Company Registration No. 10765119

ANNINGTON FUNDING PLC

Annual Report and Financial Statements

For the year ended 31 March 2020

ANNINGTON FUNDING PLC

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ANNINGTON FUNDING PLC

STRATEGIC REPORT

The principal activity of Annington Funding plc ("the Company") during the year was the financing of the Annington Limited group ("the Group") via an intercompany loan to Annington Homes Limited ("AHL").

BUSINESS REVIEW

The company was incorporated on 11 May 2017. In July 2017 the Company issued c.£3.0 billion of corporate, unsecured bonds, in both euros and pound sterling. In addition, a term loan totalling £400 million was drawn down. The Company then entered into an agreement to lend £3.4 billion to AHL, which in turn provides this funding to the rest of the Group.

On 26 March 2020, an agreement to amend the terms of the £400 million unsecured term loan was entered into. The maturity of the term loan and the revolving credit facility is now extended to March 2025, from July 2022, whilst the undrawn revolving credit facility is reduced to £100 million. This agreement became effective on 1 April 2020, with the modifications applicable from that date.

The Company recovers its costs through interest received on the intercompany loan, at an interest rate that is mutually agreed. It also charges an administration fee for its services.

The Company's result for the year after taxation is a profit of £0.01 million (2019: £0.01 million) and had net assets of £0.3 million at 31 March 2020 (2019: £4.7 million). The directors consider these measures as key indicators of the Company's performance.

Principal risks and uncertainties

The areas of potential risks and uncertainty which face the business are mainly related to its financial risks (credit risk, liquidity risk, currency risk and interest rate risk). For details of financial instruments, their related risks and the policies and actions put in place to manage them, please refer to Note 14 to the financial statements.

The Company also has a number of covenants that need to be complied with under the terms of the debt issued. These are discussed in more detail in Note 11 to the financial statements, as well as Note 2, under "Going concern".

STATEMENT ON S172 OF THE COMPANIES ACT 2006

The directors consider section 172(1) factors, including the company's business relationships with finance providers, credit rating agencies and with AHL and the Group. The directors believe that maintaining strong relationships with lenders, including bondholders and banks, and with ratings agencies to be essential to the effective running of the company. The Company seeks to achieve this though transparent reporting and provision of information to all stakeholders. Beyond regular financial reporting, the company, in association with the Group, provide conference calls on at least an annual basis to update stakeholders. To maintain the relationship with ratings agencies, the directors meet with these bodies to enable the provision of ratings services. The directors are also directors of AHL and Annington Limited, enabling good relationships to be maintained. The Group considers wider groups of stakeholders and a broader section 172(1) statement is disclosed in the financial statements of Annington Limited for the year ended 31 March 2020.

FUTURE DEVELOPMENTS

The economic impact of Britain exiting the European Union is still subject to a high degree of uncertainty. The Company has on issue fixed interest bonds and has hedged its exposure to currency fluctuations on its foreign currency bonds, leading to highly predictable future cash flows on the listed debt. These factors serve to mitigate any risks arising from Brexit.

The immediate impact of COVID-19 is not likely to have any significant effect on the Company given the nature of its operations, however, the fuller impact on the economy as a whole remains to be seen. These could impact the Company in terms of interest rate fluctuations and hence cash flows. Interest rate sensitivities are provided in Note 14 to the financial statements to illustrate possible effects.

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

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

A P Chadd
Director
25 September 2020

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

Directors

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

J C Hopkins
N P Vaughan
A P Chadd

Audit Committee

The function of the Audit Committee of the Company is carried out by the Audit Committee of the Annington Limited Group. The Audit Committee includes at least two independent, non-executive directors and two non-executive director appointed by Terra Firma Capital Partners Limited.

Dividends

No dividends have been paid or proposed during the year (2019: £nil).

Going concern

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

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

Financial instruments and risk management policies

Financial instruments and risk management policies are addressed in Note 14.

Internal control and risk management systems over financial reporting

The Company has put in place systems and controls to ensure that data integrity is maintained throughout the financial reporting process. These include data access controls and backups and reviews of financial data and reports by suitably qualified individuals.

Strategic report

The areas of potential risks and uncertainty which face the business, details of its financing and its future outlook are addressed in the Strategic Report, as well as an indication of likely future developments and activities in the business.

