date. The consequence of this is that rents will be adjusted both to reflect changes in rental levels in the market since the last Beacon Rent Review (as set out above) and also to reflect the shift in rents payable as a result of the implementation of the relevant Site Review.

6.33 The Site Reviews are to be reviews of the rental value for each entire Site on the basis of a letting under the terms of the Underleases and the particular basis of review is set out in Part II of Schedule 3 to the Underleases. The major issue of quantum discount in likely rental value to reflect the overall number of dwellings in the remaining Married Quarters Estate and multiple sites is not addressed.

6.34 We have considered the level of discount that it is appropriate to assume might result from negotiations of Site Reviews in the future.

6.35 APL is working on a detailed study of this issue in preparation for the first round of Site Reviews. This will be a large undertaking covering several hundred individual Sites throughout England and Wales over several years. APL's work is likely to continue and roll in to the Site Review negotiations themselves so is certainly not yet completed and must be regarded as a dynamic process.

6.36 In this respect it is somewhat different from the process involved in reaching an opinion of the value of the Married Quarters Estate today. This involves reaching an opinion as to the judgements hypothetical bidders would be likely to make in relation to this issue based on the information likely to be available to them as part of a marketing process. The detailed work is naturally commercially sensitive but we understand that the range of potential outcomes spans the judgement we have made but offers potential upside. It must also be borne in mind that this process is still several years away and much could change which may potentially have a significant effect on the value of the Married Quarters Estate.

6.37 We believe that there is potentially significant value in this issue. As the period until the first Site Review shortens, so the effect of this potential step change in rental levels will become more significant in terms of current value.

6.38 We have seen the extract from the National Audit Office Report from 1998 on the Married Quarters Estate disposal. This looks at the 58% discount and how it was arrived at:

Continuing Maintenance obligations	28%
Bulk nature of the lettings, reflecting both the size of the individual sites and the Estate as a whole	20%
Benefit to the purchaser of the Guaranteed Payments	10%
Total discount	**58%**

6.39 Clearly the 10% for Guaranteed Payments will no longer be relevant as these will be at an end by then. The bulk will also have been reduced quite materially although it will remain a very bulky Estate. However, we don't believe there is any direct proportionality to be applied on this point. Interestingly, we doubt whether the bulk nature of the Estate as a whole (as referred to above) is properly a factor to be taken into account when considering the Site Review for each site. It would of course be a factor that should be taken account of at individual Site level. Finally there is a good deal more information available through IPD about maintenance costs for large portfolios and we believe an argument might be advanced that the continuing maintenance allowance could be reduced.

6.40 We are aware a recent significant bulk letting on terms that are, unusually, closely correlated to the assumptions at Site Review.

6.41 The rent offered was higher than would have been offered by an entrepreneur / traditional investor because of the nature and needs of the particular tenant. This may be repeatable but has not yet been repeated.

6.42 In undertaking the valuation, we must seek to incorporate the judgements that we believe a prospective purchaser would make if seeking to purchase the Married Quarters Estate competitively, in the market, as at the Valuation Date.

6.43 The exercise being undertaking by APL is self-evidently much more detailed than prospective purchasers would be able to undertake in the 3 or 4 months that might typically be envisaged as a marketing period if the MQE was to be offered for sale. We are aware of APL's early draft conclusions and that they have stressed that there is still some ground to cover to be able to refine their work further.

6.44 Taking these factors into account and reflecting the uncertainty about making a judgement about discounts in the market which are still on average over 6 years hence, we have assumed the discount anticipated at Site Review will narrow considerably to 37.5%, based on market conditions prevailing at the Valuation Date. If the Married Quarters Estate were to be sold, this is one of the principal areas where prospective purchasers would look for comfort and potential.

Demolition of Dwellings

6.45 Where properties are within a Controlled Perimeter ('Behind the Wire') SSDUK can demolish dwellings and hand back sites without re-instatement but on payment of compensation. Such compensation will however take into account the value of any additional buildings that have been constructed, and the latter will be set off against the compensation that would otherwise be due.

6.46 We understand that SSDUK can alter the extent of the Controlled Perimeter and has the ability to create new ones.

Site Exchange Option

6.47 It is envisaged by SSDUK that APL may identify development or other opportunities on sites within the Retained Estate. Under the Site Exchange Option APL is, at least in theory, able to take advantage of such opportunities subject to protection of SSDUK's and service families' interests.

6.48 To take advantage of the Site Exchange Option, APL must notify SSDUK of its intention to determine the lease by notice served not more than 30 nor less than 21 months before an Executory Determination Date. The Site Exchange Option gives APL the right, on satisfying various conditions regarding provision of a suitable substitute site in exchange, to determine underleases and obtain vacant possession.

6.49 The Site Exchange Option relates to whole sites only and cannot be exercised if any part of the site is located behind the wire. We understand SSDUK is at liberty to change the extent or identity of properties behind the wire which would potentially give the scope to 'block' such site changes. In any event, the grounds which have to be satisfied before the Site Exchange Option could be operated (in the absence of agreement) are so restrictive that this additional factor is, in practice, likely to be of little importance or value. In the 20+ years since inception there has not been a single case of this option being utilised.

6.50 The suitability of the proposed substitute site would be judged against a long list of stringent criteria.

6.51 The existence of the site exchange option is clearly a potential benefit. However, meeting the required criteria is generally likely to be quite difficult and we remain of the view that little use will be made of this mechanism in practice. For the purpose of our valuation and for the reasons set out above, we have disregarded any potential additional value which might be liberated by the Site Exchange Option.

Personal Nature of the Guaranteed Release and of the Guaranteed Payment

6.52 Our valuation is of the properties and more particularly of the interests in those properties which are described above. We have reflected the nature of the leases under which the properties are held from SSDUK and of the leasebacks to SSDUK in respect of the Retained Estate. It is stated in the Master Agreement that the benefit of the Guaranteed Release and the Guaranteed Payment is personal to the company only, although the company may assign the benefit of or direct SSDUK to discharge its obligations in relation to the Guaranteed Release and the Guaranteed Payment to a Trustee on behalf of the company if it is the only Landlord or, if the company is not the only Landlord, on behalf of all Landlords.

6.53 We have sought a clear distinction between our Market Valuation of the properties, subject to and with the benefit of the existing leases, underleases and associated arrangements and any value that may be attributed to APL which currently holds the interest in the properties. Accordingly, we have assumed that the benefits of the undertakings represented by the Guaranteed Release (now of no value as terms already satisfied) and the Guaranteed Payment could (through the trustee arrangements referred to above) be passed to a purchaser of APL's interests in the properties.

Potential Development

6.54 Except where opportunities have been identified by APL in relation to the Surplus Estate we have, as agreed, disregarded any potential for infill development or redevelopment, at any of the sites. Where such opportunities have been identified, information and valuations have been supplied to us by APL. The values are generally a few tens of thousands of pounds, although there are three more significant holdings with values of £1.8m, £8.80m and £11.80m. Where planning consent has not yet been granted, the assessment of the risk of success has been reflected by the Directors of APL in arriving at their opinion of the relevant Market Values. The resultant Director's Valuations have then been incorporated by us (without check or review by us and without liability on our part) in the overall valuation. Further details are included in the Schedule at **Appendix D.**

7. UTILITIES AGREEMENT

7.1 On a proportion of the sites within the Retained Estate, the provision of utilities is in some way shared with an adjacent MoD base. A regime has been devised which provides for dealing with the utilities if such a site is released to APL. Set out below are the main provisions relating to the Utilities Agreement.

7.2 Whilst SSDUK continues to occupy a site in the Retained Estate which is in some way dependent on an adjacent base for utilities, the existing arrangements will continue. If SSDUK terminates an underlease on 75% or more (by number of units shown in the Asset Register) of a site, then within three months of written notice of termination SSDUK must make an irrevocable election in respect of each dependent utility. SSDUK must either elect to commit to continue supplying the particular utility for 60 years, or discontinue the supply after three years with an obligation to contribute to utility conversion costs. In any case SSDUK's supply obligations cannot exceed those which applied at completion of APL's acquisition. In addition, SSDUK's obligation to provide supply, or contribute to utility conversion costs only extends up to the boundary of the site, where supplies will be metered. The rate for charging for the use of any utility supplies is at the normal retail mains supply rate and the 60 year supply arrangement will be incorporated in a Deed of Grant.

7.3 Where SSDUK elects to discontinue the supply, there is an obligation, for five years from the date of the election to pay the lower of 1/3rd of the costs incurred by the site owners, for conversion to mains supply up to the boundary of the site or an amount representing the relevant Utility Cap for that site. The aggregate Utility Caps for all parts of the Retained Estate, which have a utility dependency on an adjacent base were fixed at the outset as follows:

- £3.5m in respect of electricity;
- £7.5m in respect of water;
- £14.0m in respect of sewerage.

7.4 The obligations to supply or contribute to conversion costs do not apply to gas.

7.5 Where SSDUK vacates part of a site, the existing supply arrangements will continue until 75% or more of the site has been vacated at which time the Utilities Agreement will become effective. Either SSDUK or APL may procure conversion to mains supply at any time, in which case the arrangements for supply/contribution for that utility lapse.

7.6 SSDUK's obligations do not apply if the Site Exchange option is exercised or in relation to Sites terminated in whole (or part) where this occurs after the Executory Determination Date for that site.

7.7 As part of our consideration of the value of the Retained Estate we have relied upon the individual capital and rental values of the properties on the various sites, as provided by Colleys in 1996. Their values were provided on the assumption that the properties did not have any base dependent utilities. However, in our opinion, sales of individual flats or houses would be made more difficult and their value and mortgageability would be affected if they were subject to base dependent utilities where there is only an undertaking to supply for 60 years followed by a requirement on the then house or flat owner to contribute to the provision of alternative mains supplies, assuming this is feasible. We understand that where Deeds of Grant have been entered into, Annington Property Limited have given undertakings to meet the costs of conversion to mains utilities at the end of that period. We understand that these undertakings are given by the Company and do not run with the land. Accordingly we have not reflected the burden of these undertakings in arriving at our opinion of value for the property.

7.8 We have assumed that all other sites in respect of which underleases are terminated would be converted to non-base dependent utilities and the full costs of doing so (as advised to APL in 1996, but inflated to reflect the passage of time) have been reflected by us in our valuation without any assumed contribution from SSDUK. There are circumstances such as part release where it may not be feasible or economic to arrange alternative supplies and this aspect of risk along with several others have been debated with APL at length. These are referred to further, below.

Issues arising out of Utilities Agreement

7.9 We have set out above the basic principles of the Utility Agreement. This sets out the various circumstances in which supply of services in respect of those sites which are entirely or to some extent base dependent, is provided by SSDUK. On release these services are either provided by SSDUK on a temporary basis under an Interim Supply Agreement or on a longer term basis for 60 years in accordance with the documentation.

7.10 From our reading of the agreement and advice from Freshfields in 1996, there are a considerable number of important issues surrounding the Utilities Agreement. These can be broken down into the following main areas:-

Supply by SSDUK

7.11 SSDUK only undertakes to supply until the relevant Executory Determination Date. Obviously beyond that time SSDUK could continue to supply MoD in respect of the Retained Estate but could hand back any properties without the benefit of any base dependent utility. There would also at that stage be no contribution from SSDUK to the cost of conversion of those utilities. It is also noted that SSDUK could terminate supply to units that have been previously released.

7.12 The major concern is the cost and quality of the service provided by SSDUK. There is a series of fairly complex provisions regarding the quality of service, but there is a distinct and successful intention by SSDUK to limit liability, particularly where SSDUK only transmits, (as opposed to generates or processes), say, water from the mains through SSDUK's own pipes to a site. In 1996, advice was given by Hyder in respect of these provisions, but obviously the provisions of the Utilities Agreement are not as satisfactory as if dealing with a Statutory Supplier.

7.13 With regard to the cost of supply, it would appear that although SSDUK (through the provisions of Clause 9.1 – Schedule 4 Deed of Grant) can charge for not only the provision of the supply, but also for the costs of maintenance of plant and replacement of plant, this is effectively capped by the provisions of Clause 9.2. This makes provisions for the calculations of this charge to be related to the standard charge being made by utilities suppliers in the locality. The provisions are complicated but should ensure that APL would not have to pay substantially over and above the going rate.

Termination Of Supply And Conversion To Public Utility Service

7.14 The payments to be made by SSDUK are capped and are not indexed linked, i.e. they are fixed at 1996 prices.

7.15 If APL were to decide to convert to a public utility prior to the service of the relevant notice by SSDUK then there is no contribution payable to APL.

7.16 If at any point in the future APL were to decide to convert the utilities to mains supplies, then there is an option under which consent is not to be unreasonably withheld. This is subject to various provisions. If the number of units released is less than 75% then APL may convert but does not receive any contribution to the costs. If the release level is over 75% and a Deed of Grant has been entered into then the approval of SSDUK must be sought and cannot be unreasonably withheld.

7.17 However, SSDUK retains the right to be compensated regarding any future economic damage to MoD's provision of services. This might occur, for example, if it has generating capacity for say 1,500 homes and 500 of those are removed from the service, resulting in its generating capacity becoming uneconomic.

7.18 Originally there were some concerns regarding the possible cost of easements to provide services to the sites where these have to cross over other than SSDUK land. In 1996 Hyder Consultants Limited indicated that the Statutory Authorities have powers to gain access to private land for the purposes of running services and the

cost of such easements are not prohibitive. However the powers do not apply to Crown Land and hence SSDUK land. There are therefore concerns that there is no mechanism for gaining the necessary easements in the absence of agreement.

7.19 There may be concerns regarding the quality of the services provided by SSDUK. If these were not to public utility standard, they could affect the saleability of the properties. We have valued on the basis that all units subject to supply agreements would be saleable in the open market or if the provisions of the supply agreement proved to be a problem the units could be let until the utilities have been converted.

7.20 In 1996, the vendors, through the Gibb Report provided estimates of the cost of conversion of individual sites. This appeared to have been undertaken on a statistical basis and their report was considered by Hyder Consultants Limited.

7.21 The major conclusion from the report produced by Hyder Consultants was that they considered that there was a low risk of the total cost stated in the Gibb report being exceeded. They did however note that the costs excluded adoption costs off site and also any costs associated with upgrading the services on site to a level where they would be adoptable by the necessary statutory authorities. They stated that the "linkage costs" included in the Gibb report also included professional services and design works together with the cost of easements but that this was on the assumption that APL would be given any necessary easements by SSDUK. There would be additional costs in respect of metering where no provision had been made in the Gibb report for the costs of installing and running any necessary metering.

7.22 It was also noted from the report that they had made an allowance for annual maintenance/repair costs where sites remain dependent on SSDUK utilities. They estimated that these costs amounted to some £315,000 per annum (at 1996 prices). We have not had specific regard to this figure, since as outlined in our valuation, we have taken account of the total cost of converting from an SSDUK supply to a public utilities supply. On that basis there would obviously be no ongoing costs of maintenance in respect of an SSDUK utilities supply.

7.23 In summary, Hyder stated that the likely total cost of conversion as at 1996 was in the order or £97.4 million which net of the capped contribution from SSDUK would represent approximately £76.79 million.

7.24 In relation to the Retained Estate, (where there has been no release or partial release of properties) we have relied upon the figures supplied by Hyder Consultants Limited, inflated them in line with BCIS Index and then incorporated them on a gross basis within our calculations. We have not added back the capital contributions from SSDUK.

7.25 There are two reasons for adopting this approach. The first is because of the possible under-estimate of the costs concerned. The second is that it may more accurately reflect a decision to undertake conversion at an earlier date rather than following receipt of a notice from SSDUK, or that if SSDUK offers to undertake to make a 60 year supply, the landlord then exercises its option to provide an alternate supply. In either of these circumstances there would be no capital contribution and as a result we have considered it prudent to adopt the gross cost.

7.26 In relation to the Surplus Estate (and sites where there has been a partial release of properties), APL have supplied us with current estimates of conversion costs based on further research into each of the relevant sites. In such circumstances we have assumed these estimates supersede the Hyder figures and substituted them

accordingly. We have also assumed that the capped contribution payments from SSDUK would be received and have credited these payments against anticipated costs to arrive at the anticipated net cost to APL.

7.27 Where there has been only a partial release, we have, nevertheless deducted the full costs of conversion at that site, since apportioning costs proportionately with the percentage of the site released does not usually produce a valid answer. For example, where a new sewer would be required for 200 houses, but only 60 have been released, a sewer with capacity for 200 houses would still be the correct and viable long term solution.

Ongoing Liability

7.28 Under the terms of the Utility Agreement, APL will retain a liability not only for the costs of services provided, but also on a contingency basis in respect of any damage caused to SSDUK's services installations by their use. It would appear that APL is locked into a long-term liability regarding the services on the site. This liability is impossible to quantify and will of course increase proportionately as individual properties or sites are handed back by SSDUK and are then let or sold, since this liability remains strictly with APL. We consider that this is a matter which is a burden to APL rather than the properties. However, in practice it seems most improbable that APL would arrange any sale that did not incorporate a similar burden on the purchaser in favour of APL and that a purchaser would incorporate similar arrangements into individual sub-sales. However, as it is an APL liability, we have not had regard to this element in our valuation.

7.29 In accordance with the Utilities Agreement, it is also possible that where less than 75% of a given site has become surplus and handed back, the utilities will continue to be provided by SSDUK. The surplus units could however be sold in the open market subject to the proviso that at some point in the future, the 75% level may be triggered and the relevant notice served by SSDUK. At that stage it may be necessary to convert all units on a site including the sold units. This was previously discussed at length and it was concluded that the only practical solution to this problem in terms of selling units would be to provide some form of vendor's bond by which APL would retain the liability to pay for the cost of conversion as and when that took place. This is not a dissimilar provision to that contained in many residential developments sold on a phased basis where services and roads have yet to be adopted by the public utilities providers and the local authority. We believe that this is the approach that the "market" would adopt, and we have therefore undertaken our valuation on the basis that such bonding would be put in place and that there would be no discount as to the sale prices of individual units because of the provision of services by SSDUK.

7.30 A major issue remains the ability of SSDUK to interrupt supply. This risk may inhibit sales but letting may still be possible whilst a supply still continues. In these circumstances the effect on value may be small as there would be an income stream and in addition APL would have deferred the anticipated costs of conversion.

7.31 As already stated, in general terms, the Utilities Agreement and Deed of Grant are the least satisfactory aspects of the overall arrangements surrounding the properties. It will obviously be to APL's benefit to effect conversion to mains utilities as soon as possible, and to avoid having to operate under the Deed of Grant or even the deemed Deed of Grant during an Interim Supply Period. It is however possible to foresee circumstances when it would be necessary to operate in this environment, and therefore the ongoing issues arising through these arrangements may still be material.

8. ENVIRONMENTAL CONCERNS

8.1 In 1996 an environmental assessment for each site was undertaken by Dames & Moore. This was done entirely on a desktop basis but they particularly looked for any map or database-related evidence of ground water contamination either from the subject site, or an adjoining site, whether SSDUK owned or not. In addition, they looked at other possible contaminants including:-

- Radon gas;
- Mine gas;
- Ordnance;
- Asbestos;
- Lead based paint;
- Lead water pipes.

8.2 We were provided with a copy of the draft report produced by Dames & Moore dated July 1996 and were subsequently advised that we may rely upon the draft version. In that report they listed the methodology that they followed and the potential contaminants, which had been considered, and these are in general terms as outlined above.

8.3 They initially screened the sites and from these results they stated that there were some 275 sites where there were no known significant environmental issues. The remaining 550 sites were subject to further evaluation and categorised as A, B, C, D or E. The categorisations being as follows:-

(A) Potential MoD source of contamination, which may warrant remediation;

(B) Potential non-MoD source of contamination may warrant remediation;

(C) Combination of (A) and (B);

(D) Suspected or known contamination in the vicinity with potential consequential diminution in property value;

(E) No significant issues identified.

8.4 As a result of their investigations 167 sites were identified as falling into scenarios (A), (B) and (C) and a further 60 sites into scenario (D).

8.5 They identified the likely costs in relation to each site, on a predominantly statistical basis relating to the number and age of properties, discounted by a factor reflecting the likely incidence in those properties of these contaminants occurring. As a result they identified a potential total cost of remediation of £4,215,000 in respect of the surplus sites, £40,727,000 in respect of the retained sites, being a total of £44,942,000 (all as at 1996 prices).

8.6 They also considered the likely liability that would fall upon APL as purchasers, bearing in mind the likelihood of certain events taking place and also that under the headings (A), (B) and (C) there should be either an entire contribution or partial contribution from the polluter i.e. the MoD. Therefore the total of APL's exposure was estimated to lie in the range of £6,651,000 to £10,181,000 at 1996 prices.