Directors' indemnities

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

Greenhouse gas reporting

The Company, as a member of the Annington Limited Group, is included within the Group's reporting of greenhouse gas data, as disclosed within Annington Limited's Directors' Report for 31 March 2020.

DIRECTORS' REPORT (continued)

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG LLP were appointed as auditor and have expressed their willingness to continue in office as auditor. Arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

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

A P Chadd
Director

25 September 2020

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON FUNDING PLC

1 Our opinion is unmodified

We have audited the financial statements of Annington Funding Plc ("the Company") for the year ended 31 March 2020 which comprise the Income statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related Notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the board of directors.

We were first appointed as auditor by the directors on 10 July 2018. The period of total uninterrupted engagement is for the three financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	*Our response*
Disclosures for loans and borrowings (£3,385m) Refer to pages 19-20 for accounting policy and disclosure.	**Disclosure quality** The Company has loans and borrowings held at amortised cost of £3,385m in the balance sheet. Loans and borrowings includes four bonds totalling £2,475m, a €600m bond, and a £400m term loan. Each bond and loan has its own interest rate and expiration date. The notes to the financial statements include quantitative disclosures regarding the loans and borrowings. This includes an assessment of their fair value which is made by reference to an external valuation. The disclosures for loans and borrowings is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall audit.	Our procedures included: —**Test of detail**: We obtained external confirmation of the notional amount, interest rate and expiry date of the term loan. We agreed the same terms for the bonds to the stock exchange's records. —**Reperformance:** We recalculated quantitative disclosures relating to future cash flows on the loans and borrowings, agreeing inputs to the external confirmations. —**Reperformance:** To assess the fair value disclosure we engaged our internal specialists who performed an independent valuation of the bonds. **Our results** —We considered the disclosures for loans and borrowings to be acceptable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON FUNDING PLC (continued)

2 Key audit matters: our assessment of risks of material misstatement (continued)

We continue to perform procedures over the accounting and valuation of derivative. However, as there have not been any changes to the hedging instruments or hedging relationship since the prior year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £34.0million (2019: £33.8million), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

In addition, we applied materiality of £3.0million (2019: £3.0million) to Finance income and Finance costs for which we believe misstatements of a lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's member's assessment of the financial performance of the Company.

We agreed with the Directors that we would report to them misstatements identified during our audit above £1.7million (2019: £1.7million) or £150,000 (2019: £150,000) for misstatements impacting Finance income or Finance costs, as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our audit of the Company was undertaken to the materiality levels specified above and was performed by a single audit team.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were falls in the valuation of real estate held by, or rental income generated by, the group headed by Annington Limited which are measures relevant to financial covenants included in the Company's borrowings.

As this was a risk that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over these measures indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise..

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON FUNDING PLC (continued)

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNINGTON FUNDING PLC (continued)

7 Respective responsibilities (continued)

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London,
E14 5GL
25 September 2020

INCOME STATEMENT
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Finance income	6	110,919	110,712
Finance costs	6	(110,909)	(110,702)
Profit before taxation		10	10
Taxation	7	-	-
Profit for the year		10	10
Profit attributable to shareholder		10	10

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Profit for the year		10	10
Items that may subsequently be recycled through the income statement			
Cash flow hedge:			
Fair value gains/(losses) on cash flow hedge	13	9,270	(8,206)
Reclassification of fair value (losses)/gains included in profit and loss	6	(13,628)	8,834
Total other comprehensive (loss)/income		(4,358)	628
Total comprehensive (loss)/income for the year		(4,348)	638
Total comprehensive (loss)/income attributable to shareholder		(4,348)	638

The accompanying Notes (1 to 18) should be read in conjunction with these financial statements.

BALANCE SHEET
At 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Receivables	8	3,374,690	3,380,570
Derivative financial instruments	13	4,623	-
		3,379,313	3,380,570
Current assets			
Receivables	8	26,335	26,194
Cash and cash equivalents	9	8,546	113
		34,881	26,307
Total assets		3,414,194	3,406,877
Current liabilities			
Payables	10	(28,760)	(26,492)
Net current assets/(liabilities)		6,121	(185)
Total assets less current liabilities		3,385,434	3,380,385
Non-current liabilities			
Derivative financial instruments	13	-	(4,647)
Loans and borrowings	11	(3,385,121)	(3,371,077)
Total liabilities		(3,413,881)	(3,402,216)
Net assets		313	4,661
Capital and reserves			
Share capital	12	50	50
Hedging reserve		(3,231)	1,127
Retained earnings		3,494	3,484
Total equity		313	4,661

The accompanying Notes (1 to 18) should be read in conjunction with these financial statements. The annual financial statements of Annington Funding plc, registered number 10765119, were authorised for issue on 25 September 2020.

Signed on behalf of the Board of Directors

A P Chadd
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	50	499	3,474	4,023
Profit for the year	-	-	10	10
Other comprehensive income for the year	-	628	-	628
Balance at 31 March 2019	50	1,127	3,484	4,661
Profit for the year	-	-	10	10
Other comprehensive loss for the year	-	(4,358)	-	(4,358)
Balance at 31 March 2020	50	(3,231)	3,494	313

The accompanying Notes (1 to 18) should be read in conjunction with these financial statements.

CASH FLOW STATEMENT
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash generated/(utilised) in operations	15	9	(15)
Interest received from group undertakings		116,798	103,518
Interest paid		(108,329)	(108,000)
Net cash inflow/(outflow) from operating activities		8,478	(4,497)
Investing activities			
Loans to group undertakings		-	(280)
Net cash outflow from investing activities		-	(280)
Financing activities			
Loans repaid to group undertakings		-	(1,124)
Net cash outflow from financing activities		-	(1,124)
Net increase/(decrease) in cash and cash equivalents		8,478	(5,901)
Cash and cash equivalents at the beginning of the year		113	6,014
Effect of exchange differences on cash and cash equivalents		(45)	-
Cash and cash equivalents at the end of the year	9	8,546	113

The accompanying Notes (1 to 18) should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

1. CORPORATE INFORMATION

Annington Funding plc ("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 18.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union. They have been prepared in accordance with the Companies Act 2006.

The financial statements are presented in pound sterling, which is the functional currency of the Company. All values are rounded to the nearest thousand (£'000), except where otherwise indicated. They have been prepared on the historical cost basis, except for derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policy below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report, which describe the financial position of the Company; its objectives, policies and process for managing its capital; its financial risk management objectives and details of its financial instruments.

In July 2017 the Company issued five tranches totalling c.£3.0 billion of corporate, unsecured bonds and drew down a term loan totalling £400 million, also unsecured. A £300 million five-year revolving credit facility was also made available to the Company, which has never been drawn against.

On 26 March 2020, an agreement to amend the terms of the £400 million unsecured term loan was entered into. The maturity of the term loan and the revolving credit facility is now extended to March 2025, from July 2022, whilst the undrawn revolving credit facility is reduced to £100 million. This agreement became effective on 1 April 2020, with the modifications applicable from that date.

Critical to the Company's future as a going concern is the ability to service and repay this debt. For the foreseeable future, at least until the maturity of the Fixed Rate EUR Bonds in 2024, the Company only needs to pay the interest on the debt. The debt imposes a number of covenants that must be complied with, on a Group basis, under both the bonds and loan facility. The covenants attaching to the debt are:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The Company receives income on its loan from Annington Homes Limited, which is sufficient to meet the Company's debt obligations and the covenants as set out above. Additionally, this income is guaranteed by Annington Limited and Annington Property Limited. The Annington Limited group's forecasts do not indicate any of the above covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for reinvestment or potential dividends to shareholders. Further, were this not possible, the undrawn revolving credit facility provides additional liquidity to the Group to allow for its continued operation for the foreseeable future.

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

Significant judgements and key estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Further details regarding key sources of estimation uncertainty for the Company can be found at Note 8 regarding Loans receivable.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New Standards, interpretations and amendments effective from 1 April 2019

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2019, have had a material impact on the company.

Standards issued not yet effective

At the date of authorisation of these financial statements, the following new and revised IFRSs have been issued and adopted by the EU but are not yet effective:

New/Amended Standards and Interpretations		**Effective date (annual periods beginning on or after)**
Conceptual Framework Amendments	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3 Amendments	Amendment to Business Combinations – Definition of Business	1 January 2020
IAS1 and IAS8 Amendments	Amendment to Definition of Material	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform	1 January 2020

These standards and interpretations have not been early adopted by the Company and are not expected to have a material impact on its financial statements in future periods.