8.7 In 1996, Nomura provided data indicating that the total deduction to be built into the valuation should be: £11.72 million.

8.8 This is greater than the Dames & Moore figures, but we understand a contingency was added by Nomura.

8.9 We noted from the report prepared by Dames & Moore that they felt that any site categorised in A), B), C) and D) may suffer some diminution in property values. We have approached our valuation on the basis that their report had been provided to Messrs Colleys who were aware of the information in respect of these sites. It was stressed to Colleys at the time the importance of close liaison between themselves and Dames & Moore.

8.10 With regard to the effect on the individual sale prices of individual units, we understand that Colleys were instructed to value the properties as they were seen. It is therefore apparent that any visible evidence of contamination should have been reflected in the valuations provided by Colleys in 1996. We understand that Messrs Dames & Moore liaised with Colleys to ensure that there was no element of double counting, i.e. they did not place a cost of remediation on a site where Colleys had already discounted the vacant possession values to reflect such a potential cost.

8.11 We have undertaken no independent research in respect of such potential liabilities and in relation to the Retained Estate have relied upon the information supplied to us back in 1996.

8.12 We understand that your experiences to date of contamination requiring remediation have been minimal. At Mill Hill traces of a radioactive substance used in fluorescent paint for instrument dials were discovered, but the MoD paid for the affected areas to be cleaned. At Horrabridge, traces of arsenic have shown up on purchaser's searches. Arsenic is naturally occurring in the area due to previous mining activity. We understand that there was one "hot spot" where spoil from the mines had been dumped and that you spent £750 on a site investigation and between £2,000 and £3,000 on removing the affected soil and replacing it with "clean" soil.

8.13 At Uxbridge, DIO provided a Land Quality Assessment (LQA) just prior to APL taking possession of the site which identified the presence of asbestos in amenity land. The MoD immediately recognised their responsibility for the remediation of the site. However, given APL was about to take possession it was agreed that it would arrange for the remediation work to be carried out rather than the MoD and that the MoD would reimburse APL for the cost. The works were completed in January 2015 and the MoD have subsequently made full reimbursement.

8.14 In 2012 an issue came to light on the Retained Estate at Uxbridge. DIO undertook a detailed LQA which confirmed that an area was contaminated and arose out of its former use as a firing range – the clean-up operation was completed in June 2013. There was no impact on the areas released to APL nearby.

8.15 Experience to date indicates that MoD is taking its responsibilities in relation to contamination remediation seriously and that instances of contamination are apparently rare.

8.16 Aside from these instances, in relation to the Surplus Estate we understand that it remains the case that no environmental issues requiring remediation or having a bearing on value have so far been identified. Accordingly, in relation to the Surplus Estate we have assumed no such issues exist and that there are no costs associated

with such issues to be reflected by us. The apportioned estimates for the Retained Estate, suitably indexed, continue to be deducted by us in our calculations but given the favourable experiences to date in relation to MoD's response, this will continue to be kept under review.

9. PLANNING INFORMATION

9.1 All units released by SSDUK (i.e. units comprising the original Surplus Estate, augmented by units subsequently released by SSDUK's terminations of occupational underleases) are available to APL to sell or re-let to third parties; (and, subject to necessary consents) for residential re-development; or for alternative use development. There are restrictive covenants to protect the operational capability of the land retained by SSDUK (and referred to above) and APL is obviously subject to normal planning controls. Crown land such as the Married Quarters Estate is not, generally, subject to planning legislation. However, a site will cease to be Crown land when SSDUK's ownership of it ends. We understand that APL and its successors in title are able, in general, to continue to use the land for any purpose, which was instituted by the Crown and that in practice, this will be residential where that is the existing use.

9.2 In carrying out our valuation, we have assumed that sales of individual dwellings could be effected on this basis and that prospective purchasers and/or their solicitors would not require planning consent to be obtained prior to purchase. However, we understand that a number of sites were originally subject to S.301 agreements (Town and Country Planning Act 1990 – since repealed) or have been operated as if they were subject to such agreements, which may require termination of the use, if vacated by SSDUK. A further issue is that some consents may be part of a military establishment and as such may be a Sui Generis use. In the circumstances it may be necessary to obtain consents with the problems that this may entail. We have no information as to the identity or number of sites included nor have we made any enquiries as to the likelihood of obtaining residential consents on such sites. There may also be issues concerning provision of social housing as a condition of such consents. We have valued on the assumption that there would be no such requirements and that residential use could continue. Deviation from this assumption is likely to reduce our valuation.

10. VALUATION METHODOLOGY

10.1 At this section of the report we set out our approach to the valuation, and comment upon some of the basic assumptions that we have made. We have already set out at paragraph 6.31 our assumptions as to rental growth and in paragraph 6.44 our opinion on the prospects for the outcome of the Site Review.

10.2 Computer data was received from Colleys via Nomura, together with a copy of their report dated 30 July 1996 (excluding appendices). We have adopted the total market values and other information provided to us by Colleys but have updated that information by increasing the vacant possession values of the dwellings at each site in line with the regional changes in the average of the *Nationwide* and *Halifax* house price indices, subject to an adjustment to reflect Annington's actual performance against the HPI.

Cashflow

10.3 There are effectively three differing cash flows being generated by the properties. The first is the Guaranteed Minimum Payment written into the structure of the transaction. The second is the excess rent receivable over and above the Guaranteed Minimum Payment and the third is the income generated by the sales of individual units which have been released by SSDUK.

10.4 The Guaranteed Minimum Payment (GMP) has a reducing profile but it is a known amount and finishes in 2021. At inception in 1996, this was a significant proportion of the overall rent receivable, with a guaranteed life of 25 years. Its reducing profile and now limited remaining term we now believe make this a positive factor but no longer of such significance that it needs separately evaluating (see table at paragraph 5.7)

10.5 The GMP is the 'lowest slice' of income. The next element of cashflow is the excess rent over and above the GMP. This income varies based on two factors. It is dependent upon the rate of release by SSDUK i.e. the more units that are released then the greater the fall in income (all else being equal). It is also dependent upon the rate of rental growth adopted, which will affect the increase in income at each rent review.

10.6 Therefore the excess rent is sensitive to the rate of inflation and that is discussed below. The rate of release is variable. The Directors of APL have indicated the expected rate of releases in each of the financial years until the year ending March 2022. Some of this is based upon known elements, but this has been augmented with their knowledge and intuition based on various comments / conversations with members of DIO etc. This probably therefore represents the best estimate that can reasonably be made about what is, by definition, an uncertain process.

10.7 Their estimates are as follows:

Financial Year Ending 31 March	Dwellings
2017	43
2018	50
2019	250
2020	250
2021	750
2022	750
Then	2% pa of remainder (reducing balance basis)

10.8 APL acknowledges that the ability to accurately forecast future releases from the MoD over recent years has become increasingly difficult. There is no contractual programme of releases from the MoD and the Guaranteed Minimum Release was exceeded long ago leading to the remote possibility that there might be no further releases.

10.9 Over recent years there have been many 'initiatives' which have come and gone regarding intentions to reduce the size, or shape of the Married Quarters Estate. These range from simple cost efficiency drives, taking in 'rationalisation' of the estate, through to consideration of significant policy changes with regards to entitlement and even questioning the need to continue the provision of housing at all. Unfortunately many cost efficiency drives have failed to come to fruition. The constant strains on MoD funding and the policy that any 'spend to save' proposals must be cash positive within the year of spend, significantly reduce the opportunity to

implement ‘common sense’ medium term reductions in costs. This results in the position where dilapidated dwellings are retained and rent paid because this is better in short term MoD cashflow terms than handing them back; paying the dilapidations bill and stopping the unproductive rental payments.

10.10 So, given the shortage of funding and high levels of voids, why are these properties not being released? Some of these properties will undoubtedly be ‘behind the wire’ and properties released to APL must be capable of unfettered public access. In addition, the current absence of funds means that works to ‘free up’ such properties are unlikely to be available. In a similar way, MoD cannot hand over ‘pepper-potted’ units. Again this will require MoD to manage occupation of units in such a way as to enable groups of properties to be released to APL and this affects the time taken to prepare properties for handover.

10.11 Properties to be returned to APL must be either in ‘good and tenantable condition’ (subject to the lesser requirement for non traditional construction elements) or a claim for dilapidations must be paid. APL is aware of instances where empty properties have been removed from the handover list due to the potentially high dilapidations liability. In extremis, some properties have been demolished - the logic induced by MoD’s apparent policy, appearing to make this the cheaper solution.

10.12 In terms of future demand for housing there has been discussion at MoD with regard for potential ‘policy’ changes. On the one hand, equality laws open the case for non-married couples / families to qualify for ‘MQE’ housing, leading to a potential increase in demand. Then there is the repatriation of the 20,000 service personnel (many with families) back from Germany to be completed by 2020, again pushing the demand side. Countering that, there have been announcements that the three services will be required to shed 30,000 posts over coming years and the more ‘radical’ question posed as to whether MoD should provide anything other than essential housing needs – both of which would reduce the demand side. There is also consideration being given to expanding the Volunteer Reserve Forces which is likely to be at the expense of permanent full time personnel.

10.13 Over recent years the Group has successfully built a different business providing new housing units for MoD occupation. This might seem curious given the high existing void levels within the Retained Estate. However, it arises because the current housing stock is either of poor standard, of the wrong type or in the wrong place. Therefore one can see a scenario where future demand will need to be met by new housing in locations where the availability of suitable stock does not exist (or where budget can be found for rent but not for upgrades). It is possible this will enhance the potential for future releases from the Retained Estate where personnel numbers are reduced through the consolidation of Service Units into new or reduced numbers of existing locations (Super Garrisons).

10.14 As will be apparent, when it comes to forecasting the levels of future releases there are short term considerations primarily around the lack of resources and lack of continuity within DIO / Capita and longer term considerations around the future size and shape of the Forces requirement. APL’s current view of releases, given all the above is that releases in the near term will continue to be very low. However, given the pressures, it does seem that Capita may be becoming more focussed on the issues and that at some point in the foreseeable future, the rate of releases could be expected to rise.

10.15 However even then, neither APL or ourselves would expect a sudden 'gush' of properties. The volume of releases will be tempered by the limited human resources available to manage the 'moves' process; transfer of title etc.; the ability to prepare upgraded or new housing in the 'receiving areas' and the availability of funds to perform works to 'open up' estates from behind the wire. Funds will also need to be available to pay for dilapidations in respect of units that are in disrepair.

10.16 The low immediate level of release, and possible slight increases from next year (as set out above) form the final element of the cash flow, as units released by SSDUK are assumed to be sold with vacant possession.

10.17 As a result of the above a cash flow model is then generated over a period of 70 years and the anticipated income / revenue streams, initial yield, IRR (geared and ungeared) are then considered.

Beacon Review Costs

10.18 The cash flow referred to above takes into account an estimate of the costs that will be incurred in implementing the Beacon Unit Rent Reviews on a 5 yearly basis.

Site Review Costs

10.19 Annington have already done a good deal of work in anticipation of the first round of Site Reviews. This preparation work is unlikely to need to be repeated to the same extent for subsequent Site Reviews. They have supplied us with an estimate of costs for undertaking the first round of Site Reviews and we have incorporated these in our cashflow model for the first and future cycles of Site Reviews.

Purchase Costs

10.20 In arriving at our overall valuation of the entire estate we have made an allowance for purchasers' costs. Given the size of the transaction, we are of the opinion that to apply the standard rates would be unrealistic. On a sale of the properties it is not possible for a purchaser to avoid SDLT. At the valuation date this would have amounted to 0% on the first £150,000; 2% on the next £100,000 and 5% on the balance of the purchase price as we understand that a purchase of the Estate would benefit from the provisions where if six or more properties form part of a single transaction the rules, rates and thresholds for non-residential properties apply. We have kept the other costs in respect of agents and legal work at a maximum of 0.5% plus VAT, making an overall allowance of 5.6 %.

Inflation

10.21 Annual inflation fell sharply from 2012 and in both February and March 2015 the annual rate was 0%. This was mainly due to steep falls in oil and gas prices and also reductions in food prices due to pronounced competition and margin cutting by the large supermarkets.

10.22 Since then CPI has risen with both oil and commodity prices rising. The fall in the value of Sterling following the Brexit referendum will also 'import' inflationary pressures. In their November 2016 report the Office for Budget Responsibility forecasts that CPI will pick up and exceed the Bank of England's 2% target in the second quarter of 2018 before settling back to the 2% target thereafter. RPI is expected to rise to 3% during 2018, driven in part by a rise in mortgage interest payments.

10.23 The Bank of England in their November 2016 Inflation Report stated: '*Largely as a result of the depreciation of Sterling, CPI inflation is expected to be higher throughout the three-year forecast period than in the Committee's August projections. In the central projection, inflation rises from its current level of 1% to around 2¾% in 2018, before falling back gradually over 2019 to reach 2½% in three years' time. Inflation is judged likely to return close to the target over the following year.*'

10.24 The inflation driver in the model is most significantly used to drive capital and rental values, and we have adopted a 1.0% pa margin as a base assumption for the long term coupled with a long term rate of 2.0% pa. In the short term, rental performance is incorporated into our model, as previously set out.

10.25 Rising real incomes (underpinned by increases in the National Living Wage) are now a reality for many and we think this will underpin capital and rental values going forward. Forecasting inflation is notoriously difficult but we believe this is a reasonable estimate and in line with the view prospective purchasers of the MQE would be likely to make.

10.26 Assumed short term capital value performance has also been modified as set out further below. The valuation is very sensitive to this assumption and the resultant rental growth assumed to be "captured" at rent review and future capital value assumptions.

Long Term Rental Inflation

10.27 Going forward we have adopted a long term rate of a rental inflation of 1.0% over and above the general level of CPI inflation discussed above (total 3.0%). Long term historic data on rental growth is unfortunately limited as there was a very restricted letting market for residential property in the UK until the changes in tenancies that were introduced by the Housing Act 1988. Rental indices are seemingly difficult to administer and even the RICS abandoned its own index a few years ago.

10.28 The RICS does however include in its Residential Market Surveys the average annual expected change in rental levels, based on the views of its contributors. This is a 'sentiment' based survey and in January 2017 the contributors numbered 321, corresponding to 577 branches and their expectation for the next 5 years was an average annual increase in rental levels of approximately 3.7% pa. We have considered this together with the views of various other commentators, as previously set out.

10.29 The sensitivity of the overall valuation to future rates of rental inflation is significant. We believe we have adopted a reasonable assumption in line with those that would be likely to have been adopted by a hypothetical purchaser of the Estate as at the Valuation Date.

Capital Value Inflation

10.30 We have adopted a long term rate of future capital value inflation of 1.0% over and above our adopted general rate of inflation of 2.0%pa. Again we consider that analysis of the movements of the property market indicate that this is a realistic assumption over the long-term on a nationwide basis.

10.31 The short term situation is different. After a difficult few years (outside London and the South East), most regional sub-markets saw buoyant markets over the first half of last year with house price growth in many areas although the annual rate of change has fallen quite sharply and all markets were then becalmed in the period immediately after the Referendum result. There was also a general slowdown in the aftermath of the introduction of the additional 3% SDLT on the purchase of additional dwellings which came into effect on 1st April 2016.

10.32 Nevertheless, over the previous 12 months UK house prices have increased (+4.5% according to Nationwide and +5.1% according to Halifax). London has been more (adversely) affected by the prospect of Brexit and the changes to SDLT rates on more expensive properties which have both contributed to a falling market for high end properties. This is not the market though that directly affects Annington's properties (although a more widespread change in sentiment of course would do so).

10.33 Savills Research department (November 2016) predicted that mainstream UK house prices will increase by 13.0 % over the next 5 years which is around 2.5% pa compound (5 year forecast last year was 17.0% and the previous year was 19.3%) The RICS Residential Market Survey for January 2017 reports that the sentiment/expectation from its contributors is that the average annual change in house prices for England and Wales (weighted by region) for the next 5 years will be around 3.5% pa (last year 4.8% pa). JLL's research department think it will be an annualised equivalent of around 2.5% pa (last year 4.2% pa). The CeBR and Office for Budget Responsibility both forecast significantly higher growth than these.

10.34 Having considered the various data, we have modified our long term house price inflation assumption in the short term as set out below. This gives an assumed cumulative change over 5 years of +16.7%:

Calendar Year	Annual change
2017	+1.6%
2018	+2.9%
2019	+3.9%
2019	+3.7%
2020	+3.8%
Thereafter	+3.0% pa

Quality of Release

10.35 We have previously looked at the effect of the quality of release on the cashflow. At the extremes if all the best units or all the worst units were released, it was concluded that the difference in valuation back when this work was undertaken it would have been in the order of 13%. However, it was also concluded that neither of these extremes would be a sensible position to adopt.

10.36 Many of the poorer properties are located within the large Garrison Centres and although these could be released by SSDUK, recent comments about 'basing' make this less likely, as these are likely to remain core military locations. Based on the 20+ years of experience to date, it is likely that closures will be based on strategic military requirements and not with the objective of releasing a particular quality of MQE housing. Indeed given the current state of organisation, we doubt whether it would be within DIO's capability to organise and execute such a strategy. It is difficult to make a logical presumption that only the best or worst dwellings would be released. In these circumstances we have adopted a view that the properties released over the

long term would represent a banding centred upon the average value of property in the Retained Estate.

Guaranteed Minimum Payment

10.37 The Guaranteed Minimum Payment is the known amount per annum that the Government has guaranteed to pay until 2021. This is a declining cash flow but is obviously paid by an impeccable covenant, quarterly in advance but does not benefit from any inflationary increase.

Excess Rent

10.38 As previously stated the excess rent varies dependent upon the number of units released by the SSDUK and the rate of rental inflation. Therefore this income is paid by an excellent covenant but its quantum and future performance is of a higher risk than that applicable to the Guaranteed Minimum.

10.39 This represents a well secured income stream but of variable quantum. As has become clear over the years since this structure was set up (1996) – the rate of hand back is such that a significant proportion of the Estate is likely to be retained by SSDUK for many years to come.

Disposals

10.40 Under the provisions of the underlease SDUK may release sites (or part) as required, subject to a minimum number per annum as stated in the documentation. This income is therefore generated by the assumed sales of sites as they are released. This will involve voids, marketing and associated costs, and uncertainties as to time scale and quantum of the income. This income is not secured on the covenant of the Government and its quantum is dependent upon the rate of release and market conditions.

Required Return and Funding Constraints

10.41 As in previous years, we have had informal discussions with a bank familiar with the Annington portfolio and its current financing. Since the well-publicised difficulties arising from the "credit crunch" we have wanted to establish whether a prospective purchaser in the market would have been able to raise sufficient debt as at the valuation date to purchase the Retained Estate and the likely costs and Loan to Value that could be expected to be achievable.

10.42 We were able to conclude that whilst raising the debt would remain complex it would be again easier this year than last – perpetuating a trend that we have seen over the last few years.

10.43 We have reviewed the information from the discussions we have had and have adopted the following parameters - a maximum loan to value of 75% (excluding the value of the 'disposals' revenue stream); interest at a rate of 3.05% pa assuming interest cover of 125% (although there would be expected to be some flexibility around this in the short term given the quality of the asset and the covenant and the expected future revenue profile) and arrangement fees of 1.5%. We have assumed '10 year money' as a purchaser is likely to want to avoid the risks of having to refinance in the early / mid stages of the Site Review process when matters could be uncertain as would be the case with '5 year money'.

10.44 Funding would be likely to come from a combination of debt from banks / institutions and the Capital Markets. At our valuation, interest rate cover is 121% at inception disregarding property disposals income, or 130% if this is included - remember there are very few disposals forecast in the short term.

10.45 The above parameters have then been assessed against likely investors' geared IRR requirements, ungeared IRR requirements, anticipated yield profile and a check against aggregate value on the basis of a Special Assumption of vacant possession.

10.46 The last few months has seen a step change in Institutional interest in the UK residential rented sector. For the first time we now believe that if the MQE was to be offered for sale there is a good likelihood that institutions would be actively competing to acquire a significant interest in it. They would be attracted by the long term nature of the likely income and the quality of the covenant. They would however have some concerns about the risks (however small) of a rapid decanting of personnel and being handed back a large number of vacant properties. Their likely approach and return requirements are reflected in our opinion of value.

10.47 Based on the forecasts and assumptions set out, our opinion of the Market Value of the Retained Estate equates to a geared IRR of 9.1%; an ungeared IRR of 6.0% and to 89% of the aggregate of the estimated individual dwelling values on the basis of a Special Assumption of vacant possession after an allowance for utility costs, potential contamination remediation and assuming VP values are indexed to the valuation date, all as previously described.

BREXIT – UK Referendum

10.48 Following the unexpected result of the UK referendum the forewarned downturn has so far failed to materialise. The economy has performed well in the interim and confidence remains good. There remain risks ahead but we don't believe it is necessary to incorporate a separate allowance to reflect these risks but we have borne this in mind when considering a general contingency (see below).

Surplus Estate

10.49 With regard to the Surplus Estate, we understand that there were 88 properties held by APL in this category as at the Valuation Date. These units can be valued by reference to other comparable properties that have been sold recently and are not valued on a cash flow basis. A sample of some of these were inspected by Allsop between January and March 2016 when they made an assumption that those inspected properties were similar in all material respects to the other properties at the same location that are similarly described in the Asset Register.

10.50 In providing our valuation, Allsop have agreed on a strictly without any liability basis that we may rely upon their work. We have made suitable adjustment to those values by reference to the change in the average of the Nationwide and Halifax regional house price indices to reflect changes in values in the intervening 9 months and have then reflected vacant possession or any leases / tenancies as advised to us. Where there are Related Assets that are in effect former houses that have been being used for other purposes by MoD (but have now been released to APL), we have included these units in our valuation of the Surplus Estate.

General Factors

10.51 In arriving at our valuation, we have encompassed the various factors referred to specifically in this report. It has also been necessary to consider the valuation of this property in relation to other similar transactions. No other residential portfolio of this magnitude has ever been offered in the UK market for sale, and it could be said that it is unlikely that there will ever be a similar portfolio offered in the future. Given the extraordinarily large value of the portfolio the market would be very limited. In addition the issue is complicated by the special circumstances surrounding the occupation by SSDUK and more specifically the continued occupation by the MoD of adjoining sites, many of which are used for operational purposes. This obviously imposes specific restrictions and liabilities in respect of their on-going requirements.

10.52 Set against that, the qualities of the Estate, if / when it becomes vacant would make it particularly attractive to large scale residential investors. It offers a unique opportunity to own large numbers of generally well built and maintained dwellings (or at least to be returned repaired or with suitable compensation to reflect any failure by MoD of repairing obligations) in widely differing geographic locations, but generally within easily managed concentrations. Much of the property has been built to generous proportions for type, with a high proportion of houses as opposed to flats.

10.53 Generally, an investor would only be able to get some of these characteristics if purchasing new properties “off plan”. Even then, it would take a long time and a great deal of resources to accumulate a portfolio of similar proportions. In addition, such properties lose their “newness” over time and the price premium that originally attached to them ebbs away as a result. This of course adversely affects performance, in terms of value. For an Institutional investor, an additional attractiveness of the Retained Estate is that it offers very long term exposure to the residential property market, without the reputational risk of having to manage the properties, which is unusual.

10.54 The arrangements surrounding the properties are extremely complicated. There are a significant number of legal documents, all of which inter-relate and which do not follow the normal pattern that would be expected on a straightforward acquisition of residential investment property. Many of these aspects again relate to the on-going occupation by the MoD and to the relationship between the Sites and adjoining MoD land. Documents such as the Utilities Agreement are unique and even now there remains some uncertainty regarding the practical aspects of the implementation of the various documents.

Contingency

10.55 The increasing proximity of the first round of Site Rent Reviews is now the most significant of these issues. In practical terms there is also the issue that if APL decided to sell the properties it would be very difficult or impossible to arrange access for prospective purchasers since SSDUK would be unlikely to offer much (if anything) by way of cooperation. It would therefore be difficult or impossible for prospective purchasers to get information about the properties by inspection.

10.56 We have already stated the methodology we have adopted in arriving at our valuation and consider that this methodology incorporates a reasonable estimate of the future cash flow from the estate, and that the returns and other criteria set against these anticipated cashflows are realistic. It however must be said that the documentation surrounding the transaction is very complicated and still places a substantial number of both known and potentially unknown liabilities and risks on a

prospective purchaser, particularly in respect of utilities and, as mentioned above, the first round of Site Rent Reviews. The ongoing relationship with the MoD (and their advisers) and the uncertainties over the rate of hand back and the degree of partial release and fragmentation are all variables which are impossible to quantify with any degree of accuracy. In these circumstances, we consider that the only realistic approach is to make a general allowance for the unusual nature and uncertainties surrounding various aspects of the arrangements.

10.57 This is not in any sense a precise mathematical adjustment, but is an attempt to reflect the potential liabilities, the unusual levels of risk and again, the somewhat unusual nature of these arrangements. Examples of such issues include the SSDUK's somewhat draconian powers to terminate or interrupt supplies of utilities and the ongoing problems of securing the rights of way for both access and utilities.

10.58 Therefore in arriving at our valuation of the Retained Estate element, we have made a contingency allowance of 2.5% to reflect these and other uncertainties such as 'Brexit'.

10.59 In assessing the valuation indicated, we have had regard to the level of discount from the total vacant possession values that our valuation would indicate, and consider that the overall level of discount is realistic.

11. VALUATION

11.1 Our valuations are based on the Market Value of APL's interests in the Surplus Estate together with the head-leasehold interests in the Retained Estate (except in the limited instances where SSDUK's interest is leasehold, and the interest valued is an under-leasehold) as at the Valuation Date. A summary of the Retained Estate properties valued is included in the schedule at **Appendix C**, whilst the Surplus Estate summary is at **Appendix D.**

11.2 "Market Value" is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion.'

11.3 In accordance with the above and the advice previously received from the other consultants, we are of the opinion that the Market Value as at 31 December 2016 of the freehold and leasehold interests held by APL in the MQE, were:

Retained Estate	£7,154,000,000
Surplus Estate	£ 44,600,000
Total	**£7,198,600,000**

(Seven billion, one hundred and ninety eight million and six hundred thousand UK Pounds Sterling)

11.4 The figure above may imply a degree of accuracy that is not justifiable but arises through the addition of the values of the two elements of the overall Estate. Valuations change over time and a valuation given on a particular date may not be valid on an earlier or later date. The valuation and associated commentary as set out in this report reflects market circumstances as they existed as at the Valuation Date of 31st December 2016. Neither the valuation or the associated commentary have

been reviewed to reflect any changes in the market or any other circumstances that have occurred since the Valuation Date.

11.5 We would draw your attention to the fact that this valuation is based on a number of factors, which cannot be accurately predicted. These include for example the quality, number and timing of the release of sites by SSDUK, future rental and house price inflation and the return and yield requirements of potential investors etc. We have reflected reasonable assumptions, which we believe, are in line with those that would have been made in the market place as at the Valuation Date. However, by their nature their accuracy and the resultant cash flows are subject to risk, and we can accept no responsibility for their accuracy. This report is subject to a number of important caveats, which are set out at **Appendix A**.

11.6 Our valuation represents the gross proceeds of the hypothetical sale envisaged by the definition of Market Value. It does not reflect the existence of any debt secured on any of the properties. Allowance has been made for a purchaser's costs, but in accordance with normal practice, it does not allow for a vendor's costs upon a disposal.

11.7 Applying the same 97.5% of the HPI growth, as set out in 1.11 above, to the current Retained Estate (as at 31 December 2016) implies that the aggregate of the Market Values of these 38,979 dwellings (taken individually) on the basis of a **Special Assumption of vacant possession** is £8.32 billion (eight billion, three hundred and twenty million Pounds Sterling). This excludes the value of the Surplus Estate.

11.8 This latter figure must be regarded with caution. Whilst it incorporates the historic estimates (indexed) for both the costs of providing mains utilities / sewerage (where such services are currently provided by an adjacent MoD base) and for the possible costs of remediating any contamination that may exist, it is only an estimate and it takes no account of liability for tax or for any costs in arranging sales. It must also be borne in mind that the properties which comprise the Retained Estate are all subject to underleases to SSDUK for terms which do not expire until 2195, (except in a small minority of leasehold properties where SSDUK's and hence APL's leases are both shorter), and that APL is not therefore in a position to sell the properties with vacant possession until that date, unless SSDUK terminates the under-leases earlier.

11.9 We confirm that this report has been undertaken by us, acting as External Valuers. The special circumstances surrounding the MQE, both in terms of the leasing arrangements between SSDUK and APL and also the fact that the portfolio extends to 39,067 dwellings (Retained and Surplus Estates) plus the redevelopment properties and infill sites, render it inappropriate for the valuation to be made wholly in accordance with the RICS Valuation - Professional Standards, published in January 2014 and subsequently amended. Such a circumstance is envisaged in those Standards and the valuation has been carried out by Valuers who conform to the requirements of the Standards.

11.10 We confirm that the valuer has sufficient current local / national knowledge of the particular market; and the skills and understanding to undertake the valuation competently. The valuation has been prepared by more than one valuer and we confirm that the RICS requirements have been complied with, relating to compliance and ethical requirements.

11.11 This valuation is given on the assumption that all the information and assurances given to us and upon which we have relied, are correct. Neither the whole nor any part of this report or any reference to it may be included in any published document,

circular or statement nor published in any way without our written approval of the form and context in which it may appear.

11.12 This Report has been prepared for Annington Funding plc's sole use and for the Purpose designated only. To the fullest extent permitted by law, we accept no responsibly to any other person.

11.13 In accordance with RICS Valuation Standards (UKVS 4) this is a Regulated purpose valuation and the required disclosures follow. Allsop and AVL provide strategic advice, valuation and agency services to APL and together have done so since 1997. Allsop valued the MQE in connection with its acquisition in 1996 and they have (or AVL has) valued it annually since 2000. In connection with such valuations Martin Angel has been signatory since 2014. It is both Allsop's and AVL's rotation policy that valuers may not be responsible for a recurring valuation for more than seven consecutive years. In relation to our preceding financial year, we confirm that the proportion of our total fee income arising from APL to both Allsop LLP and AVL was less than 5% which may be classified as minimal.

11.14 This valuation may be subject to monitoring under the RICS conduct and disciplinary regulations.

11.15 We hope the above covers all matters upon which you wish to be advised. However, if any points require clarification, please do not hesitate to contact us.

Yours faithfully,

Martin Angel FRICS
Registered Valuer No. 0069590
For and on behalf of
ALLSOP VALUATIONS LIMITED

26th June 2017

Appendix A

Report Caveats

MQE REPORT LIMITATIONS

1. To the fullest extent permitted by law and regulation, no individual who is a Director, employee of, or consultant to Allsop Valuations Limited ('AVL') accepts or assumes responsibility to you or to anyone for advice and services provided to you. You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any Director, employee of, or consultant to AVL but this will not limit (save as set out below) or exclude the liability to you of AVL itself for the acts or omissions of its Directors, employees or consultants.

2. We have agreed a limit to our aggregate liability to you in respect of this work and our Report and all claims whatsoever arising from it of £25million by whoever made and we confirm AVL has a limit on its Professional Indemnity Insurance cover of £25 million.

3. The report and valuation is a summary of the valuation report ("Accounts Report") we prepared for Annington Properties Limited ("**APL**") for its accounting purposes and in particular preparation of its statutory accounts for the period ended 31 December 2016. This Report, which is a summary of the Accounts Report, is provided for the purposes that have been agreed by us in writing, including for the purpose of inclusion in the Offering Circular ("**Offering Circular**") prepared by AF in connection with the establishment of its EMTN programme and the offering of notes thereunder (each an "Offer"). We provide no opinion or make any representation that the Report is sufficient for the purposes of any Offer or any other purpose than the purpose for which the Accounts Report was prepared.

4. To the fullest extent permitted by law, save as otherwise agreed by us in writing or acknowledged by us for the purposes of the Offering Circular, we accept no responsibility whatsoever to any person other than AFP in respect of this Report. For the purposes of the Contracts (Rights of Third Parties) Act 1999, there is no intention that the Terms and Conditions of Engagement be enforceable by any third party who but for the said Act would not have been entitled to enforce such terms.

5. Except with respect to the Offering Circular, neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

6. We have relied upon the information that has been provided to us by or on behalf of APL and AFP. Various items are referred to in our report but there are, in addition, various files and papers that were provided to Allsop LLP ('Allsop') at the time of APL's acquisition of the properties the subject of the Accounts Valuation and the Report in 1996 upon which we have also relied. We have assumed that none of the consultants who reported on title, contamination, utilities and other issues in 1996 would materially alter their advice if asked to update it at the date of this document. We will assume that cost estimates utilised in 1996 would have risen in line with relevant indices.

7. We have assumed that the information provided to us is complete and that there are no undisclosed matters which would affect our valuation, the Accounts Valuation or the Report.

8. Allsop have previously visited a large number of sites for the purposes of general familiarisation. Properties that were seen under those circumstances will have been generally from the front elevation only. In relation to the Retained Estate we have relied upon the aggregate capital values of the properties at each site as provided by Colleys in 1996. A limited sample of some of the Surplus Estate was inspected by Allsop externally (where often only the front elevation will have been visible to them) and a further minority, internally between January and March 2016. We will assume there have been no material changes in the interim.

9. We have not read documents of title, leases or licences and for the purpose of our valuation, have accepted the details of tenure, tenancies, planning consents and all other relevant information with which we have been supplied by or on behalf of APL.

10. We have assumed that all of the properties have good and marketable titles which are not subject to any easements, restrictive covenants or unusual or unduly onerous provisions or other encumbrances which would otherwise depress the values other than to the extent identified by Freshfields in 1996 (and taken account of by Colleys in their 1996 valuation). We have assumed that there are no disputes or litigation relating to the properties and that the properties and their values are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by Statutory Notice.

11. We have assumed that all covenants have been complied with and that there are no disputes relating to the properties which might otherwise depress the values. We have also assumed that the properties comply with all relevant Statutory Requirements (including, but not limited to, Fire Regulations, Bye-Laws and Environmental Health) and that their values are unaffected by any adverse matters which would be revealed by a Local Search, replies to the usual enquiries or a Statutory Notice.

12. Any properties constructed within the last 10 years, are assumed to have the benefit of NHBC, HAPM, Zurich Municipal or other certificates of insurance of equivalent status.

13. Plant, machinery and furniture is not be included in the valuation unless it forms part of the structure and is normally valued as part of such buildings.

14. In relation to each of the properties, we have assumed that the ground is not liable to flooding, subsidence, shrinkage or any other such hazards and that they are not constructed on land filled ground. We understand that nothing was noted during inspections by Allsop that would reasonably lead us to question the validity of this assumption.

15. Neither we, nor Allsop have not carried out any scientific investigations or tests to establish the existence or otherwise of any environmental contamination in relation to the Estate. We have been provided with a copy of a specialist report by Dames & Moore which was commissioned by Nomura in 1996 and upon which we have relied and have taken account of the results in our valuation. We must however point out that we have undertaken no independent search for, or research into contamination issues or evidence of past activity which might identify potential for contamination. Except to the extent previously identified by Dames & Moore, and Colleys, or notified to us by the Directors of APL we have assumed that the properties are free of contamination and that no new contamination has occurred in the intervening period.

16. No form of structural survey of any of the properties was undertaken by Allsop and none has been undertaken by us. Where Allsop's inspections were external only then (except to the extent apparent from the front elevation) they assumed the properties were in sound structural condition.

17. We cannot accept responsibility for any existing defects or for those that might arise in the future. We have assumed that the properties are free from high alumina cement, blue asbestos, any other deleterious materials and invasive species, except to the extent previously identified by Dames & Moore and/or Colleys.

18. We have assumed that there are no underground mineral or other workings beneath the properties or in the vicinity. We confirm that we have not undertaken any study of the past uses of the properties or land or any neighbouring property or land. We have not investigated ground conditions. We have assumed that in relation to each property the ground is not liable to flooding, subsidence, shrinkage or any other such hazards, other than to the extent known to and reflected by Colleys in the figures supplied to us.

19. We have not tested or inspected the services in relation to any of the properties and have assumed that they are in satisfactory working order. We understand that Colleys valued the properties on the basis that they had all mains services connected and were not 'Base Dependent'. In 1996 Nomura commissioned a specialist report from Hyder Consultants Limited which advised on the total costs (including the likely cost of necessary land, easements etc.) of eliminating all Base Dependencies and those figures were prepared on a site by site basis. We have undertaken no independent research into these matters and (except where APL have provided updated information) we have relied entirely on the costs supplied to us although these have been inflated to reflect the passage of time.

20. No allowance has been made in the valuation for the incidence of tax, disposal or letting costs which may be incurred on the disposal (or letting) of the properties.

21. Our valuation assumes that all Properties would, in all respects, be insurable against the usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

22. We have not inspected planning consents and have assumed that all the properties have been erected and are used in accordance with all requisite consents, that all conditions attached to such consents have been complied with in full and that the subject properties are free from any enforcement action. We have also assumed that there are no current planning proposals relating to any of the immediate areas surrounding the properties which are likely to materially affect their values.

23. We have assumed that when SSDUK's ownership of the properties ends the existing use is residential and that this use will be able to continue, without the grant of or any variation to any planning consent. In cases where there is no planning consent, we have assumed that this would not deter purchasers of individual dwellings or affect the values provided by Colleys in 1996. There are some sites where this assumption is not valid, either because the residential use is ancillary to the military use, or because of the existence of a S.301 Agreement whereby SSDUK agreed that the use would cease when SSDUK vacated the land. These risks have been reflected by us in our valuations.

24. We have assumed there are no current planning proposals or local authority schemes relating to the immediate area of any of the properties which would have a material effect upon the values of those properties and which would, if brought to Colleys attention have caused them to alter their figures.

25. Inherent in the valuation are certain assumptions as to rental and capital growth. The valuation is sensitive to these assumptions. If the assumed rates of growth are not achieved the valuation could reduce significantly. Rental and capital values can rise as well as fall.