4. OPERATING PROFIT

The auditor’s remuneration was £38,625 (2019: £32,500) for the audit of the Company’s annual financial statements. No other services were provided by the auditor to the Company.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees of its own during the year (2019: none). The directors of the Company are also directors of other Annington Limited group companies and were remunerated on a group-wide basis. The disclosures for directors’ emoluments for the Group can be found in the Annington Limited financial statements. The allocation of their emoluments to the Company, in both the current and preceding years, are considered immaterial.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

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.

	2020 £'000	2019 £'000
Finance income		
Interest receivable on intercompany balances	110,919	110,712
Total finance income	110,919	110,712
Finance costs		
Interest payable on unsecured fixed rate bonds	97,958	97,811
Amortisation of issue costs	2,483	2,414
Interest payable on term loan	9,179	9,193
Foreign exchange loss/(gain) on financing	13,673	(8,836)
Transfer (to)/from equity for cash flow hedge	(13,628)	8,834
Other finance expenses	1,244	1,286
Total finance costs	110,909	110,702

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

7. TAXATION

ACCOUNTING POLICY

Current tax is recognised in the income statement and 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.

	2020 £'000	**2019 £'000**
Current tax		
United Kingdom corporation tax at 19% (2019: 19%)	-	-
Taxation for the year	-	-

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%). The charge for the year can be reconciled to profit before tax as follows:

	2020 £'000	**2019 £'000**
Profit before tax	10	10
Tax charge at the standard rate	(2)	(2)
Factors affecting the current tax for the year:		
Group relief claimed	2	2
Taxation for the year	-	-

In the March 2020 Budget it was announced that the Corporation Tax Rate will be held at 19% and this rate will continue to be in effect for the financial year beginning 1 April 2020. This was substantively enacted in March 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

8. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially recognised at fair value. If the receivables fall within a "held to collect" business model and its contractual terms give rise to cash flows that are solely payments of principal and interest on that principal, they are subsequently measured at amortised cost using the effective interest method, less any impairment.

Key source of estimation uncertainty

In assessing the recoverability of loans receivable, assumptions and estimates are required to be made regarding the future activities and earnings of the counterparty. If these assumptions and estimates are not accurate, this could have a significant effect on the recoverability of the loan receivables presented below.

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	23,181	23,180
Interest receivable on swaps	3,148	2,999
Prepayments	6	15
	26,335	26,194
Amounts falling due after more than one year		
Amounts owed by group undertakings	3,374,690	3,380,570
	3,374,690	3,380,570
Amounts due to the Company by group undertakings include:		
Unsecured, interest-bearing and no fixed date of repayment	3,397,871	3,403,750

The recoverable amount of loans receivable from related parties are reviewed annually by reference to the borrower's balance sheet and expected future activities, with a provision recorded to the extent the loan is not considered recoverable. Interest is charged on the loan at a rate of 3.3035% (2019: 3.3070%). Unpaid interest balances are accrued within amounts owed by group undertakings; balances expected to be received in the next 12 months are shown separately. There are no balances past due and no impairment has been deemed necessary.

The carrying value of receivables approximates fair value.

9. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

	2020 £'000	2019 £'000
Cash at bank	8,546	113

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

10. PAYABLES

ACCOUNTING POLICY

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2020 £'000	2019 £'000
Amounts falling due within one year		
Accrued interest	26,330	26,178
Other accruals	2,430	314
	28,760	26,492

The carrying value of payables approximates fair value.

11. LOANS AND BORROWINGS

ACCOUNTING POLICY

Loans and borrowings are initially recognised at fair value less the transaction costs directly attributable to their issue. After initial recognition, 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 is classified as current and non-current based on the contractual payments required within 12 months of the balance sheet date.

	2020 £'000	2019 £'000
Amounts falling due between one and five years		
Unsecured bonds	528,656	-
Unsecured term loan	395,710	396,904
	924,366	396,904
Amounts falling due after five years		
Unsecured bonds	2,460,755	2,974,173
Total loans and borrowings	3,385,121	3,371,077

During the 2018 financial year the Group completed a refinancing involving an injection of new capital into the Group, the issuance of new debt instruments and the early redemption of all the existing debt within the Group.

The Company issued five tranches totalling c.£3.0 billion of corporate, unsecured bonds under a Euro Medium Term Note ("EMTN") programme and drew down a term loan totalling £400 million, also unsecured, with overall borrowing costs significantly lower than the legacy financing structures. Arranged as part of the refinancing, a £300 million five-year revolving credit facility was available to the Company. The revolving credit facility has, to date, never been drawn upon.

On 26 March 2020, an agreement to amend the terms of the £400 million unsecured term loan was entered into. The maturity of the term loan and the revolving credit facility is now extended to March 2025, from July 2022, whilst the undrawn revolving credit facility is reduced to £100 million. This agreement became effective on 1 April 2020, with the modifications applicable from that date. The additional issue costs relating to that transaction, totalling £2.1 million, have been capitalised in advance of the effective date as these were incurred prior to the year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

11. LOANS AND BORROWINGS (continued)

The Company had issued the bonds in the following denominations, maturities and fixed interest rates:

Currency	**Sterling (£)**				**Euro (€)**
Principal Amount	625m	600m	625m	625m	600m
Final Maturity	12-Jul-25	12-Jul-29	12-Jul-34	12-Jul-47	12-Jul-24
Coupon	2.646%	3.184%	3.685%	3.935%	1.650%

Cross currency swaps are in place for the €600 million bond, converting the nominal balance to £526.26 million. These swaps also mitigate volatility of foreign currency movements in future interest and capital repayments. The function of these swaps increases the effective interest rate of the Euro Tranche debt to 2.764%, fixed for the life of the bond.

The debt imposes a number of covenants that must be complied with under both the bonds and loan facility and are calculated based on the results and financial position of the wider Annington group. The covenants attaching to the debt are:

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

The Company's forecasts do not indicate any of these covenants will be breached in the foreseeable future.

Reconciliation of movement

	31 March 2020 £'000	Amortisation of debt issue costs £'000	Foreign Exchange Revaluation adjustment £'000	Costs of loan modification £'000	31 March 2019 £'000
Fixed Rate EUR Bonds 2024	528,656	455	13,673	-	514,528
Fixed Rate GBP Bonds 2025	621,984	525	-	-	621,459
Fixed Rate GBP Bonds 2029	596,662	304	-	-	596,358
Fixed Rate GBP Bonds 2034	621,207	198	-	-	621,009
Fixed Rate GBP Bonds 2047	620,902	83	-	-	620,819
Term Loan 2022	395,710	918	-	(2,112)	396,904
	3,385,121	2,483	13,673	(2,112)	3,371,077

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

12. SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50	50

Upon incorporation, 50,000 ordinary shares of £1 each were allotted.

13. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The Company uses derivative financial instruments to reduce exposure to foreign exchange rate risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

Hedges of foreign currency exchange risk on firm commitments are accounted for as cash flow hedges. The relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking hedge transactions is documented at the inception of the hedge relationship.

Additionally, on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributed to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income ("OCI") and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the year when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2020 £'000	2019 £'000
Financial asset measured at fair value through OCI		
Cross currency swaps that are in designated hedge accounting relationships	4,623	-
Financial liability measured at fair value through OCI		
Cross currency swaps that are in designated hedge accounting relationships	-	(4,647)

Reconciliation of movements

	2020 £'000	Revaluation adjustment £'000	2019 £'000
Cross currency swap asset/(liability)	4,623	9,270	(4,647)
Total derivative financial instruments	4,623	9,270	(4,647)

14. 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 recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses.

Financial liabilities

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has the following financial instruments:

	Note	2020 £'000	2019 £'000
Financial assets			
Cash and receivables:			
Receivables	8	3,401,019	3,406,749
Cash and cash equivalents	9	8,546	113
Assets measured at fair value through OCI:			
Cross currency swaps	13	4,623	-
Total financial assets		3,414,188	3,406,862
Financial liabilities			
Liabilities measured at amortised cost:			
Payables	10	28,760	26,492
Loans and borrowings	11	3,385,121	3,371,077
Liabilities measured at fair value through OCI:			
Cross currency swaps	13	-	4,647
Total financial liabilities		3,413,881	3,402,216

Exposure to credit, liquidity, and interest rate risks arise in the normal course of the Company's business activities. Derivative financial instruments are in place to manage exposure to fluctuations in exchange rates but are not employed for speculative purposes.