Portfolio Report Limitations MQE Offering Circular as at December 2016 (AVL)

Appendix B

Summary Details of Retained Estate

RETAINED ESTATE 31st December 2016

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
ALD001000101	Baird Road	142	£840,191
ALD002000201	BUTTENSHAW	98	£605,790
ALD003000301	ARBORFIELD	84	£427,351
ALD006000601	CLAY HILL	154	£743,312
ALD007000702	CURRIDGE PIECE	28	£161,935
ALD008000702	FAIRCROSS	111	£591,116
ALD009000801	MAIDENHEAD	26	£239,148
ALD012001101	WHITE WALTHAM	29	£278,586
ALD013001201	BEDGROVE FARM	46	£289,800
ALD015001401	MANSION HILL	26	£205,632
ALD016001501	ROSE MEAD	23	£174,923
ALD017001601	BRADENHAM BEECHES	63	£669,600
ALD018001701	GREENWOOD	155	£937,552
ALD019001801	KILNWOOD	193	£1,139,292
ALD020001901	PARKWOOD	23	£204,624
ALD023002201	WOODCOCK	2	£9,324
ALD024002301	NORTH CLOSE/WEST CLOSE	190	£1,979,640
ALD026002501	BLENHEIM/CHARTWELL	117	£821,313
ALD027002601	CAMP FARM ROAD	145	£933,377
ALD028002701	CLEVELAND/CHURCHILL/RAMIL	312	£1,902,739
ALD032003101	GOOSE GREEN/MATTHEW/PIKE	276	£1,365,065
ALD033003201	NORMANTON HOUSE	1	£18,900
ALD034003301	SALAMANCA/KNOLLYS	348	£1,935,542
ALD036003501	TALAVERA/FOULKES/RUTLAND	178	£1,143,828
ALD037003601	VINE CLOSE	32	£225,792
ALD038003701	WATERLOO PARK	222	£1,243,510
ALD039003801	WELLESLEY	3	£40,404
ALD040003901	AMERY FARM	48	£286,766
ALD041004001	FURZEDOWN LANE	3	£17,100
ALD042004101	CHICHESTER CLOSE	60	£255,434
ALD043004201	NEWALL ROAD/PATTINSON	18	£79,380
ALD044004301	SALMOND ROAD	104	£706,692
ALD045004401	GALLAGHERS MEAD	16	£70,560
ALD046004501	BARTON STACEY	25	£222,629
ALD048004602	OAKHANGER/BOLLEY	48	£268,200
ALD049004701	KILDARE/GARTH	96	£399,504
ALD051004901	ST.LUCIA PARK	200	£882,044
ALD052005001	TRENCHARD PARK	92	£406,728
ALD053005101	HUMPHREY PARK	139	£767,309
ALD054005201	QUETTA/WAKEFORDS	189	£1,180,582
ALD056005401	BEVERLEY CRESCENT	31	£199,374
ALD057005501	CROWTHORNE HOUSE	1	£15,120
ALD058005601	GAINSBOROUGH CLOSE	5	£37,632
ALD060005801	ST.MICHAELS ROAD	20	£159,295
ALD062006001	NETLEY STREET	2	£25,200
ALD063006101	FALAISE ROAD	77	£435,708
ALD064006201	WILLOW WAY	167	£685,724
ALD066006401	GUILLEMONT/RHINE	84	£412,367
ALD067006501	OFFICERS MQ	97	£569,224
ALD068006601	AIRMANS MQ	296	£1,348,484
ALD069006701	CHURCHILL CRESCENT	29	£161,885
ALD070006801	ABINGDON	28	£138,348
ALD071006902	DALTON BARRACKS 1	119	£618,922
ALD072006902	DALTON BARRACKS 2	283	£1,301,236
ALD073007001	AIRMANS MQ	320	£1,684,338
ALD074007101	GEOFFREY TUTTLE	42	£252,958
ALD075007201	OFFICERS MQ	137	£840,969
ALD076007301	SKIMMINGDISH-1	1	£13,104
ALD079007602	AMBROSDEN 1	140	£708,624
ALD080007602	AMBROSDEN 2	145	£696,814
ALD081007701	AIRFIELD	12	£60,934

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
ALD082007801	BUTLERS DRIVE	4	£18,144
ALD083007901	REEMA 1 CENTRAL	402	£1,632,575
ALD085008101	REEMA 1 SOUTH	185	£1,010,016
ALD086008201	REEMA 2	258	£1,150,657
ALD087008301	YORK ROAD	95	£424,217
ALD088008401	VAUXHALL BARRACKS	66	£467,779
ALD089008501	CARTER'S CRESCENT	10	£50,148
ALD090008601	GROVE	63	£319,410
ALD091008701	LONG HANBOROUGH	20	£131,040
ALD093008901	BOWER GREEN	69	£446,040
ALD094009001	SHRIVENHAM	77	£578,565
ALD095009101	WATCHFIELD ESTATE	78	£376,560
ALD096009201	SOUTHMOOR	9	£50,400
ALD097009301	WANTAGE	39	£191,646
ALD099009502	BAROSSA 1	106	£736,848
ALD100009502	BAROSSA 2	22	£164,808
ALD101009601	MEADOWCROFT	1	£11,491
ALD103009703	SANDHURST 2	13	£247,304
ALD104009703	SANDHURST 3	251	£1,210,814
ALD105009703	SANDHURST 4	25	£140,593
ALD107009901	ALBURY/HOLLY/TANGLEWOOD	50	£338,958
ALD109010101	ALMA GARDENS	187	£1,159,250
ALD110010201	OFFICERS MQ	68	£447,678
ALD111010301	OFFICERS LODGES	5	£45,717
ALD112010401	ST.CROSS	1	£16,380
ALD116010801	KEOGH/BARNSLEY	36	£258,552
ALD117010901	KEOGH BARRACKS	32	£137,214
ALD118011001	DAWNEYS HILL	42	£331,128
ALD120011201	MAIN ESTATE	406	£2,381,243
ALD121011302	HOBBS/BROADOAKS 1	71	£655,200
ALD122011302	HOBBS/BROADOAKS 2	6	£58,867
ALD125011601	STAPLETON CLOSE	26	£95,004
ALD129012001	BEACON HILL	4	£53,343
ALD130012101	PERCH MEADOW	33	£256,662
ALD131012201	HIGH MOORS	37	£302,043
ALD132012301	THE ORCHARD	16	£124,992
ALD133012401	MACEWEN	10	£73,080
ALD134012501	TEDDER/HALTON WOOD	138	£635,607
ALD135012601	HADDINGTON CLOSE	46	£309,582
ALD136012701	HALTON	16	£102,375
BRE003013101	MANORBIER	1	£3,125
BRE006013401	BRAWDY	12	£37,699
BRE007013501	DALE ROAD	19	£55,037
BRE010013801	WYVERN/OLD COACH	116	£404,913
BRE014014201	SENNYBRIDGE CAMP	6	£15,137
BRE015014301	BOVERTON SITE	156	£487,575
BRE016014401	LLANTWIT ROAD	16	£78,948
BRE017014501	EAST CAMP	135	£432,000
BRE029015702	CRICKHOWELL	30	£92,736
BRE030015702	CWRT-Y-GOLLEN	12	£48,686
BRE041016801	NEWBOROUGH AVENUE	2	£7,560
BRE042016901	THE MALTINGS	6	£27,065
BRE045017201	QUEEN ANNE SQUARE	15	£98,784
BRE046017301	BEACONS PARK	1	£6,552
BRE047017401	BEACONS PARK	15	£52,649
BRE048017501	CAMDEN CRESCENT	18	£57,488
BRE049017601	DORLANGOCH	4	£12,398
BRE051017801	DERING LINES	90	£250,160
BRE054092401	NEW BUILD	79	£279,104
BRE055092501	CASHFIELD	153	£471,240
CAM001018001	BASSINGBOURN	20	£79,170
CAM002018101	OXFORD/EDINBURGH	130	£655,033
CAM003018202	CARVER BARRACKS	20	£86,580

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
CAM004018202	CARVER BARRACKS	202	£944,055
CAM009018701	BUSHEY	44	£372,809
CAM010018801	WARRIOR/NORTHWOOD	64	£622,566
CAM011018901	WESTBURY ROAD	1	£11,088
CAM012019001	OXHEY WOOD LODGE	1	£23,940
CAM013019101	ADMIRALTY HOUSE	1	£47,124
CAM014019201	CERVANTES/WILD OAKS	2	£11,088
CAM015019301	WILD OAKS	4	£27,216
CAM016019401	CARPENDERS PARK	6	£33,264
CAM017019501	HAREFIELD	1	£8,568
CAM018019601	RICKMANSWORTH	1	£21,420
CAM019019701	CATLINS LANE	12	£96,768
CAM021019901	CAPPER/ORCHARD	23	£154,224
CAM028020601	LONG ROAD	1	£11,088
CAM034021201	ELDER/PINE	143	£423,441
CAM035021301	OFFICERS ESTATE	46	£211,226
CAM036021401	CHESTNUT AVENUE	100	£369,785
CAM037021501	IPSWICH AVE	208	£823,385
CAM038021601	WOODBRIDGE	48	£192,326
CAM040021801	BASE 1	187	£824,670
CAM041021901	BASE 2	23	£125,832
CAM048022601	SPROWSTON	26	£106,954
CAM049022701	BURNETT/TEDDER	192	£905,570
CAM050022801	NORTHERN AVENUE	133	£647,438
CAM051022901	DRAKE/HOOD	45	£192,780
CAM052023001	GIBRALTAR CLOSE	14	£64,218
CAM053023101	BARNHAM	10	£40,698
CAM054023201	SLESSOR PARK	41	£143,052
CAM057023501	CATCHPOLE WAY	62	£257,771
CAM058023601	POPLAR/LONGFIELD/SAXON	142	£517,325
CAM059023702	WOODSIDE VIEW	150	£439,740
CAM060023702	HONINGTON RISE	20	£68,600
CAM061023801	WOODVIEW ROAD	17	£54,407
CAM062023901	LADYWOOD/ELM/PINE	303	£922,012
CAM063024001	FEN ROAD	317	£928,863
CAM065024201	HARMONY ROW	20	£107,016
CAM066024301	OFF BASE	384	£1,213,503
CAM067024401	ON BASE	73	£292,068
CAM068024501	RAF WYTON	259	£974,148
CAM076025301	DRURY MEADOWS	106	£437,049
CAM078025501	BURMA/MAYPOLE GREEN/MONTG	838	£3,379,124
CAM082025701	FRIDAY WOOD/WEST LODGE	2	£19,656
CAM084087601	SWANTON MORLEY	237	£634,952
CAM088092001	KENNEDY DRIVE/WASHINGTON	137	£586,908
CAM089092101	CLEVELAND DRIVE ESTATE	128	£591,192
CAN001025901	BURMARSH ESTATE	20	£79,632
CAN003026101	CHERRYTREES	1	£6,552
CAN004026201	48 COPPERFIELDS	1	£3,402
CAN005026301	46 COPPERFIELDS	1	£3,402
CAN006026401	54 COPPERFIELDS	1	£4,284
CAN012027001	DOVER	156	£489,406
CAN014027201	HOWE BARRACKS	69	£349,917
CAN015027301	CAVALRY BARRACKS	155	£567,093
CAN016027401	FOLKESTONE	14	£57,493
CAN017027501	POND HILL/RISBOROUGH HOUS	20	£116,334
CAN018027601	ST MARTINS PLAIN	36	£207,446
CAN020027801	SYCAMORE CLOSE	1	£4,788
CAN021027901	LYDD EAST	11	£47,061
CAN024028201	INVICTA PARK BARRACKS	208	£771,912
CAN026028401	RICHMOND CLOSE	6	£37,100
CAN027028501	AMHERST REDOUBT	4	£31,752
CAN028028601	KHARTOUM ROAD/MAXWELL ROA	44	£220,248
CAN029028701	INNER LINES	26	£169,932

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
CAN031028901	CHATHAM	223	£982,937
CAN033029101	BROMPTON BARRACKS	100	£423,450
CAN037029501	FORT HALSTEAD	11	£97,020
CAN041029901	MANSTON	25	£121,007
CAN050030801	WESTFIELD CRESCENT	6	£42,680
CAT002031101	LEEMING LANE/SLESSOR	144	£417,151
CAT004031301	TEESDALE	114	£321,067
CAT005031401	CLEVELAND/HORNE	63	£238,216
CAT006031501	LEADMILL	19	£60,638
CAT007031601	CARNAGILL/WAITWITH	161	£458,878
CAT008031701	ANZIO	243	£629,395
CAT009031801	HAMBLETON	125	£356,454
CAT010031901	BELTON/PARKWOOD	166	£547,575
CAT011032001	RICHMOND ROAD	140	£503,776
CAT013032201	AIREDALE	53	£144,327
CAT015032401	HIPSWELL	82	£237,781
CAT016032501	PLUMER ROAD	5	£21,031
CAT035034401	FULFORD ROAD	1	£16,380
CAT036034501	MAIN STREET	1	£7,560
CAT039034801	BROADWAY	36	£136,080
CAT040034901	MOORLANDS FIELDS	46	£163,800
CAT041035001	BRAY ROAD	60	£246,960
CAT044035302	OX CARR LANE	87	£234,580
CAT045035302	STRENSALL CAMP	91	£480,417
CAT047035501	LEEMING RAF	408	£1,267,488
CAT048035601	THE COPPICE	33	£131,874
CAT049035701	FREEMANS WAY/LEEMING RAF	38	£153,216
CAT056036401	THE PADDOCK	34	£187,923
CAT057036501	LINTON/WHITE ROSE	126	£477,108
CAT058036601	BALK TOP/WHITLEY ROAD	132	£401,850
CAT059036701	NORTH HILL ROAD	15	£61,380
CAT060036801	THE SQUARE	48	£154,728
CAT061036901	ALANBROOKE BARRACKS	175	£558,058
CAT063037101	CASTLE PARK	28	£89,114
CAT066037401	ALBERMARLE BKS	81	£233,509
CAT068037601	BOULMER	182	£531,589
CAT069037701	GOSFORTH	5	£33,390
CAT075038301	LECONFIELD	40	£119,770
CAT076038401	RUFFORTH DRIVE	72	£256,074
CAT078038601	DRIFFIELD	14	£46,368
CAT079038701	WESTDALE CRESCENT	3	£10,374
CAT080038801	BARRACKS	6	£17,077
CAT085039301	LEAD LANE ESTATE	50	£157,067
CAT086039401	BISHOPTON	28	£151,902
CAT087039501	CLOTHERHOLME	197	£722,209
CAT101040901	KENWOOD/SHARROW	1	£6,048
CAT102041001	ENDCLIFFE VALE	4	£26,781
CAT119042701	FARSLEY	1	£4,032
CAT120042801	SHIPLEY	1	£5,015
CAT121042901	SANDAL	1	£4,284
CAT129043701	BRAMPTON CUMBRIA	19	£52,038
CAT130043801	MILLFIELD	16	£46,662
CAT131043901	GLENDHU	1	£3,654
CAT165092801	HAZLERIGG	45	£147,420
CAT167093001	DUMPLING HALL	22	£72,072
CAT168093201	WINDSOR GARDENS	24	£92,340
DUR001044501	BOSCOMBE DOWN	129	£741,522
DUR002044601	SOUTHWOOD	148	£603,781
DUR003044701	NORTHWOOD	81	£376,040
DUR005044901	FOVANT	5	£27,690
DUR006045001	ALLEN ROAD	27	£126,000
DUR007045101	CORSHAM	92	£375,273
DUR008045201	NESTON	16	£66,828

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
DUR009045301	CURLCROFT ROAD	4	£16,027
DUR010045401	CHISELDON	8	£37,317
DUR011045501	DEVIZES	14	£53,626
DUR012045601	SARUM DRIVE	40	£151,200
DUR013045701	WELLINGTON DRIVE	5	£25,830
DUR014045801	VALLETTA GARDENS	43	£210,454
DUR015045901	WELLINGTON PLACE	94	£343,476
DUR016046001	ANSON PLACE	78	£306,666
DUR017046101	LYNEHAM	265	£1,008,008
DUR018046201	LYNEHAM	319	£1,575,031
DUR019046301	MELSOME ROAD	176	£656,712
DUR020046401	OLD SARUM	20	£138,002
DUR022046601	WESTBURY	11	£52,013
DUR023046701	NORTH MANOR	1	£10,080
DUR026047001	IMBER ROAD	416	£1,217,491
DUR027047101	OXENDENE	37	£225,900
DUR028047201	ELM HILL	135	£478,296
DUR029047301	BINGHAM ROAD	441	£1,679,082
DUR030047401	BIDDULPH ROAD	145	£564,254
DUR031047501	STRANGWAYS	147	£756,403
DUR032047601	AUSTRALIAN ESTATE	212	£760,813
DUR033047701	IRISH/KIWI ESTATE	299	£1,138,166
DUR034047801	SLING ESTATE	117	£647,430
DUR036048001	RDC ESTATE/BULFORD	119	£503,412
DUR037048101	GUNNER STREET	9	£36,288
DUR038048201	BULFORD MANOR/CHURCH LANE	3	£30,870
DUR041048501	ZOUCH ESTATE	534	£1,998,647
DUR042048601	ZOUCH MANOR	3	£30,240
DUR043048701	TIDWORTH	172	£646,262
DUR044048801	KENNET ROAD	312	£1,272,865
DUR045048901	AVON ROAD	43	£177,660
DUR046049001	PARK ROAD	119	£821,961
DUR047049101	DELHI HOUSE	2	£22,680
DUR048049201	ASSAYE HOUSE	2	£22,680
DUR049049301	ALIWAL HOUSE	1	£13,860
DUR050049401	CLIVE HOUSE	4	£65,520
DUR054049801	AUSTRALIAN ESTATE	161	£661,122
DUR055049901	LAMBDOWN TERRACE	34	£158,892
DUR056050001	SHIPTON BELLINGER	111	£417,732
DUR057050101	WEXLAND AVENUE	11	£56,125
DUR058050201	CHOULSTON CLOSE	58	£226,536
DUR059050301	NETHERAVON	1	£11,844
DUR060050401	HASTINGS AVENUE	157	£685,272
DUR061050501	ST.THOMAS ESTATE	3	£18,522
DUR062050601	TOTTERDOWN HOUSE	1	£13,104
DUR063050701	LITTLECOTT HOUSE	1	£14,112
DUR064050801	HARPER ROAD	10	£41,580
DUR065050901	KELSEY HOUSE	3	£31,156
DUR066051001	HARNHAM	33	£198,744
DUR068051201	FUGGLESTONE	32	£120,305
DUR069051301	THE AVENUE	40	£152,656
DUR070051401	BULBRIDGE ESTATE	59	£348,768
DUR071051501	WINTERBOURNE GUNNER	61	£243,252
DUR072051601	THE OLD RECTORY	1	£11,592
DUR079052301	KING DOWN ROAD	262	£1,002,282
DUR080052401	ASHLEY WOOD ROAD	104	£462,132
DUR081052501	KING DOWN ROAD/SOUTH CRES	168	£626,052
DUR082052601	HOLTON HEATH	1	£11,340
DUR085052901	ASHCHURCH	41	£149,786
DUR086053001	CHURCHDOWN	32	£164,121
DUR087053101	INNESWORTH	324	£1,341,754
DUR088053201	QUEDGELEY	8	£38,808
DUR089053301	TRENCHARD GARDENS	39	£240,912

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
DUR090053401	JACKSON ROAD	98	£328,675
DUR091053501	ELLES ROAD	55	£252,379
DUR092053601	LAWRENCE CLOSE	99	£447,860
DUR093053701	ANDOVER GREEN	51	£234,833
DUR094053801	BOND AVENUE	39	£147,361
DUR095053901	PAYNE	19	£78,400
DUR096054001	FIRBANK	1	£8,064
DUR097054101	RODWELL	1	£3,654
DUR100054401	THE NOTHE	1	£6,048
DUR106055001	BELVERDERE ROAD	6	£53,598
DUR107055101	ALDERCOMBE ROAD	9	£37,422
DUR111055501	PILNING	6	£30,794
DUR112055603	WALCHEREN PLACE	94	£417,312
DUR113055603	NAPIER ROAD	29	£160,380
DUR114055603	NORMANDY WAY	51	£228,744
LON006056201	CLEVE ROAD	9	£104,710
LON008056401	PHILBEACH	3	£45,859
LON009056501	48 HORNTON STREET	1	£42,840
LON011056701	LATIMER/SARUM	24	£408,408
LON012056801	WHETSTONE	17	£96,768
LON014057001	WILLIAM GARDENS	48	£399,866
LON015057101	COLDSTREAM GARDENS	55	£794,136
LON020057601	QUEEN MARY'S BUILDINGS	144	£1,368,582
LON021057701	VICTORIA HOUSE	19	£174,283
LON022057801	CAVALRY	53	£321,182
LON023057901	ASHE HOUSE	1	£13,860
LON024058001	GRATTON DRIVE	25	£351,540
LON025058101	RYCROFT	38	£246,280
LON026058201	BROOM FARM ESTATE	338	£2,069,021
LON027058301	OAKE COURT	22	£350,784
LON031058701	CAVALRY BARRACKS	118	£884,352
LON032058801	SHEPPERTON	40	£332,640
LON033058901	LYSANDER ROAD	132	£908,208
LON034059001	WEST END ROAD	127	£907,546
LON035059101	SWAKELEYS ESTATE	71	£634,046
LON036059203	UXBRIDGE OFFICERS ESTATE	60	£524,308
LON037059203	SOUTHERN ESTATE	127	£958,564
LON038059203	NORTH ESTATE	134	£908,534
LON040059401	CALIFORNIA ESTATE	179	£2,380,021
LON043059601	STANMORE PARK	103	£635,796
LON044059701	MANOR HOUSE ESTATE	14	£184,800
LON046059901	OLD CHURCH LANE	14	£131,418
LON047060001	MILVERTON LODGE	1	£18,900
LON048060101	SYLVANA CLOSE	14	£95,256
LON050060301	LISKEARD GARDENS	1	£18,900
LON055060801	EAST SHEEN	1	£22,680
LON059061201	THE KEEP	198	£2,014,502
LON061061401	TWICKENHAM	42	£328,955
LON062061501	CITY COURT	6	£66,528
LON064061701	GUNNER/BROOK	57	£424,826
LON065061801	GREENHILL	48	£356,772
LON066061901	WOOLWICH COMMON	155	£1,057,285
LON068062101	BIGGIN HILL	43	£330,665
NOT001062401	NORTHFIELD	32	£141,120
NOT002062501	CHILWELL	141	£375,291
NOT003062601	JAMES LAMBERT DRIVE	5	£17,188
NOT004062701	COLLINGWOOD CRESCENT	34	£88,729
NOT005062801	OLD DALBY	23	£69,458
NOT006062901	SOUTH WIGSTON	5	£18,109
NOT007063001	BRISCOE LANE	30	£103,359
NOT009063201	GRANTHAM BKS	69	£209,741
NOT012063501	SEVERN CRESCENT	90	£251,417
NOT013063601	MANTON ROAD	70	£223,501

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
NOT014063701	PENNINE DRIVE	53	£249,690
NOT015063801	HEYTHROP	85	£382,347
NOT016063901	COTTESMORE ROAD EAST	228	£670,236
NOT017064001	COTTESMORE ROAD WEST	138	£398,306
NOT018064101	WEST AVENUE	15	£48,510
NOT019064201	CRANWELL	97	£240,836
NOT020064301	BRISTOL HOUSE ROAD	247	£876,884
NOT021064401	THE LODGE	1	£9,551
NOT022064501	LAWN HOUSE	1	£4,032
NOT023064601	CASTLEFIELDS	81	£278,510
NOT024064701	MAIN SITE	150	£458,640
NOT025064801	CLINTON PARK	89	£303,131
NOT027065001	THE OVAL	15	£58,273
NOT028065101	CUCKOO LANE	241	£633,233
NOT029065201	LANCASTER DRIVE	96	£386,038
NOT030065301	SCAMPTON	65	£214,296
NOT031065401	VULCAN STREET	395	£1,373,925
PLY002066001	TREVOL ROAD	95	£332,808
PLY004066201	BLACKAWTON	5	£20,097
PLY005066301	TAUNTON	46	£167,544
PLY008066601	EYEWELL HOUSE	1	£12,600
PLY009066701	BELGRAVE ROAD	2	£7,812
PLY011066901	RYDON LANE	1	£7,056
PLY012067001	WYVERN HOUSE	1	£10,584
PLY015067301	CHARLTON/BUDSHEAD	35	£202,245
PLY016067401	TRELOGGAN ROAD	40	£158,558
PLY017067501	HOME FARM ROAD	44	£160,776
PLY018067601	RADFORD PARK DRIVE	24	£112,531
PLY019067701	EASTERDOWN CLOSE	63	£285,781
PLY022068001	LINKETTY LANE	137	£485,332
PLY025068301	ABBEY CLOSE	24	£112,039
PLY027068501	THORNE LANE ESTATE	93	£320,383
PLY028068601	TROUBRIDGE	179	£528,290
PLY029068701	FREEMANTLE ROAD	1	£5,544
PLY030068801	CROSS KEYS	51	£198,534
PLY033069101	ST MAWGAN	7	£37,825
PLY034069201	BUTTS ROAD	8	£33,264
PLY035069301	CLAYTON CLOSE	5	£25,704
PLY036069401	PLUMER	132	£449,064
PLY037069501	ST COLUMB MINOR	78	£316,288
PLY039069701	GIBRALTAR HOUSE	1	£6,552
PLY042070001	CARRICK	9	£36,288
PLY043070101	ST.JOHNS ESTATE	20	£78,120
PLY044070201	COURTLANDS CROSS	38	£148,428
PLY045070301	CHADDLEWOOD ESTATE	152	£536,256
PLY046070401	FOXWOOD GARDENS	236	£951,552
PLY048070601	CARMINOWE DOWNS	2	£9,576
PLY049070701	HAWKE HOUSE	1	£6,552
PLY051070901	ST EVAL	34	£145,656
PLY052071001	MANADON	37	£145,740
PLY053071101	HIGHER COMPTON	34	£116,847
PLY054071201	TRAFALGAR/GIBRALTAR	79	£353,430
PLY055071301	GRANGE RD & BULLOCK LANE	222	£763,146
PLY056071401	GRANGE/ALBION	68	£241,638
PLY057071501	CHIVENOR	221	£829,663
PLY058071601	GROVEHILL	3	£20,097
PLY060071801	ROCK PARK	34	£124,637
PLY061071901	MASEY ROAD	17	£76,608
PLY062072001	WESSEX CLOSE	14	£87,360
PLY065072301	WIDEWELL	144	£489,720
PLY067072501	BUCKLERS MEAD ESTATE	72	£274,456
PLY068091801	HONEYLANDS	7	£25,578
POR002072701	NORTON ROAD	68	£296,512

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
POR003072801	BOULTER LANE	20	£104,458
POR005073001	BELL HILL	15	£101,659
POR008073301	WORTHY DOWN	255	£1,285,543
POR010073501	HARESTOCK FARM ESTATE	74	£456,982
POR015073901	GAGE/GARDINER	31	£183,254
POR016074001	MAYVALE CLOSE	69	£255,673
POR017074101	SPINNEY	60	£253,440
POR018074201	CALSHOT	24	£105,840
POR020074401	FARTHING LANE	19	£110,880
POR021074501	HALLIDAY CRESCENT	5	£39,690
POR027075101	PAULSGROVE	106	£400,680
POR028075201	PERONNE/MILITARY ROAD	4	£28,224
POR030075401	ESPLANADE GARDENS	10	£88,200
POR032075601	GATCOMBE	8	£44,352
POR033075701	EMSWORTH	48	£238,291
POR035075901	PORTSEA ISLAND	133	£489,548
POR036076001	STAMSHAW	212	£795,816
POR037076101	DRAYTON	147	£884,119
POR040076401	FLEETHOUSE	1	£11,088
POR043076701	GOMER	27	£150,920
POR044076801	COASTGUARD CLOSE	6	£29,484
POR045076901	TITCHFIELD	26	£112,455
POR046077001	TICHFIELD OFFICERS	5	£33,826
POR047077102	WANDESFORD PLACE	36	£127,008
POR048077102	HARCOURT ROAD	55	£229,622
POR049077201	PEPYS	20	£127,512
POR052077501	ALVERCLIFF	21	£111,283
POR053077601	SEAFIELD PARK	67	£425,009
POR055077801	PEAK LANE ESTATE	193	£723,313
POR056077901	HARDWAY	2	£6,804
POR057078001	BROCKHURST	90	£374,220
POR061078405	ROWNER (POR061)	100	£353,705
POR062078405	ROWNER (POR062)	144	£446,283
POR063078405	ROWNER (POR063)	235	£775,382
POR065078405	ROWNER (POR065)	112	£396,149
SHR005079201	FIELDHEAD AVENUE	2	£5,998
SHR013080001	FIELD HOUSE	1	£10,080
SHR014080101	BROOKLANDS AVENUE	1	£5,796
SHR017080301	FULWOOD BARRACKS	52	£151,557
SHR018080401	BUTLERS MEADOW	45	£115,290
SHR019080501	WEETON CAMP	204	£585,308
SHR021080701	DALE CAMP	191	£712,740
SHR028081401	HIGH BARTON	1	£6,552
SHR029081501	FFORDD YSTRAD	1	£4,032
SHR032081801	MORFA/SANDILANDS	4	£11,088
SHR035082101	LARKHILL LANE	5	£31,500
SHR042082801	HORROCKS ROAD	8	£38,304
SHR045083101	ADAMS CLOSE	20	£66,571
SHR047083301	TUDOR COURT	32	£94,374
SHR048083401	PENRHYN/GNAT	101	£268,800
SHR049083503	DAWSONS ROUGH	50	£185,648
SHR050083503	CHAPEL MEADOWS	84	£317,003
SHR051083503	THE GREEN	6	£28,898
SHR052083603	SYDNAL LANE/WELLINGTON MI	131	£636,174
SHR054083603	TALBOT ROAD	58	£197,316
SHR055083603	NEWPORT ROAD	195	£721,224
SHR056083703	SPODE AVENUE	36	£121,536
SHR058083703	BEACONSIDE	188	£537,840
SHR059083801	WHITTINGTON BARRACKS	127	£450,036
SHR062084101	DONNINGTON	94	£369,407
SHR063084201	THE MOUNT	1	£8,820
SHR065084401	SHELTON FIELDS	20	£97,641
SHR066084501	TERNHILL	176	£506,115

Site_code	Site_name	No. of Units	Aggregate Gross Rent £ PA
SHR069084701	SALISBURY ROAD	55	£221,154
SHR070084801	LYTTELTON ROAD	1	£5,040
SHR072085001	MONNINGTON	1	£7,056
SHR073085101	HEREFORD	155	£478,140
SHR074085201	LOWER BURLTON HOUSE	1	£6,552
SHR086086301	TENNAL ROAD	4	£14,616
SHR087086401	MOORCROFT	4	£14,969
SHR092086901	ST.GEORGES/ST.CATHERINES	10	£48,686
SHR093087001	GAMECOCK BARRACKS	201	£557,018
SHR095087102	KINETON	27	£132,302
		38,979	**£177,800,606.46**

Appendix C

Summary Details of Surplus Estate

SURPLUS ESTATE

31st December 2016

Site_code	Site_name	No. of Units	Vacant	Let	% Let	Aggregate Gross Rent £pa	£ VP Value	Inspected	
ALD034003301	SALAMANCA/KNOLLYS	5	5	0	0%	£0	£1,324,000	2 x Int	
CAT068037601	BOULMER	2	0	2	100%	£9,480	£177,000	2 x Int	
CAM009018701	BUSHEY INFILL PHA R13	4	4	0	0%	£0	£2,580,000	2 x Int, 1 x Ext	
CAN014027201	HOWE BARRACKS	18	17	1	6%	£11,940	£3,673,000	Many indentical in adjacent streets	
ALD023002201	WOODCOCK	47	46	1	2%	£13,800	£14,473,000	4 x Int, 5 xExt	
LON048060101	SYLVANA CLOSE	1	1	0	0%	£0	£495,000	Ext	
LON012056801	WHETSTONE	9	1	8	89%	£185,100	£5,544,000	2 x Int	
SHR066084501	TERNHILL	2	0	2	100%	£16,680	£380,000	1 x Int	
		88	**74**	**14**	**16%**	**£237,000**	**£28,646,000**		
							87.5%	======>	**£25,065,250**

Appendix C

VARIOUS OTHER PLOTS AND INFILL, ETC

Site	Comments			
Brize Norton Reema Central	Transfer Value less APL costs	£8,800,000		
Bushey Redevelopment	21 plots @ 1,500 hope value (open area future long term development potential)	£31,500		
East Camp Development R9	53 plots @ 1,500 hope value (open area future long term development potential)	£79,500		
East Camp Infill R6	12 plots @ 1,500 hope value (open area future long term development potential)	£18,000		
Mill Hill R5a,8, 10 & 11	Provided by DCF	£11,250,000		
Uxbridge "South Side"	DCF - of expected future cashflows	£1,800,000		
West Camp infill	21 plots @ £1,500 hope value (open area future long term development potential)	£31,500		
				£22,010,500
				£47,075,750
Less Plan "A" Commitments - £0 (as all costs deducted against Retained Estate)		Less		**£0**
		Less costs @5.6%	======>	£44,579,309
			Say	**£44,600,000**

allsop
valuations limited

The Freehold / Unexpired Leasehold Interests in Part of a Portfolio of Properties Owned by The Annington Rentals Group

Prepared for

Annington Funding plc

Valuation Date: 31st December 2016

Allsop Valuations Limited | 33 Wigmore Street | London W1U 1BZ

Property Consultants

Allsop Valuations Limited
33 Wigmore Street
London W1U 1BZ
T +44 (0)20 7437 6977
F +44 (0)20 7437 8984

www.allsop.co.uk

Registered office is at: 33 Wigmore Street, London W1U 1BZ. Reg No 7939860 England.
Regulated by the RICS.

Contents Page

1. INSTRUCTIONS A-57
2. INFORMATION RELIED UPON A-59
3. DESCRIPTION A-60
4. TENURE A-60
5. TENANCIES A-61
6. TOWN PLANNING A-62
7. CONDITION A-62
8. ENVIRONMENTAL ISSUES A-62
9. STATUTORY REQUIREMENTS A-63
10. VALUATION METHOD A-63
11. VALUATION A-64
12. TAXATION AND COSTS OF DISPOSAL A-65
13. LIMITATION OF LIABILITY A-65

Appendices

A. Report Limitations. A-66

B. Schedule for two groups of freehold properties, each subject to a Lease covering an indivisible group of dwellings (“Bulk Lease”). Known as ‘AR4’ and ‘AR8’ properties. A-70

C. Schedules for other freehold properties and other long leasehold properties. Known as ‘Valuation Group 3’ and properties at Cowley already released from the ‘AR4’ Bulk Lease arrangements. A-72

Addressee	The Directors Annington Funding plc 1 James Street London W1U 1DR
Property Address	Part of a Portfolio of Properties Owned by The Annington Rentals Group
Tenure	Freehold / Unexpired Leasehold
Valuation Date	31st December 2016

1. INSTRUCTIONS

1.1 You have instructed us to provide you with our opinion of the aggregate Market Value of various investment properties which comprise part of the above.

1.2 This valuation ("Report") is a summary of our formal valuation report ("ARHL Accounts Valuation") that we provided to the Directors of Annington Rentals (Holdings) Limited ("ARHL") to assist in their preparation of the statutory accounts of ARHL for the period ended 31 December 2016. It is provided subject to a number of caveats to which we would draw your specific attention. These are attached at Appendix A.

1.3 This Report reflects market conditions and information as at the Valuation Date. We have not reviewed the Accounts Valuation since its preparation and this Report presents a summary of the Accounts Valuation for the purpose (the "Purpose") of inclusion in the Offering Circular prepared by Annington Funding plc in connection with the establishment of its EMTN programme and the offering of notes thereunder (the "Offering Circular").

1.4 This Report has not been prepared by us for the purpose of (i) the rules of the Financial Conduct Authority made under Part VI of the Financial Services and Markets Act 2000 in relation to offers of securities to the public and to trading on a regulated market (the "Prospectus Rules") that apply specifically to property valuation reports on the basis that Annington Funding plc has advised that this Report is being included in the Offering Circular by it on a voluntary basis rather than due to a requirement of the Prospectus Rules or (ii) in accordance with the associated requirements of UK Appendix 7 to the RICS Valuation – Professional Standards, published in January 2014 as subsequently amended.

1.5 For the purposes of Prospectus Rule 5.5.4(f) alone, we are responsible for our Valuation Report and we accept responsibility for the information contained in our Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in our Valuation Report is in accordance with the facts and to the best of our knowledge there are no omissions likely to affect its import. We confirm that this Valuation Report may not be relied upon by any party other than for the purpose of the Report.

1.6 Allsop LLP ('Allsop') has undertaken various work for Annington Property Limited ('APL'), Annington Rentals Limited ('ARL') and Annington Developments Limited ('ADL') and their funders including valuations, disposals and rent reviews and have

done so since 1996. They last valued a tranche of this portfolio (Group 3 and AR4) as at March 31st 2016 and valued the AR8 properties as at 16th October 2016.

1.7 In accordance with RICS Valuation Standards (UKVS 4) this is a Regulated purpose valuation and the required disclosures follow. This is the first occasion on which AVL has valued a sample of ARL's portfolio. In relation to our preceding financial year, we confirm that the proportion of our total fee income arising from APL, ARL and ADL to both Allsop LLP and AVL was less than 5% which may be classified as minimal.

1.8 We confirm that we have no conflict of interest in providing this report to you.

1.9 We have pleasure in reporting to you with our opinion of the aggregate of the individual Market Values (MV) of the Company's freehold / long leasehold interests (as appropriate) in respect of each of the properties which comprise the subject part of the portfolio of properties owned by the Annington Rentals Holdings Group. We understand the properties are held as investments.

1.10 We consent to the inclusion of this Report in the Offering Circular. It is our opinion of the aggregate Market Values of the properties for accounts purposes as at 31st December 2016.

1.11 Many of the dwellings are subject to individual leases of 10 years to the Secretary of State for Defence ('SSDUK') with a single option to break after five years. In three instances the leases have been extended for a further 5 years. In one case, there is a rolling break clause on 6 months' notice.

1.12 Other dwellings are subject to Assured Shorthold Tenancy ('AST') agreements which we understand have been granted for terms of 6 months. Many of these AST's have continued beyond their contractual terms and the tenants are "holding over". This is not uncommon where it suits both the Landlord and the Tenant for the arrangement to continue.

1.13 There is a group of houses at Cowley that are the subject of a single bulk letting to Notting Hill Housing Trust for a term of 2 years expiring on 30th April 2017. These are known as AR4. Originally the lease related to 40 houses, but in August last year ARL granted a concession allowing the tenant to hand back individual dwellings as they became vacant (and cease paying a corresponding proportion of the overall rent). As a result, as at the valuation date of 31st December 2016, the number of houses remaining within this leasing arrangement was 28. These are valued as an indivisible investment.

1.14 There is a further group of 147 houses together with associated un-adopted roads, footpaths and landscaping on the outskirts of Canterbury that are the subject of a single 30 year lease to The Mayor and Burgesses of the London Borough of Redbridge. These are known as AR8 and are again valued as an indivisible investment.

1.15 18 of the dwellings were vacant. The nature of the leases / tenancies / vacancy situation has been reflected by us in the Market Values we are reporting.

1.16 We are also reporting our opinion of the aggregate of the Market Values on the basis of a Special Assumption of vacant possession. This is on the basis that each dwelling would be sold individually. This is included to enable you to assess the likely order of uplift in value if all the properties were vacant and were to be sold individually. This latter basis is not suitable for use in your financial statements.

1.17 In preparing our valuations, we have assumed that properties would be introduced to the market in a phased and orderly way such that local markets do not become flooded and values depressed as a result.

1.18 All values and opinions are as 31st December 2016 and reflect market conditions at that date. These reflect many factors but include, for example, supply and demand, interest rates, legislation and general sentiment about the economy and the property market. Valuations change over time and a valuation given on a particular date may not be valid on an earlier or later date.

1.19 In undertaking this valuation we have been given access by Allsop (on a strictly without liability basis) to the valuation work that they undertook in relation to the Group 3 and AR4 properties as at 31st March 2016 and the AR8 properties as at 16th October 2016. In carrying out the valuations of Group 3 and AR4 we have considered the changes to the nature of the tenancies / leases and unexpired terms at each location and have reflected also the average of the changes in the regional house price indices published by Halifax and Nationwide. At Canterbury we considered the changes in the house price indices but attached greater weight to the most recent sales of similar properties on the same site.

1.20 There are a large number of duplications within the portfolio with similar properties in the same or adjacent streets. In order to avoid excessive work and cost for no discernible improvement in the accuracy of the overall valuation of the properties, Allsop's March 2016 valuations were based on a structured sample of inspections. They undertook 86 internal/external inspections and a further 26 external only inspections out of the total of 273 properties (41%). Most of these were undertaken during February and March 2016.

1.21 In relation to Allsop's valuation of the 147 houses at Canterbury last October, where again there are a large number of duplications of 5 basic house types, they carried out a structured sample of 15 internal inspections and a walking inspection of the remainder of the front / side and rear elevations as are visible from adjacent roadways and footpaths.

1.22 We have assumed that those properties inspected were representative of the remainder that are in the same street or block and which we are advised have similar accommodation. We have assumed that there have been no material changes to the properties or the localities in the intervening period between those inspections and the Valuation Date.

2. INFORMATION RELIED UPON

2.1 We have relied upon all information supplied by yourselves (and previously supplied to Allsop) including, for example, details relating to accommodation, tenure, rents, tenancies and floor areas, save where this has been superseded based on Allsop's inspections. We have relied also upon the work done by Allsop, as previously referred to.

3. DESCRIPTION

3.1 Brief details of the properties are set out in the Property Schedules at Appendices B and C including details of the accommodation, lease start and expiry dates, annual rents reserved as advised to us, and our opinion of apportioned Market Value.

3.2 In summary however, there are a total of 420 dwellings. These may be summarised as follows:

		Group 3 and AR4	AR8		
Detached	6 Bed	4			
Detached	4 Bed	3			
Semi Detached	4 Bed	11			
Det. Bungalow	4 Bed	1			
Terraced	4 Bed	6	9		
Detached	3 Bed	4			
Semi Detached	3 Bed	53	6		
Terraced	3 Bed	118	72		
Detached	2 Bed	1			
Semi Detached	2 Bed	7			
Terraced	2 Bed	39	60		
Low Rise Flat	2 Bed	26			
		273	**147**	**=**	**420**

4. TENURE

4.1 We understand that 20 of the 26 flats are held freehold with the remaining 6 being held on individual long leases (expiring between 2116 and 2138) at ground rents of between a peppercorn and £381.32 pa subject to reviews.

4.2 All the houses are held freehold.

4.3 We have assumed that the leases contain no terms that would be regarded as unusually onerous by prospective lessees or their mortgagees.

4.4 We have not had sight of a Report on Title and have therefore relied upon the information provided to us by yourselves. If a Report on Title is subsequently provided we would be pleased to report under separate cover. In the absence of such a report, we have assumed good titles, which are not subject to any adverse easements, restrictive covenants, or unusual or unduly onerous provisions which would otherwise depress values.

4.5 We have assumed that there are no disputes relating to any of the properties (and that all covenants have been complied with). We have also assumed that the properties and their values are unaffected by any matters which would be revealed by Local Searches and replies to the usual enquiries, or by any Statutory Notices.

5. TENANCIES

5.1 The properties are in three broad groups. The first comprises the 28 houses (AR4) at Uxbridge which remain the subject of a "Bulk" letting and the principal terms of this are summarised in the schedule at Appendix B. This is for a term up to and including 30 April 2017.