Credit Risk

The Company's principal financial assets are cash and cash equivalents and trade and other receivables.

The Company's exposure to credit risk is assessed as low as this is primarily attributed to its trade and other receivables, which consists principally of an intercompany loan to AHL. AHL indirectly holds a portfolio of c.40,000 homes, the majority of which form part of the Retained Estate. These are homes that were originally acquired from the Ministry of Defence of the United Kingdom ("MoD") via 999-year leases and subsequently leased back to them on a 200 year under lease. The rent is paid in advance and the MoD does not have a history of payment default.

The Company also holds cross currency swaps with Barclays Bank plc, JP Morgan Securities plc, Goldman Sachs Bank USA and Banco Santander SA (London Branch). The Company's exposure to counter party credit risk with respect to these derivatives is assessed as low, as each of the counterparties holds at least an upper medium grade rating.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Debt Management

The Company's borrowings are through the issue of various classes of unsecured corporate bonds as well as an unsecured term loan.

There is a £300 million five year revolving borrowing facility in place to ensure that there is no default in the repayment of the borrowing and interest to the bondholders. This facility to date has never been called upon. By agreement, effective 1 April 2020, this facility was reduced to £100 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital Risk Management

The capital is managed at a Group level to ensure that entities in the Group are 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. Net debt includes loans and borrowings (Note 11) and cash, cash equivalents, and equity comprises equity attributable to equity holders of the Company, being issued share capital, reserves and retained earnings (Note 12).

The debt has a number of covenants to comply with under both the bonds and loan facility. Refer to Note 11 for the covenants attaching to the debt.

Currency risk

In July 2017, the Company issued a 7 year unsecured euro bond of €600 million expiring July 2024. To hedge against fluctuations in the Euro to Pound Sterling exchange rate, the Company entered into a cross currency swap of €600 million, converting the nominal balance to £526.26 million. These swaps mitigate the volatility of foreign currency movements in future interest and capital payments. The function of this swap increases the effective interest rate of Euro Tranche debt to 2.764%. The hedge is in line with the Group Treasury Policy whereby the Company should look to put in place hedges covering 50-100% of the FX risk arising from foreign currency debt, to the extent that foreign currency debt exceeds £50 million in aggregate.

Currency risk sensitivity analysis

The impact of a hypothetical strengthening/weakening of pound sterling against the Euro for both derivatives and non-derivatives, with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below:

	Strengthening 10%		Weakening 10%	
	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)
2020	-	(7,074)	-	6,141
2019	-	(5,525)	-	5,644

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk management

Annington Funding plc has a relatively low interest rate risk as the majority of the Company's borrowings are at fixed interest rates. The term loan is the only instrument that has a floating interest rate of LIBOR + 1.5%. The term loan is for a value of £400 million, originally maturing in 2022. This has since been extended to 2025, effective 1 April 2020.

Interest Rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The impact of a hypothetical increase/decrease in interest rates with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below:

	50 bps increase		50 bps decrease	
	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)
2020	(696)	(346)	706	345
2019	(872)	-	947	-

Cash Management and Liquidity

Cash levels are monitored at a group level to ensure sufficient resources are available to meet the individual entities and Group's current and projected operational commitments. Annington Funding plc provides funding to Annington Homes Limited which in turn provides intercompany loans at fixed interest rates to other entities in the Group.

The company holds a £300 million liquidity facility that was undrawn as at 31 March 2020. On 26 March 2020, it was agreed that this facility be reduced to £100 million, effective 1 April 2020.

Liquidity risk and financial maturity analysis

In respect of the net non-derivative financial liabilities, the following 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 or receive monies. The table includes both interest and principal cash flows.

	2020			
	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	2,431	2,431	-	-
Loans and borrowings	4,573,991	100,807	1,311,791	3,341,393
Total non-derivative financial liabilities	4,756,422	103,238	1,311,791	3,341,393
Net payments for derivative financial instruments				
Cross currency swaps	17,175	5,788	11,387	-
Total derivative financial instruments	17,175	5,788	11,387	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	2019			
	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	26,491	26,491	-	-
Loans and borrowings	4,842,892	101,444	791,239	3,950,209
Total non-derivative financial liabilities	4,869,383	127,935	791,239	3,950,209
Net payments for derivative financial instruments				
Cross currency swaps	37,989	6,013	24,053	7,923
Total derivative financial instruments	37,989	6,013	24,053	7,923

Fair values

The fair values of the Company’s borrowings, interest rate swaps and offsetting swaps 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).

	2020		
	Par value of debt £’000	Balance sheet value £’000	Fair value £’000
Level 2			
Non-derivative financial liabilities			
Unsecured bonds	3,001,260	2,989,411	2,979,678
Unsecured term loan	400,000	395,710	400,000
	3,401,260	3,385,121	3,379,678
Derivative financial asset			
Cross currency swap	-	(4,623)	(4,623)
	3,401,260	3,380,498	3,375,055

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

		2019	
	Par value of debt £'000	**Balance sheet value £'000**	**Fair value £'000**
Level 2			
Non-derivative financial liabilities			
Unsecured bonds	3,001,260	2,974,173	3,029,517
Unsecured term loan	400,000	396,904	400,000
	3,401,260	3,371,077	3,429.517
Derivative financial liabilities			
Cross currency swaps	-	4,647	4,647
	3,401,260	3,375,724	3,434,164

Unsecured bonds
The volume of market trades of the Company's bonds is not considered sufficient to be an active market. Therefore, listed bonds have been fair valued by a third party valuer using a spread to a reference gilt curve. The reference gilt curve is based upon observable market data. The spread is determined with reference to comparable sector bond pricing. This represents a Level 2 fair value measurement. Further details, including covenant information is included in Note 11.

Cross currency swaps
The fair value of derivative financial instruments is based on valuations by an independent valuer 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 March 2020.

Unsecured term loan
This loan relates to a £400 million unsecured bank loan, originally maturing in July 2022. On 26 March 2020, an agreement to amend the terms of the £400 million unsecured term loan was entered into. The maturity of the term loan is now extended to March 2025. This agreement became effective on 1 April 2020, with the modifications applicable from that date. Further details, including covenant information is included in Note 11.

15. NOTES TO CASH FLOW STATEMENT

	2020 £'000	**2019 £'000**
Profit after taxation	10	10
Adjustment for:		
Finance costs	110,909	110,702
Finance income	(110,919)	(110,712)
Movements in working capital:		
Decrease/(increase) in receivables	9	(15)
Cash generated/(utilised) in operations	9	(15)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

16. ANALYSIS OF CHANGES IN NET DEBT

	2020 £'000	Cash flow £'000	Other non-cash changes £'000	2019 £'000
Cash and cash equivalents	8,546	8,478	(45)	113
Unsecured notes	(2,989,411)	-	(15,238)	(2,974,173)
Unsecured term loan	(395,710)	-	1,194	(396,904)
Net debt	(3,376,575)	8,478	(14,089)	(3,370,964)

Non-cash changes include amortisation of issue costs relating to debt issuance and foreign exchange gains and losses on translation of Euro denominated debt (see Note 11).

17. RELATED PARTY DISCLOSURES

During the year, the Company had amounts due to and owed by group undertakings and recognised finance income related to these balances under the terms detailed in Note 8 and 10.

The following transactions with related parties where entered into during the year:

	2020 £'000	2019 £'000
Immediate Parent – Finance income		
Annington Homes Limited	110,919	110,712

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties	
	2020 £'000	2019 £'000
Immediate Parent		
Annington Homes Limited	3,397,871	3,403,750
	3,397,871	3,403,750

The balance outstanding from Annington Homes Limited relates to an intercompany loan provided by Annington Funding plc with no set redemption date and at an interest rate of 3.3035% (2019: 3.070%) per annum. An annual fee of £10,000 (2019: £10,000) is payable to Annington Funding plc by Annington Homes Limited for administration services.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2020

18. ENTITY INFORMATION AND CONTROLLING PARTY

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

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

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

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

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