5.2 The second group are the 147 houses at Canterbury (AR8) that are the subject of a 30 year lease to the London Borough of Redbridge. Again the principal terms are summarised in the schedule at Appendix B.

5.3 The third group (Group 3) are the subject of individual lettings or are vacant. Many are let on AST agreements for terms of six months (with many tenants being allowed to 'hold over' after the expiry of the contractual term). We have not seen copies of any of the agreements that are specific to the subject properties but assume that the principal terms are identical to a specimen example '*Touchstone Assured shorthold tenancy agreement*' that has been previously supplied to Allsop (which related to 97 Cardiff Place, Bassingbourn and commenced on 22 February 2014).

5.4 This appears to be a typical modern AST agreement and we assume it has been properly drafted. The remainder are the subject of 10 year leases to The Secretary of State for Defence, an obviously undoubted covenant. Three of these leases have been extended for additional terms of 5 years. Their expiry dates and the dates at which the leases can (or could have been) broken early are included in the Schedule at Appendix C.

Lease to Secretary of State for Defence

5.5 Allsop have previously been supplied with an example of one of these Leases, which we have assumed is typical in all material respects of the form used throughout the portfolio. In summary these have the following typical terms:

i. Term of 10 years with a single mutual option to break after five years (on a minimum of six months' notice in writing).

ii. The provisions of Sections 24-28 of the Landlord and Tenant Act 1954 are excluded.

iii. Rent is payable quarterly in advance on the usual quarter days. There is an upwards only rent review after five years and each year thereafter for the remainder of the term.

iv. Tenant reimburses the Landlord for the costs of insurance.

v. Tenant pays all outgoings for utilities and business rates (and we assume Council Tax).

vi. Tenant to keep the internal parts of the property in good and tenantable repair and to arrange the annual service of the boiler and hot and cold water systems. The Landlord carries out external repairs and maintenance but recharges the cost to the Tenant via a Service Charge.

5.6 Compared with a traditional "buy to let" investment, these properties offer a number of advantages:

- The Secretary of State for Defence covenant.

- No void until at least the 5th anniversary of the commencement of the lease (or if the latest possible date upon which the break could have been exercised has already passed, then certainty of occupation for the remainder of the term).

- No letting fees.

- Greatly improved "gross to net" income position given that the tenant is responsible for (or reimburses) many of the costs that would usually be borne by the Landlord.

6. TOWN PLANNING

6.1 We have not seen any planning consents and have therefore assumed that the buildings have been erected in accordance with all requisite consents, that all conditions attached to such consents have been complied with in full and that the subject properties are free from any enforcement action.

6.2 We have not made any enquiries to the Local Planning Authorities. We have assumed there are no current planning proposals or Local Authority schemes relating to the immediate area in which each of the properties is situated which would have a material effect upon the value of such property.

7. CONDITION

7.1 We have not carried out building surveys and our valuations are based on the sample external and internal inspections that have previously been carried out by Allsop at each location. We have assumed that the sample properties inspected were representative of the other properties at the same locations. There is nothing we are aware of to suggest that this is an unsafe assumption, however, we cannot express an opinion about or advise upon the condition of the uninspected parts of the subject properties.

7.2 We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the subject properties. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

7.3 In respect of each property, we have assumed that the ground is not liable to flooding, subsidence, shrinkage, or affected by underground mineral or other workings under or close to the property (or any other hazards).

8. ENVIRONMENTAL ISSUES

8.1 We are not aware of (nor have we carried out) any environmental audit, investigation or soil survey in relation to the properties or neighbouring property. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring property, to establish whether there is any actual or potential for contamination. We assume that if investigations were carried out to an appropriate extent, they would not disclose the presence or potential of contamination sufficient to affect value.

8.2 We understand that during Allsop's external inspections no indications of past or present contaminative land uses were noted. Their inspections were only of a limited visual nature and we cannot give any assurances that previous uses on site or in the surrounding areas have not contaminated sub-soils or ground waters. Should it be established subsequently that contamination or the possibility of contamination exists at any of the properties or on any of the neighbouring land, or that any of the premises have been or are being put to any contaminative use, this might reduce the values now reported.

9. STATUTORY REQUIREMENTS

9.1 For the purpose of this valuation, we have assumed that the properties comply with all statutory requirements relating for example (but not limited to) building regulations; bye-laws; environmental health and means of escape in case of fire.

10. VALUATION METHOD

10.1 Our method of valuing the portfolio has been by adopting a percentage of the vacant possession value in relation to each of the properties. In reaching our opinion of vacant possession values we have relied upon Allsop's earlier analysis of local comparable evidence. Where good comparable evidence was not available to them due to a lack of recent comparable transactions, we understand that they relied upon their discussions with local estate agents.

10.2 In carrying out the valuations of Group 3 and AR4 we have considered the changes to the nature of the tenancies / leases and unexpired terms at each location and have reflected also the average of the changes in the regional house price published by Halifax and Nationwide in the intervening period.

10.3 At Canterbury we considered the changes in the house price indices but attached greater weight to the most recent sales of similar properties on the same site which pre and post-date 31st December 2016. The lease arrangements at Canterbury did not change between 16th October and 31st December 2016.

10.4 The percentages of vacant possession values we have adopted has been arrived at from our own experience; our understanding of the "mechanics" of the market; and recent sales in the market. It reflects the yields we believe investors would seek, coupled with the change in value if the property became vacant (based on current values), together with the prospects for capital growth. For the individual holdings, the percentage of vacant possession value varies between a premium of 2.5% and a discount of 5%. In relation to the single lease over the remaining 28 houses at Uxbridge, the discount is 12.5%, reflecting the yield and the bulk nature of the holding which will shortly be vacant and non-income producing.

10.5 The properties let on Assured Shorthold tenancies have been valued at 97.5% of vacant possession value, reflecting the fact that they are individual dwellings and generally no more than a few months away from vacant possession. Their purchase would be likely to be limited to 'buy to let' investors.

10.6 The properties that are subject to the leases to SSDUK have been valued at between 95% and 102.5% of vacant possession value. In each case this adjustment reflects the existing leasing / tenancy arrangements; the differing yields that different properties are generating and the remaining term certain, (either until the lease expires or until an outstanding break could be exercised).

10.7 In relation to the 10 year SSDUK leases, there are break options after five years. The Directors have previously expressed the view that in their opinion these break options were very unlikely to be exercised and this has proved to be the case with very few instances where the option has actually been exercised by SSDUK. Out of 148 properties, there remain seven which have not passed the break date (or the latest date at which notice to break would have had to have been served) and one where a 'rolling break' has been agreed to, although the lease expires in August 2017 in any event.

10.8 The remaining 140 (including two which have no break date specified in the lease) will continue for the duration of the original terms, expiring between August 2017 and May 2022. The average term left to run is marginally in excess of two years. Many of these properties therefore represent the reasonable prospect of an unusually long unbroken stream of income from an undoubted covenant, without exposure to some of the costs usually faced by residential investor Landlords, relating to repairs, letting fees, and insurance. The existence of the rent reviews and the fact that they are "upwards only" is also advantageous.

10.9 The valuation is an aggregate of the Market Values of ARL's interests in the properties. However, if the properties were to be sold as a single portfolio, under current market conditions, the price achievable would be lower, reflecting the bulk nature of the transaction; that the portfolio would be mixed, including both the cleaner "SSDUK Lease" properties; the bulk let properties, and the more management intensive "AST Let" properties, and that it is geographically diverse.

10.10 We have also included a schedule of indicative values for each of the individual dwellings on the basis of a Special Assumption of vacant possession. Given the nature of this exercise and the sample based nature of Allsop's inspections, the provision of individual values could be misleading as they did not carry out internal inspections of many of these dwellings and the external inspections were sample based only. Please therefore treat the individual values with caution and note that valuations on the basis of a Special Assumption of vacant possession are not a suitable basis of valuation for use in your financial statements.

11. VALUATION

11.1 For the purposes of this report, our valuations have been undertaken on the basis of Market Value which is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.

11.2 In accordance with the above, our opinion of the aggregate of the individual Market Values as at 31st December 2016 of ARL's interests in the properties set out in the schedules at Appendices B and C is £89,673,000 (eighty nine million, six hundred and seventy three thousand pounds).

Freehold	**£88,771,000**
Long Leasehold	**£ 902,000**
Total	**£89,673,000**

11.3 The valuations set out above are suitable for use in financial statements. The valuations have been determined by reference to observable prices in an active market. They are a product of vacant possession values taken from comparable transactions, adjusted to reflect the existence and nature of existing leases and tenancies.

11.4 The valuations set out below are on the basis of a Special Assumption and are not therefore suitable for use in your financial statements. In accordance with the above, but on the Special Assumption of vacant possession, the aggregate of the Market Values of the individual dwellings as at 31st December 2016 is £95,641,500 (ninety five million, six hundred and forty one thousand and five hundred pounds).

Freehold	£94,723,500
Long Leasehold	£ 918,000
Total	£95,641,500

11.5 The valuation figures at 11.4 above represent the aggregate of the values attributable to each of the dwellings and should not be regarded as a valuation of the properties as a whole in the context of a sale as a single lot which would suffer a material discount for bulk.

12. TAXATION AND COSTS OF DISPOSAL

12.1 No allowance has been made in the figures given below for any liability for taxation which may arise on a disposal (or letting) or for the costs of effecting such a disposal (or letting).

13. LIMITATION OF LIABILITY

13.1 This valuation has been made in accordance with RICS Valuation - Professional Standards, published in January 2014 as subsequently amended.

13.2 The valuation has been undertaken by an External Valuer who conforms to the requirements of the Valuation Standards. We confirm that the valuer has sufficient current national knowledge of the particular market; and the skills and understanding to undertake the valuation competently.

13.3 This valuation is given on the assumption that all the information and assurances given to us and upon which we have relied, are correct. Neither the whole nor any part of this report or any reference to it may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

13.4 This Report has been prepared for Annington Funding plc's sole use and for the Purpose designated only. To the fullest extent permitted by law, we accept no responsibly to any other person.

Yours faithfully,

M J Angel

Martin Angel FRICS (RICS no. 0069590)

FOR AND ON BEHALF OF
ALLSOP VALUATIONS LIMITED

26th June 2017

Appendix A

Report Limitations

ANNINGTON RENTALS REPORT LIMITATIONS

1. To the fullest extent permitted by law and regulation, no individual who is a Director, employee of, or consultant to AVL accepts or assumes responsibility to you or to anyone for advice and services provided to you. You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any Director, employee of, or consultant to AVL but this will not limit (save as set out below) or exclude the liability to you of AVL itself for the acts or omissions of its Directors, employees or consultants.

1. We have agreed a limit to our aggregate liability to you in respect of this work and our Report and all claims whatsoever arising from it of £25million by whoever made and we confirm AVL has a limit on its Professional Indemnity Insurance cover of £25 million.

2. The report and valuation is a summary of the valuation report ("**ARHL Accounts Report**") we prepared for Annington Rentals (Holdings) Limited ("**ARHL**") for its accounting purposes and in particular preparation of its statutory accounts for the period ended 31 December 2016. This Report, which is a summary of the Accounts Report, is provided for the purposes that have been agreed by us in writing, including for the purpose of inclusion in the Offering Circular ("**Offering Circular**") prepared by AF in connection with the establishment of its EMTN programme and the offering of notes thereunder (each an "Offer"). We provide no opinion or make any representation that the Report is sufficient for the purposes of any Offer or any other purpose than the purpose for which the Accounts Report was prepared.

3. To the fullest extent permitted by law, save as otherwise agreed by us in writing or acknowledged by us for the purposes of the Offering Circular, we accept no responsibility whatsoever to any person other than AFP in respect of this Report. For the purposes of the Contracts (Rights of Third Parties) Act 1999, there is no intention that the Terms and Conditions of Engagement be enforceable by any third party who but for the said Act would not have been entitled to enforce such terms.

4. Except with respect to the Offering Circular, neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

5. We have assumed that the information provided to us is complete and that there are no undisclosed matters which would affect our valuation, the Accounts Valuation or the Report.

6. Some of the sample properties were inspected by Allsop LLP ('Allsop') internally, whilst the remainder of the sample will have been inspected only externally and often only the front elevation will have been visible to them.

7. In relation to properties that were only externally inspected, clearly the internal condition, layout and room sizes may differ from what they envisaged. If they had undertaken internal inspections there is every likelihood that their opinion of the values would have altered - some would have been worse than they had anticipated

whilst others would have been better. Our opinion of the values would have altered also, as a result. **Consequently, any individual values set out in our schedules should be regarded as indicative only and should not be relied upon**. However, given the size of the overall portfolio, the cumulative effect of these variations may reasonably be expected to cancel each other out.

8. We understand that all houses are held freehold and all flats have leases of at least 100 years unexpired at peppercorn (or reasonable) ground rents. We have assumed good titles. We understand that Allsop were not supplied with copies of all the leases, title documents or tenancy agreements and these were not supplied to us either. We have assumed that they contain no easements, restrictive covenants or unusual provisions that would be regarded as unusually onerous by prospective lessees or their mortgagees, and might thus depress the values of the properties.

9. We have assumed that all covenants have been complied with and that there are no disputes relating to the properties which might otherwise depress the values. We have also assumed that the properties comply with all relevant Statutory Requirements (including, but not limited to, Fire Regulations, Bye-Laws and Environmental Health) and that their values are unaffected by any adverse matters which would be revealed by a Local Search, replies to the usual enquiries or a Statutory Notice.

10. Properties constructed within the last 10 years, are assumed to have the benefit of NHBC, HAPM, Zurich Municipal or other certificates of insurance of equivalent status.

11. Plant, machinery and furniture has not be included in the valuation unless it forms part of the structure and is normally valued as part of such buildings.

12. In relation to each of the properties, we have assumed that the ground is not liable to flooding, subsidence, shrinkage or any other such hazards and that they are not constructed on land filled ground. We have also assumed that the properties are not affected by nor comprise contaminated land. This assumption could only be verified by specialist sampling and analysis which is outside our expertise. If your solicitors searches had revealed the likelihood of former contaminative uses, we would expect you to have brought this to our attention. We have not carried out any investigation into the former uses of any of the properties. We understand that nothing was noted during inspections by Allsop that would reasonably lead us to question the validity of this assumption.

13. We have assumed that the buildings do not contain any deleterious materials. We have also assumed there are no underground mineral or other workings beneath the properties or in the vicinity. We have not undertaken any study of the past uses of the properties or land or any neighbouring property or land.

14. No form of structural survey of any of the properties was undertaken by Allsop or by us. Where Allsop's inspections were external only, except to the extent apparent from the front elevation they assumed that they were in sound structural condition.

15. Our valuation assumes that all Properties would, in all respects, be insurable against the usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

16. In relation to the modern, non "Ex-MoD" properties Allsop assumed that the fixtures and fittings were of an age and condition consistent with their external appearance and comparative youth and that they have been well maintained and decorated

internally. In relation to the remainder, unless they knew otherwise, they assumed that the properties were last redecorated internally 3 years ago; that they each benefit from a gas central heating system and that kitchen and bathroom fittings are 10 years old and in fair condition. Our valuations are on the assumption that in all material respects the properties remain in the same assumed condition.

17. We cannot accept responsibility for any existing defects or for those that might arise in the future. For the purpose of this report we have assumed that the buildings are free from high alumina cement, blue asbestos, any other deleterious materials and invasive species.

18. Except as advised otherwise, we have assumed that all services are 'mains' connected. Allsop did not test or inspect the services to the individual properties and assumed that they were in satisfactory working order and that the properties had access to these services on normal commercial terms. We have assumed that these assumptions remain valid.

19. We have not inspected planning consents and have assumed that all the properties have been erected and are used in accordance with all requisite consents, that all conditions attached to such consents have been complied with in full and that the subject properties are free from any enforcement action. We have also assumed that there are no current planning proposals relating to any of the immediate areas surrounding the properties which are likely to materially affect their values.

20. No allowance has been made in the valuation for the incidence of tax, disposal or letting costs which may be incurred on the disposal (or letting) of the properties.

Appendix B

Schedule for 2 groups of freehold properties each subject to a lease covering an indivisible group of dwellings (‘Bulk Lease’). 28 Houses at Cowley and 147 Houses at Canterbury.

VALUATION SCHEDULE

Properties held Freehold and subject to single lease covering indivisible group of dwellings

Landlord	Lessee	Property	Summary	Aggregate of individual market values of freeholds and Special Assumption of Vacant PossessionVP value as at 31 December 2016	Lease Date	Start	End	Break Clause	Outside S24-28 Incl. Landlord & Tenant Act 54 ?	Initial Rent £ per annum	Rent as at 31 December 2016	Known Rent Change	**Market Value as at 31st December 2016**	**Gross Yield at Market Value as at 31 December 2016**	Rent Reviews	Basis of review	Insurance	Outgoings	Late Payment	Repairs	Assignment User	At end of term	Comments
Annington Rentals (No.4) Limited	Notting Hill Housing Trust	1-4, 7, 8 and 11 Boulmer Road, 1, 2, 4, 5, 8-12, 15, 16, and 21-25 Buchan Close, 2, 3, 5, 7 and 8 Patrington Close, Cowley, Uxbridge (28 Houses)	28 No. 2, 3 and 4 Bed Houses	£9,067,000	17/04/2015	01/05/2015	30/04/2017	Exerciseable by the Landlord on min 6 months written notice. Break date now passed	Yes	£256,868	£262,005	n/a	**£7,900,000**	**3.32%**	1st May 2016 - now passed	Fixed amount as set out in the lease	Landlord insures but Tenant re-inburses cost	Paid by Tenant	Interest at Barclays Base Rate plus 4%	Tenant to keep premises in good and substantial repair and condition including the central heating, all plumbing and electrical wiring. Tenant to keep the premisies and other areas clean and tidy. Must redec interior in last 6 months of term. Landlord repairs structure and does external redecs when reasonably decides	Tenant not to assign, underlet, part with or share possession except as permitted under the lease. Tenant can only use the premises as residential accommodation for the housing of homeless families as single residences, in approved form and not creating security of tenure	Tenant to return premises to landlord with VP, cleaned and in state of repair, condition and decoration required by the lease. **NB Landlord gave a concession in August 2016 to the Tenant to allow dwellings to be handed back individually as they become vacant with commensurate reduction in rent**	28 No. properties that remain under the lease treated as a group as currently let in bulk and assumed not currently divisible for sale.
Annington Property Limited now assigned to Annington Rentals (No.8) Limited	The Mayor and Burgesses of the London Borough of Redbridge	1, 3 and 4 to 18 (inc) Aisine Drive, Canterbury CT1 1AT; and 1 to 3 (inc), 6 to 10 (inc), 12 to 14 (inc), 16 and 18 to 22 (inc) Albuhera Square, Canterbury, Kent, CT1 1TE; and 13, 15, 19, 21, 23, 25 and 29 Blenheim Avenue, Canterbury, Kent, CT1 1AU; and 1, 5, 6, 7, 8, 10, 11, 12, 13 Burma Crescent, Canterbury, Kent, CT1 1AQ; 1 to 8 (inc) 10, 12 to 19 (inc) and 21 Cambrai Court , Canterbury, Kent, CT1 1AW; and 1 to 4 (inc), 7 and 8 Douro Close, Canterbury, Kent, CT1 1TF; and 1 to 8 (inc) and 11 Pilckem Close, Canterbury, Kent, CT1 1AJ; 2 to 14 (inc) Sangro Place, Canterbury, Kent, CT1 1AR; 1 to 5 (inc), 6, 7, 9 to 11 (inc) and 13 Somme Court, Canterbury, Kent, CT1 1AN; and 1 to 5 (inc), 7 to 9 (inc), and 11 to 18 (inc) St Julien Avenue, Canterbury, Kent, CT1 1AG; 37, 39 and 41 Talavera Road, Canterbury, Kent, CT1 1TQ; 1 to 11 (inc) Tunis Court, Canterbury, Kent, CT1 1AH; 1 to 8 (inc), 10, 11 and 12 Ypres Court, Canterbury, Kent, CT1 1AX and surrounding amenity areas, unadopted roads and footpaths	147 No. 2,3 and 4 Bedroom Houses	£31,312,500	22/06/2016	22/06/2016	21/06/2046	The entire holding is subdivided into 4 distinct 'parcels'. The tenant can give notice to determine the whole, or one or more of the parcels, at any time on giving at least 6 months prior notice. If the determination is not in respect of the whole, then there is a specified order in which the parcels are to be handed back. The landlord can determine the lease on its 15th anniversary on giving at least 12 months prior notice. The tenant may not serve a determination notice if the landlord has already served one.	Yes	£1,380,600	£1,380,600	n/a	**£27,535,000**	**5.01%**	Beacon Rent Reviews every 5 years and a Site Review in the 15th year.	The rent can rise or fall at each Beacon review (but on a dwelling by dwelling basis can't fall below the initial rent levels set at the commencement of the lease, other than following the Site review in the 15th year of the term). The mechanism at a Beacon Review is to review the rent of a single predetermined dwelling and then apply the % change in that rent (as agreed or determined) to the remaining dwellings on the Premises. At the Site Review, the rent is to be reviewed to the open market rental value of the Premises as a whole.	Landlord insures but Tenant re-inburses cost	Paid by Tenant	Interest at NatWest Base Rate plus 2%	The tenant is to keep the Premises in good tenantable repair and decorative order. They may not carry out alterations or make additions (without express consent) or change the appearance of the Premises.	The tenant cannot transfer or assign the lease but can underlet so long as the terms of that letting would enable recovery of vacant possession on not more than 6 months' notice. The property is to be used only for residential purposes or for purposes ancillary or incidental to that residential use – for example as a community centre or Creche.	Tenant to return premises to landlord clear of all chattels, in the state of repair and decorative order required by the lease.	Treated as a group as currently let in bulk and assumed not currently divisible for sale.

Appendix C

Schedules for other freehold properties and other long leasehold properties. Known as ‘Valuation Group 3’ including 12 houses recently released from the Bulk Lease at Cowley

Held Freehold

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
8 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	End Terraced House	3	£255,000	£11,100	AST	Fixed Term	02 December 2016							**£249,000**	4.5%
13 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£11,400	AST	Fixed Term	01 November 2016							**£229,000**	5.0%
34 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	4	£245,000	£11,940	AST	Fixed Term	05 December 2016							**£239,000**	5.0%
3 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,620	AST	Periodic	11 April 2016							**£229,000**	4.6%
6 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	05 December 2015							**£229,000**	4.6%
18 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	14 June 2014							**£229,000**	4.6%
23 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,620	AST	Periodic	10 July 2015							**£229,000**	4.6%
28 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	End Terraced House	3	£255,000	£10,620	AST	Periodic	04 March 2014							**£249,000**	4.3%
29 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	End Terraced House	4	£265,000	£11,940	AST	Periodic	06 December 2013							**£258,000**	4.6%
38 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	11 March 2014							**£229,000**	4.6%
46 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	Terraced House	3	£235,000	£10,740	AST	Periodic	24 March 2016							**£229,000**	4.7%
48 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	End Terraced House	3	£255,000	£10,620	AST	Periodic	19 June 2014							**£249,000**	4.3%
43 Abbey Place, Waterbeach, Cambridgeshire, CB25 9LG	Freehold	End Terraced House	3	£255,000		Vacant									**£255,000**	0.0%
17 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	11 December 2013							**£229,000**	4.6%
27 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	End Terraced House	3	£255,000	£10,740	AST	Periodic	11 August 2015							**£249,000**	4.3%
37 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	End Terraced House	3	£255,000	£10,620	AST	Periodic	29 November 2013							**£249,000**	4.3%
47 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	29 November 2013							**£229,000**	4.6%
57 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Terraced House	3	£235,000	£10,500	AST	Periodic	02 December 2013							**£229,000**	4.6%
67 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Semi-Detached House	3	£296,000	£10,800	AST	Periodic	27 September 2013							**£289,000**	3.7%
73 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Semi-Detached House	3	£296,000	£10,800	AST	Periodic	26 September 2014							**£289,000**	3.7%
77 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Terraced House	3	£235,000	£10,620	AST	Periodic	17 February 2016							**£229,000**	4.6%
33 Cody Road, Waterbeach, Cambridgeshire, CB25 9LS	Freehold	Terraced House	3	£235,000		Vacant									**£235,000**	0.0%
17 Percival Close, Chester, Cheshire, CH2 4AS	Freehold	Semi-Detached House	2	£145,000	£7,200	AST	Periodic	20 May 2013							**£141,000**	5.1%
13 Lordswood Road, Colchester, Essex, CO2 9HX	Freehold	Semi-Detached House	2	£225,000	£8,700	AST	Periodic	28 March 2014							**£219,000**	4.0%
15 Lordswood Road, Colchester, Essex, CO2 9HX	Freehold	Semi-Detached House	2	£225,000	£8,700	AST	Periodic	26 June 2015							**£219,000**	4.0%
10 Blenheim Avenue, Canterbury, Kent, CT1 1AU	Freehold	Mid Terraced House	2	£188,000	£9,600	AST	Periodic	21 February 2012							**£183,000**	5.2%
12 Blenheim Avenue, Canterbury, Kent, CT1 1AU	Freehold	End Terraced House	2	£194,000		Vacant									**£194,000**	0.0%
1 Spence Close, Hawkinge, Folkestone, Kent, CT18 7NZ	Freehold	End Terraced House	3	£220,000	£9,540	Individual Lease	10 Year Lease to MoD	30 August 2007	10	Break passed going to full term		29 August 2017	0.7	0.7	**£215,000**	4.4%
81 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QP	Freehold	End Terraced House	3	£220,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£215,000**	5.0%
34 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	2	£183,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£178,000**	5.1%
32 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	2	£183,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£178,000**	5.1%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
26 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	2	£183,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£178,000**	5.1%
36 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	Mid Terraced House	2	£178,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£174,000**	5.2%
30 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	Mid Terraced House	2	£178,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£174,000**	5.2%
28 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	Mid Terraced House	2	£178,000	£9,000	Individual Lease	10 Year Lease to MoD	08 July 2008	10	Break passed going to full term		07 July 2018	1.5	1.5	**£174,000**	5.2%
22 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	Mid Terraced House	3	£235,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£229,000**	4.7%
83 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	Mid Terraced House	3	£235,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£229,000**	4.7%
24 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	3	£220,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£215,000**	5.0%
85 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	3	£220,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£215,000**	5.0%
20 Pannell Drive, Hawkinge, Folkestone, Kent, CT18 7QZ	Freehold	End Terraced House	3	£220,000	£10,800	Individual Lease	10 Year Lease to MoD	29 July 2008	10	Break passed going to full term		28 July 2018	1.6	1.6	**£215,000**	5.0%
11 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town End	3	£246,000	£10,800	Individual Lease	10 Year Lease to MoD	07 February 2008	10	Break passed going to full term		06 February 2018	1.1	1.1	**£240,000**	4.5%
3 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	07 February 2008	10	Break passed going to full term		06 February 2018	1.1	1.1	**£235,000**	4.6%
5 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	07 February 2008	10	Break passed going to full term		06 February 2018	1.1	1.1	**£235,000**	4.6%
9 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	07 February 2008	10	Break passed going to full term		06 February 2018	1.1	1.1	**£235,000**	4.6%
13 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town End	3	£246,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£240,000**	4.5%
23 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town End	3	£246,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£240,000**	4.5%
15 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£235,000**	4.6%
17 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£235,000**	4.6%
19 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£235,000**	4.6%
21 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£241,000	£10,800	Individual Lease	10 Year Lease to MoD	21 February 2008	10	Break passed going to full term		20 February 2018	1.1	1.1	**£235,000**	4.6%
4 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Detached House	2	£209,000	£10,200	Individual Lease	10 Year Lease to MoD	07 January 2009	10	Break passed going to full term		06 January 2019	2.0	2.0	**£204,000**	5.0%
7 Atkinson Road, Hawkinge, Folkestone, Kent, CT18 7SB	Freehold	Town Mid	3	£230,000		Vacant		07 February 2008	10	Agreed early release from 10 year lease					**£230,000**	
84 King Edward Road, Nuneaton, Warwickshire, CV11 4BB	Freehold	Town Mid	3	£153,000	£9,300	Individual Lease	10 Year Lease to MoD, extended + 5 years	27 October 2006	5	Break date not yet passed	12/05/2018	26 October 2021	1.4	4.8	**£153,000**	6.1%
1 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	End Terraced House	3	£174,000	£9,300	Individual Lease	10 Year Lease to MoD	19 November 2007	10	Break passed going to full term		18 November 2017	0.9	0.9	**£170,000**	5.5%
3 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	Mid Terraced House	3	£169,000	£9,300	Individual Lease	10 Year Lease to MoD	19 November 2007	10	Break passed going to full term		18 November 2017	0.9	0.9	**£165,000**	5.6%
5 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	End Terraced House	3	£163,000	£9,300	Individual Lease	10 Year Lease to MoD	19 November 2007	10	Break passed going to full term		18 November 2017	0.9	0.9	**£159,000**	5.8%
6 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	End Terraced House	3	£174,000	£9,300	Individual Lease	10 Year Lease to MoD	10 January 2008	10	Break passed going to full term		09 January 2018	1.0	1.0	**£170,000**	5.5%
2 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	End Terraced House	3	£169,000	£9,300	Individual Lease	10 Year Lease to MoD	10 January 2008	10	Break passed going to full term		09 January 2018	1.0	1.0	**£165,000**	5.6%
4 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	Mid Terraced House	3	£153,000	£9,300	Individual Lease	10 Year Lease to MoD	10 January 2008	10	Break passed going to full term		09 January 2018	1.0	1.0	**£153,000**	6.1%
18 Bakewell Mews, Darlington, Durham, DL2 2FB	Freehold	Link Detached House	3	£179,000	£9,300	Individual Lease	10 Year Lease to MoD	30 April 2008	10	Break passed going to full term		29 April 2018	1.3	1.3	**£175,000**	5.3%
31 Collingsway, Darlington, Durham, DL2 2FD	Freehold	Town Mid	3	£148,000	£9,300	Individual Lease	10 Year Lease to MoD	11 October 2007	10	Break passed going to full term		10 October 2017	0.8	0.8	**£144,000**	6.5%
67 Collingsway, Darlington, Durham, DL2 2FD	Freehold	Mid Terraced House	3	£169,000	£9,300	Individual Lease	10 Year Lease to MoD	25 June 2008	10	Break passed going to full term		24 June 2018	1.5	1.5	**£165,000**	5.6%
5 Shorthorn Lane, Darlington, Durham, DL2 2FQ	Freehold	Semi-Detached House	3	£174,000	£9,300	Individual Lease	10 Year Lease to MoD	25 June 2008	10	Break passed going to full term		24 June 2018	1.5	1.5	**£170,000**	5.5%
6 Shorthorn Lane, Darlington, Durham, DL2 2FQ	Freehold	Semi-Detached House	3	£174,000	£9,300	Individual Lease	10 Year Lease to MoD	25 June 2008	10	Break passed going to full term		24 June 2018	1.5	1.5	**£170,000**	5.5%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
2 Sans Pareil Square, Darlington, Durham, DL2 2GH	Freehold	End Terraced House	3	£153,000	£10,200	Individual Lease	10 Year Lease to MoD	18 December 2007	10	Break passed going to full term		17 December 2017	1.0	1.0	**£153,000**	6.7%
3 Sans Pareil Square, Darlington, Durham, DL2 2GH	Freehold	Mid Terraced House	3	£153,000	£10,200	Individual Lease	10 Year Lease to MoD	18 December 2007	10	Break passed going to full term		17 December 2017	1.0	1.0	**£153,000**	6.7%
4 Sans Pareil Square, Darlington, Durham, DL2 2GH	Freehold	End Terraced House	4	£179,000	£10,500	Individual Lease	10 Year Lease to MoD	13 February 2008	10	Break passed going to full term		12 February 2018	1.1	1.1	**£175,000**	6.0%
8 Somerset Close, Catterick, North Yorkshire, DL9 3HE	Freehold	Terraced House	2	£95,000	£6,300	AST	Fixed Term	16 September 2016							**£93,000**	6.8%
7 Somerset Close, Catterick, North Yorkshire, DL9 3HE	Freehold	Terraced House	2	£95,000	£6,120	AST	Periodic	15 December 2012							**£93,000**	6.6%
25 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	End Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	11 February 2008	10	Break passed going to full term		10 February 2018	1.1	1.1	**£165,000**	5.8%
27 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	Mid Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	11 February 2008	10	Break passed going to full term		10 February 2018	1.1	1.1	**£165,000**	5.8%
29 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	Semi-Detached House	4	£171,000	£9,600	Individual Lease	10 Year Lease to MoD	20 March 2008	10	Break passed going to full term		19 March 2018	1.2	1.2	**£167,000**	5.7%
31 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	Semi-Detached House	4	£171,000	£9,600	Individual Lease	10 Year Lease to MoD	20 March 2008	10	Break passed going to full term		19 March 2018	1.2	1.2	**£167,000**	5.7%
35 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	End Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	19 May 2008	10	Break passed going to full term		18 May 2018	1.4	1.4	**£165,000**	5.8%
37 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	Mid Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	19 May 2008	10	Break passed going to full term		18 May 2018	1.4	1.4	**£165,000**	5.8%
39 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	End Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	19 May 2008	10	Break passed going to full term		18 May 2018	1.4	1.4	**£165,000**	5.8%
26 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	End Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	25 June 2008	10	Break passed going to full term		24 June 2018	1.5	1.5	**£165,000**	5.8%
24 Beecher Stowe Drive, Brough St. Giles, Catterick, North Yorkshire, DL9 4XP	Freehold	Mid Terraced House	3	£169,000	£9,600	Individual Lease	10 Year Lease to MoD	25 June 2008	10	Break passed going to full term		24 June 2018	1.5	1.5	**£165,000**	5.8%
11 Goodwood Avenue, Colburn, Catterick Garrison, North Yorkshire, DL94GH	Freehold	Semi-Detached House	3	£174,000	£8,760	Individual Lease	10 Year Lease to MoD, extended + 5 years	28 June 2006	5	Break date not yet passed	13/05/2018	27 April 2021	1.4	4.3	**£170,000**	5.2%
12 Goodwood Avenue, Colburn, Catterick Garrison, North Yorkshire, DL94GH	Freehold	Semi-Detached House	3	£174,000	£8,760	Individual Lease	10 Year Lease to MoD, extended + 5 years	28 June 2006	5	Break date not yet passed	13/05/2018	27 April 2021	1.4	4.3	**£170,000**	5.2%
13 Anderson Road, Hemswell, Lincolnshire, DN21 5XP	Freehold	Terraced House	3	£61,000	£5,040	AST	Periodic	01 October 2001							**£59,000**	8.5%
14 Hawkridge Road, Chivenor, Devon, EX31 4BB	Freehold	Semi-Detached House	3	£182,000	£9,000	AST	Periodic	30 January 2015							**£177,000**	5.1%
30 Torridge Road, Chivenor, Devon, EX31 4BG	Freehold	End Terraced House	2	£156,000	£8,340	AST	Periodic	31 August 2013							**£152,000**	5.5%
32 Torridge Road, Chivenor, Devon, EX31 4BG	Freehold	Terraced House	2	£156,000	£8,340	AST	Periodic	03 July 2015							**£152,000**	5.5%
140 Thatcham Avenue, Kingsway, Gloucestershire, GL2 2DN	Freehold	Town End	3	£187,000	£12,000	Individual Lease	10 Year Lease to MoD	25 March 2010	10	Break passed going to full term		24 March 2020	3.2	3.2	**£192,000**	6.3%
142 Thatcham Avenue, Kingsway, Gloucestershire, GL2 2DN	Freehold	Town End	3	£187,000	£12,000	Individual Lease	10 Year Lease to MoD	25 March 2010	10	Break passed going to full term		24 March 2020	3.2	3.2	**£192,000**	6.3%
4 Mottershead Drive, Innsworth, Gloucestershire, GL3 1EF	Freehold	Semi-Detached House	3	£172,000	£9,000	AST	Fixed Term	01 November 2016							**£168,000**	5.4%
2 Mottershead Drive, Innsworth, Gloucestershire, GL3 1EF	Freehold	Semi-Detached House	3	£172,000	£8,400	AST	Periodic	07 October 2005							**£168,000**	5.0%
89 Kings Ride, Camberley, Surrey, GU15 4LJ	Freehold	Semi-Detached House	4	£387,000	£16,800	AST	Periodic	27 June 2003							**£377,000**	4.5%
91 Kings Ride, Camberley, Surrey, GU15 4LJ	Freehold	Semi-Detached House	4	£387,000	£18,000	AST	Periodic	30 March 2007							**£377,000**	4.8%
1 Halton Wood Road, Halton Camp, Buckinghamshire, HP22 5QH	Freehold	Semi-Detached House	3	£329,000	£12,600	AST	Periodic	06 December 2013							**£321,000**	3.9%
2 Halton Wood Road, Halton Camp, Buckinghamshire, HP22 5QH	Freehold	Semi-Detached House	3	£329,000	£12,600	AST	Periodic	09 October 2015							**£321,000**	3.9%
3 Halton Wood Road, Halton Camp, Buckinghamshire, HP22 5QH	Freehold	End Terraced House	3	£329,000		Vacant									**£329,000**	0.0%
24 Burrows Road, Melton, Suffolk, IP12 1GN	Freehold	Detached House	6	£663,000	£24,000	Individual Lease	10 Year Lease to MoD	13 August 2007	10	Rolling break agreed		13 August 2017	0.6	0.6	**£646,000**	3.7%
6 Elliott Place, Canal Road, Brecon, Powys, LD3 7HU	Freehold	Mid Terraced House	3	£236,000	£10,800	Individual Lease	10 Year Lease to MoD	18 March 2008	10	Break passed going to full term		17 March 2018	1.2	1.2	**£230,000**	4.7%
7 Elliott Place, Canal Road, Brecon, Powys, LD3 7HU	Freehold	Mid Terraced House	3	£236,000	£10,800	Individual Lease	10 Year Lease to MoD	18 March 2008	10	Break passed going to full term		17 March 2018	1.2	1.2	**£230,000**	4.7%
9 Elliott Place, Canal Road, Brecon, Powys, LD3 7HU	Freehold	Mid Terraced House	3	£236,000	£10,800	Individual Lease	10 Year Lease to MoD	16 May 2008	10	Break passed going to full term		15 May 2018	1.4	1.4	**£230,000**	4.7%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
10 Elliott Place, Canal Road, Brecon, Powys, LD3 7HU	Freehold	Mid Terraced House	3	£236,000	£10,800	Individual Lease	10 Year Lease to MoD	27 June 2008	10	Break passed going to full term		26 June 2018	1.5	1.5	**£230,000**	4.7%
77 Hill View, Carterton, Oxfordshire, OX18 1BD	Freehold	Mid Terraced House	3	£215,000	£11,100	AST	Periodic	06 November 2013							**£210,000**	5.3%
8 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Mid Terraced House	3	£278,000	£13,500	Individual Lease	10 Year Lease to MoD	15 August 2012	10	Break date not yet passed	15/02/2017	14 August 2022	0.1	5.6	**£271,000**	5.0%
25 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	3	£274,000	£13,500	Individual Lease	10 Year Lease to MoD	15 August 2012	10	Break date not yet passed	15/02/2017	14 August 2022	0.1	5.6	**£267,000**	5.1%
39 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	3	£274,000	£13,500	Individual Lease	10 Year Lease to MoD	28 November 2012	10	Break date not yet passed	28/05/2017	27 November 2022	0.4	5.9	**£267,000**	5.1%
2 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	2	£235,000	£11,400	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£235,000**	4.9%
7 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	4	£324,000	£15,000	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£324,000**	4.6%
9 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	4	£324,000	£15,000	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£324,000**	4.6%
11 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	4	£324,000	£15,000	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£324,000**	4.6%
13 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	4	£324,000	£15,000	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£324,000**	4.6%
1 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	3	£274,000	£13,500	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£274,000**	4.9%
15 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	3	£274,000	£13,500	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£274,000**	4.9%
17 Owen Place, Carterton, Oxfordshire, OX18 1BS	Freehold	Semi-Detached House	3	£274,000	£13,500	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£274,000**	4.9%
8 Trinder Way, Carterton, Oxfordshire, OX18 1BT	Freehold	Semi-Detached House	4	£320,000	£16,800	Individual Lease	10 Year Lease to MoD	10 October 2012	10	Break date not yet passed	10/04/2017	09 October 2022	0.3	5.8	**£312,000**	5.4%
9 Trinder Way, Carterton, Oxfordshire, OX18 1BT	Freehold	Detached Bungalow	4	£392,000	£16,800	Individual Lease	10 Year Lease to MoD	06 November 2012	10	Break date not yet passed	06/05/2017	05 November 2022	0.3	5.8	**£382,000**	4.4%
17 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	3	£286,000	£13,500	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£286,000**	4.7%
19 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	3	£286,000	£13,500	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£286,000**	4.7%
21 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	3	£286,000	£13,500	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£286,000**	4.7%
23 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	3	£286,000	£13,500	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£286,000**	4.7%
25 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	2	£238,000	£11,400	Individual Lease	10 Year Lease to MoD	12 April 2012	10	Break not passed will be going full term		11 April 2022	5.3	5.3	**£238,000**	4.8%
15 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	3	£286,000	£13,500	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£286,000**	4.7%
11 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	2	£238,000	£11,400	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£238,000**	4.8%
13 Shilton Road, Carterton, Oxfordshire, OX18 1EH	Freehold	Semi-Detached House	2	£238,000	£11,400	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£238,000**	4.8%
26 Ash Avenue, Carterton, Oxfordshire, OX18 1GP	Freehold	Town Mid	3	£277,000	£14,400	Individual Lease	10 Year Lease to MoD	10 November 2011	10	Break passed going to full term		09 November 2021	4.9	4.9	**£277,000**	5.2%
40 Ash Avenue, Carterton, Oxfordshire, OX18 1GP	Freehold	Town Mid	3	£277,000	£14,400	Individual Lease	10 Year Lease to MoD	14 December 2011	10	Break passed going to full term		13 December 2021	5.0	5.0	**£277,000**	5.2%
19 Ash Avenue, Carterton, Oxfordshire, OX18 1HJ	Freehold	Town Mid	3	£277,000	£14,400	Individual Lease	10 Year Lease to MoD	16 February 2012	10	Break not passed will be going full term		15 February 2022	5.1	5.1	**£277,000**	5.2%
107 Bluebell Way, Carterton, Oxfordshire, OX18 1LA	Freehold	Town Mid	3	£262,000	£13,200	Individual Lease	10 Year Lease to MoD	23 May 2012	10	Break not passed will be going full term		22 May 2022	5.4	5.4	**£262,000**	5.0%
11 Cedar Drive, Witney, Oxfordshire, OX28 1EJ	Freehold	Town Mid	3	£322,000	£16,200	Individual Lease	10 Year Lease to MoD	30 April 2012	10	Break not passed will be going full term		29 April 2022	5.3	5.3	**£322,000**	5.0%
12 Delapoer Drive, Haverfordwest, Dyfed, SA61 1HJ	Freehold	Semi-Detached House	3	£113,000	£6,300	AST	Periodic	22 February 2016							**£110,000**	5.7%
14 Delapoer Drive, Haverfordwest, Dyfed, SA61 1HJ	Freehold	Semi-Detached House	3	£113,000	£6,600	AST	Periodic	23 October 2014							**£110,000**	6.0%
44 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£8,100	AST	Fixed Term	15 October 2016							**£133,000**	6.1%
60 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£8,220	AST	Fixed Term	14 December 2016							**£133,000**	6.2%
45 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,620	AST	Periodic	24 March 2016							**£133,000**	5.7%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
46 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	27 September 2014							**£133,000**	5.9%
47 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,020	AST	Periodic	22 February 2014							**£133,000**	5.3%
48 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	02 December 2014							**£133,000**	5.9%
49 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	08 December 2012							**£133,000**	5.9%
50 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	03 March 2016							**£133,000**	5.9%
51 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	07 March 2016							**£133,000**	5.9%
52 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	20 December 2011							**£133,000**	5.9%
53 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	19 September 2014							**£133,000**	5.9%
54 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	17 January 2015							**£133,000**	5.9%
55 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	20 January 2016							**£133,000**	5.9%
56 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,500	AST	Periodic	28 March 2014							**£133,000**	5.6%
58 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£8,100	AST	Periodic	08 July 2016							**£133,000**	6.1%
59 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	21 March 2009							**£133,000**	5.9%
61 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	15 August 2014							**£133,000**	5.9%
62 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	31 May 2016							**£133,000**	5.9%
39 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000	£7,800	AST	Periodic	09 March 2016							**£133,000**	5.9%
57 Africa Drive, Marchwood, Hampshire, SO40 4WE	Freehold	Low Rise Flat	2	£136,000		Vacant									**£136,000**	0.0%
33 Pasture Walk, Cobb Drive, East Anton, Andover, Hampshire, SP11 6FE	Freehold	Detached House	4	£343,000	£18,000	Individual Lease	10 Year Lease to MoD	28 October 2009	10	Break passed going to full term		27 October 2019	2.8	2.8	**£334,000**	5.4%
29 Pasture Walk, Cobb Drive, East Anton, Andover, Hampshire, SP11 6FE	Freehold	Mid Terraced House	3	£249,000	£13,200	Individual Lease	10 Year Lease to MoD	28 October 2009	10	Break passed going to full term		27 October 2019	2.8	2.8	**£243,000**	5.4%
31 Pasture Walk, Cobb Drive, East Anton, Andover, Hampshire, SP11 6FE	Freehold	End Terraced House	3	£249,000	£13,200	Individual Lease	10 Year Lease to MoD	28 October 2009	10	Break passed going to full term		27 October 2019	2.8	2.8	**£243,000**	5.4%
6 Barley Road, East Anton, Andover, Hampshire, SP11 6GB	Freehold	Detached House	6	£374,000	£18,000	Individual Lease	10 Year Lease to MoD	19 August 2009	10	Break passed going to full term		18 August 2019	2.6	2.6	**£365,000**	4.9%
4 Barley Road, East Anton, Andover, Hampshire, SP11 6GB	Freehold	Detached House	6	£374,000	£18,000	Individual Lease	10 Year Lease to MoD	19 August 2009	10	Break passed going to full term		18 August 2019	2.6	2.6	**£365,000**	4.9%
2 Barley Road, East Anton, Andover, Hampshire, SP11 6GB	Freehold	Detached House	6	£374,000	£18,000	Individual Lease	10 Year Lease to MoD	19 August 2009	10	Break passed going to full term		18 August 2019	2.6	2.6	**£365,000**	4.9%
10 Barley Road, East Anton, Andover, Hampshire, SP11 6GB	Freehold	Semi-Detached House	3	£270,000	£13,200	Individual Lease	10 Year Lease to MoD	19 August 2009	10	Break passed going to full term		18 August 2019	2.6	2.6	**£263,000**	5.0%
8 Barley Road, East Anton, Andover, Hampshire, SP11 6GB	Freehold	End Terraced House	3	£270,000	£13,200	Individual Lease	10 Year Lease to MoD	19 August 2009	10	Break passed going to full term		18 August 2019	2.6	2.6	**£263,000**	5.0%
8 Nevill Close, Amesbury, Wiltshire, SP4 7XW	Freehold	Mid Terraced House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	07 April 2008	10	Break passed going to full term		06 April 2018	1.3	1.3	**£228,000**	4.5%
3 Nevill Close, Amesbury, Wiltshire, SP4 7XW	Freehold	Mid Terraced House	2	£203,000	£9,600	Individual Lease	10 Year Lease to MoD	07 April 2008	10	Break passed going to full term		06 April 2018	1.3	1.3	**£198,000**	4.8%
56 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YD	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
29 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YD	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
27 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YD	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
31 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YD	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
33 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YD	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
15 Redworth Drive, Amesbury, Wiltshire, SP4 7YD	Freehold	End Terraced House	3	£223,000	£13,200	Individual Lease	10 Year Lease to MoD	11 September 2008	10	No Break Date Agreed in Lease		10 September 2018	1.7	1.7	**£223,000**	5.9%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
11 Redworth Drive, Amesbury, Wiltshire, SP4 7YD	Freehold	Mid Terraced House	3	£223,000	£13,200	Individual Lease	10 Year Lease to MoD	11 September 2008	10	No Break Date Agreed in Lease		10 September 2018	1.7	1.7	**£223,000**	5.9%
46 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YE	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	20 May 2008	10	Break passed going to full term		19 May 2018	1.4	1.4	**£223,000**	5.4%
58 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YE	Freehold	Semi-Detached House	3	£229,000	£12,000	Individual Lease	10 Year Lease to MoD	16 June 2008	10	Break passed going to full term		15 June 2018	1.5	1.5	**£223,000**	5.4%
52 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YE	Freehold	Detached House	4	£260,000	£15,000	Individual Lease	10 Year Lease to MoD	07 July 2008	10	Break passed going to full term		06 July 2018	1.5	1.5	**£260,000**	5.8%
54 Redworth Drive, Amesbury, Salisbury, Wiltshire, SP4 7YE	Freehold	Detached House	4	£260,000	£15,000	Individual Lease	10 Year Lease to MoD	07 July 2008	10	Break passed going to full term		06 July 2018	1.5	1.5	**£260,000**	5.8%
68 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	Mid Terraced House	4	£260,000	£13,200	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£254,000**	5.2%
64 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	Mid Terraced House	3	£223,000	£12,000	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£217,000**	5.5%
66 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	Mid Terraced House	3	£223,000	£12,000	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£217,000**	5.5%
70 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	Mid Terraced House	3	£223,000	£12,000	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£217,000**	5.5%
72 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	Mid Terraced House	3	£223,000	£12,000	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£217,000**	5.5%
74 Redworth Drive, Amesbury, Wiltshire, SP4 7YE	Freehold	End Terraced House	4	£260,000	£15,000	Individual Lease	10 Year Lease to MoD	20 January 2009	10	Break passed going to full term		19 January 2019	2.1	2.1	**£260,000**	5.8%
15 Harrington Drive, Bulford, Wiltshire, SP4 9LB	Freehold	Terraced House	3	£177,000	£10,200	AST	Periodic	02 July 2016							**£173,000**	5.9%
16 Harrington Drive, Bulford, Wiltshire, SP4 9LB	Freehold	Terraced House	3	£177,000	£9,900	AST	Periodic	27 November 2013							**£173,000**	5.7%
13 Waverley Close, Bulford, Wiltshire, SP4 9LD	Freehold	Semi-Detached House	3	£192,000	£9,540	AST	Periodic	19 February 2016							**£187,000**	5.1%
14 Waverley Close, Bulford, Wiltshire, SP4 9LD	Freehold	Semi-Detached House	3	£192,000	£9,540	AST	Periodic	01 April 2010							**£187,000**	5.1%
15 Harefield Cres, Netheravon, Wiltshire, SP4 9RN	Freehold	Detached House	3	£249,000	£10,740	AST	Periodic	28 March 2014							**£243,000**	4.4%
15 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Detached House	3	£286,000	£12,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£279,000**	4.3%
14 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
11 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
10 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
9 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
8 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
3 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
2 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.5%
18 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	End Terraced House	3	£270,000	£12,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£263,000**	4.6%
16 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	End Terraced House	3	£270,000	£12,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£263,000**	4.6%
12 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,800	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.7%
4 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,800	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.7%
1 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Semi-Detached House	3	£234,000	£10,800	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	4.7%
17 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Mid Terraced House	3	£218,000	£10,200	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£213,000**	4.8%
7 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Town End	3	£234,000	£11,400	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	5.0%
6 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Town Mid	3	£234,000	£11,400	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	5.0%
5 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Town End	3	£234,000	£11,400	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£228,000**	5.0%

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
22 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	End Terraced House	2	£171,000	£9,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£167,000**	5.4%
19 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	End Terraced House	2	£171,000	£9,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£167,000**	5.4%
21 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Mid Terraced House	2	£161,000	£9,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£157,000**	5.7%
20 Trinity View Road, Tidworth, Wiltshire, SP9 7FJ	Freehold	Mid Terraced House	2	£161,000	£9,000	Individual Lease	10 Year Lease to MoD	28 July 2008	10	Break passed going to full term		27 July 2018	1.6	1.6	**£157,000**	5.7%
27 Abbots Close, Tidworth, Wiltshire, SP9 7HF	Freehold	End Terraced House	3	£192,000	£10,200	AST	Periodic	01 December 2010							**£187,000**	5.5%
28 Abbots Close, Tidworth, Wiltshire, SP9 7HF	Freehold	Terraced House	3	£182,000	£9,934	AST	Periodic	13 September 2012							**£177,000**	5.6%
63 Dickson Road, Beaconside, Staffordshire, ST16 3QG	Freehold	End Terraced House	3	£132,000	£7,800	AST	Periodic	12 September 2014							**£129,000**	6.0%
20 Poynton Rd, Shawbury, Shropshire, SY4 4JR	Freehold	Detached House	3	£158,000	£7,800	AST	Periodic	28 January 2014							**£154,000**	5.1%
66 Bridgeway, Shawbury, Shropshire, SY4 4PG	Freehold	Detached House	3	£167,000	£8,100	AST	Periodic	09 August 2010							**£163,000**	5.0%
11 Barley Mow View, Ashford, Kent, TN23 3FB	Freehold	Mid Terraced House	4	£282,000	£11,100	Individual Lease	10 Year Lease to MoD	19 December 2007	10	Break passed going to full term		18 December 2017	1.0	1.0	**£275,000**	4.0%
14 Barley Mow View, Ashford, Kent, TN23 3FB	Freehold	Mid Terraced House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	28 March 2008	10	Break passed going to full term		27 March 2018	1.2	1.2	**£235,000**	4.7%
51 Sir John Fogge Avenue, Ashford, Kent, TN23 3GA	Freehold	End Terraced House	3	£293,000	£11,100	Individual Lease	10 Year Lease to MoD	28 March 2008	10	Break passed going to full term		27 March 2018	1.2	1.2	**£278,000**	4.0%
49 Sir John Fogge Avenue, Ashford, Kent, TN23 3GA	Freehold	End Terraced House	3	£293,000	£11,100	Individual Lease	10 Year Lease to MoD	19 December 2007	10	Break passed going to full term		18 December 2017	1.0	1.0	**£286,000**	3.9%
56 Sir John Fogge Avenue, Ashford, Kent, TN23 3GA	Freehold	Semi-Detached House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	06 February 2008	10	Break passed going to full term		05 February 2018	1.1	1.1	**£235,000**	4.7%
58 Sir John Fogge Avenue, Ashford, Kent, TN23 3GA	Freehold	Semi-Detached House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	06 February 2008	10	Break passed going to full term		05 February 2018	1.1	1.1	**£235,000**	4.7%
40 Brigadier Gardens, Ashford, Kent, TN23 3GA	Freehold	Semi-Detached House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	06 February 2008	10	Break passed going to full term		05 February 2018	1.1	1.1	**£235,000**	4.7%
38 Brigadier Gardens, Ashford, Kent, TN23 3GA	Freehold	Semi-Detached House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	06 February 2008	10	Break passed going to full term		05 February 2018	1.1	1.1	**£235,000**	4.7%
8 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	End Terraced House	3	£235,000	£10,200	Individual Lease	10 Year Lease to MoD	19 September 2007	10	Break passed going to full term		18 September 2017	0.7	0.7	**£229,000**	4.5%
4 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	Semi-Detached House	3	£230,000	£11,100	Individual Lease	10 Year Lease to MoD	19 September 2007	10	Break passed going to full term		18 September 2017	0.7	0.7	**£224,000**	5.0%
10 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	Mid Terraced House	3	£225,000	£11,100	Individual Lease	10 Year Lease to MoD	19 September 2007	10	Break passed going to full term		18 September 2017	0.7	0.7	**£219,000**	5.1%
27 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	End Terraced House	3	£235,000	£10,200	Individual Lease	10 Year Lease to MoD	03 October 2007	10	Break passed going to full term		02 October 2017	0.8	0.8	**£229,000**	4.5%
33 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	End Terraced House	3	£235,000	£10,200	Individual Lease	10 Year Lease to MoD	03 October 2007	10	Break passed going to full term		02 October 2017	0.8	0.8	**£229,000**	4.5%
19 Violet Way, Kingsnorth, Ashford, Kent, TN23 3GH	Freehold	Semi-Detached House	3	£230,000	£10,200	Individual Lease	10 Year Lease to MoD	03 October 2007	10	Break passed going to full term		02 October 2017	0.8	0.8	**£224,000**	4.6%
21 Brigadier Gardens, Ashford, Kent, TN23 3GU	Freehold	End Terraced House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	16 January 2008	10	Break passed going to full term		15 January 2018	1.0	1.0	**£235,000**	4.7%
31 Brigadier Gardens, Ashford, Kent, TN23 3GU	Freehold	End Terraced House	3	£241,000	£11,100	Individual Lease	10 Year Lease to MoD	16 January 2008	10	Break passed going to full term		15 January 2018	1.0	1.0	**£235,000**	4.7%
35 Brigadier Gardens, Ashford, Kent, TN23 3GU	Freehold	Mid Terraced House	3	£235,000	£11,100	Individual Lease	10 Year Lease to MoD	16 January 2008	10	Break passed going to full term		15 January 2018	1.0	1.0	**£229,000**	4.8%
33 Brigadier Gardens, Ashford, Kent, TN23 3GU	Freehold	Mid Terraced House	3	£235,000	£11,100	Individual Lease	10 Year Lease to MoD	16 January 2008	10	Break passed going to full term		15 January 2018	1.0	1.0	**£229,000**	4.8%
11 Manaton Close, Helston, Cornwall, TR13 8GB	Freehold	Semi-Detached House	3	£187,000	£8,700	AST	Periodic	17 November 2008							**£182,000**	4.8%
17 Nanscober Place, Helston, Cornwall, TR13 OSP	Freehold	Semi-Detached House	3	£177,000	£8,700	AST	Periodic	24 October 2005							**£173,000**	5.0%
40 Nottingham Road, Lichfield, Staffordshire, WS14 9TG	Freehold	Terraced House	3	£148,000	£8,340	AST	Periodic	29 December 2014							**£144,000**	5.8%
42 Nottingham Road, Lichfield, Staffordshire, WS14 9TG	Freehold	End Terraced House	3	£148,000	£8,340	AST	Periodic	01 November 2014							**£144,000**	5.8%
5 Boulmer Road, Cowley, Middlesex, UB8 2NP	Freehold	Mid Terraced House	3	£343,000		Vacant	Released from Bulk					30 April 2017			**£343,000**	
6 Boulmer Road, Cowley, Middlesex, UB8 2NP	Freehold	End Terraced House	2	£315,000		Vacant	Released from Bulk					30 April 2017			**£315,000**	

Address	ARHL's Interest	House Type	Bedrooms	Indicative Apportioned Market Value on basis of Special Assumption of Vacant Possession as at 31 December 2016. (Caution see Report)	Annual Rent passing	Letting Type	Tenancy Type	Latest Tenant Start	Lease Term in Years	Break Comments	Latest possible Date for MoD to service Notice to Break	Lease Expiry Date	Leases to MOD Term Certain (Years to expiry) or to break date if relevant	Leases to MoD Years until Expiry	Indicative Apportioned Market Value as at 31 December 2016	Gross Yield at Indicative Market Value
9 Boulmer Road, Cowley, Middlesex, UB8 2NP	Freehold	Mid Terraced House	3	£343,000		Vacant	Released from Bulk					30 April 2017			**£343,000**	
1 Patrington Close, Cowley, Middlesex, UB8 2NR	Freehold	Mid Terraced House	3	£343,000		Vacant	Released from Bulk					30 April 2017			**£343,000**	
4 Patrington Close, Cowley, Middlesex, UB8 2NR	Freehold	Semi-Detached House	3	£348,000		Vacant	Released from Bulk					30 April 2017			**£348,000**	
3 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Mid Terraced House	3	£333,000		Vacant	Released from Bulk					30 April 2017			**£333,000**	
6 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Mid Terraced House	2	£303,000		Vacant	Released from Bulk					30 April 2017			**£303,000**	
7 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Mid Terraced House	2	£303,000		Vacant	Released from Bulk					30 April 2017			**£303,000**	
13 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Mid Terraced House	2	£303,000		Vacant	Released from Bulk					30 April 2017			**£303,000**	
14 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Mid Terraced House	2	£303,000		Vacant	Released from Bulk					30 April 2017			**£303,000**	
19 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Semi-Detached House	4	£399,000		Vacant	Released from Bulk					30 April 2017			**£399,000**	
20 Buchan Close, Cowley, Middlesex, UB8 2NS	Freehold	Semi-Detached House	4	£399,000		Vacant	Released from Bulk					30 April 2017			**£399,000**	
				£54,344,000	**£2,392,774**										**£53,336,000**	

ISSUER

Annington Funding plc

1 James Street
London
W1U 1DR

GUARANTORS

Annington Limited
1 James Street
London
W1U 1DR

Annington Homes Limited
1 James Street
London
W1U 1DR

Annington Property Limited
1 James Street
London
W1U 1DR

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
1 Canada Square
London
E14 5AL

PRINCIPAL PAYING AGENT

The Bank of New York Mellon Limited, London Branch
1 Canada Square
London
E14 5AL

REGISTRAR

The Bank Of New York Mellon SA/NV, Luxembourg Branch
2-4 Rue Eugène Ruppert, 2453
Luxembourg

LEGAL ADVISERS

To the Issuer and the Guarantors as to English law
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

To the Dealers and the Trustee as to English law
Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITORS

To the Issuer and the Guarantors
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP