

ANNUAL REPORT
& ACCOUNTS 2022



 HANNINGTON

NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report contains various forward-looking statements. These forward-looking statements reflect current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. Forward-looking statements are sometimes, but not always, identified by their use of the words "aim", "anticipate", "assume", "believe", "contemplate", "continue", "could", "estimate", "expect", "forecast", "intend", "likely", "may", "might", "plan", "positioned", "potential", "predict", "project", "remain", "should", "will" or "would", or, in each case, their negative, or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Many of these factors are beyond the control of the Group and are not possible to estimate precisely. Because these forward-looking statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this Report.

Annington Limited expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein. In addition, all subsequent written and oral forward-looking statements attributable to or made on behalf of Annington Limited are expressly qualified in their entirety.

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HIGHLIGHTS FINANCIAL YEAR 2022

At 31 March 2022, the Group held 39,940 residential property units, of which 37,398 are part of the Married Quarters Estate leased to the UK Ministry of Defence (2021: 40,427 Units, 38,140 MQE)



The expedited Site Review process was successfully completed, with a global discount from aggregate open market rents for individual Units agreed at 49.6%, reduced from 58%.



The Group has received notices of enfranchisement from the MoD which are disputed and subject to high court and Judicial Review proceedings

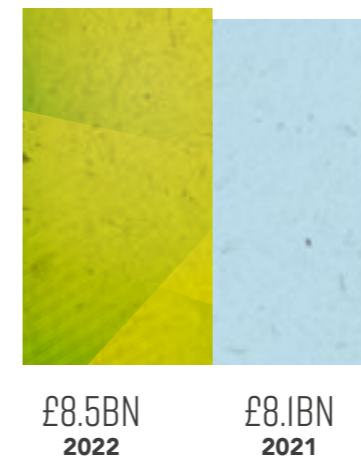


The Group successfully raised £800 million of new debt.



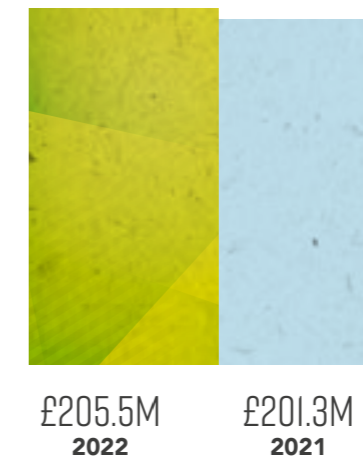
The carrying value of Group investment properties is

£8.5 BILLION



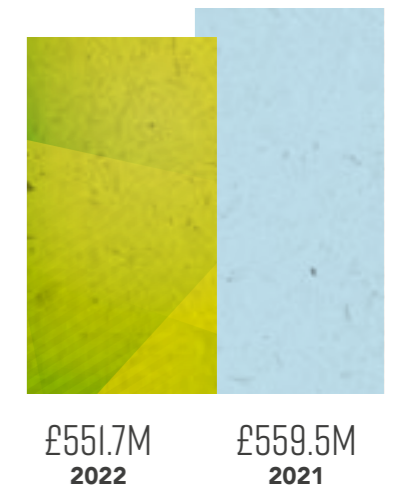
Gross rental income was

£205.5 MILLION



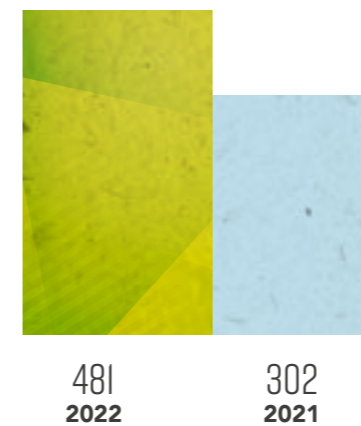
Profit after taxation was

£551.7 MILLION



The Group sold

481 PROPERTIES



The Group recognised sales proceeds of

£107.7 MILLION



Adjusted EBITDA was

£183.8 MILLION



INTRODUCTION

This year was an important year for Annington, with the successful resolution of the first Site Review, which sets a clear path and provides greater revenue certainty for the Group for the next 30 years. Under the first year of the Group's new management structure, systematic improvements have been implemented across all functional areas, improving operational performance and transparency, which will underpin delivery of the Group's strategic ambitions.

Annington is committed to being a responsible corporate citizen and during the year commissioned a project to understand our environmental and social impact. Work to build upon our efforts to date is underway and the Group will report on its progress in the coming year.

Annington is one of the largest providers of privately rented housing in the UK, owning almost 40,000 homes with an asset value of £8.5 billion. The portfolio is unique in that approximately 93.6% of our properties form the Married Quarters Estate ('MQE') and are rented to the Ministry of Defence ('MoD') under a 200-year lease entered into in 1996. As the MoD releases surplus properties back to the Group, they are either sold or rented in the open market. To date the Group has helped over 17,000 people purchase a home, many of whom were first time buyers, service personnel or key workers.

We have also let thousands of homes to private individuals.

The Group has continued to demonstrate a number of its core strengths, notably its continued stability and financial resilience. During the year, the strength of the Group's financial position allowed it to return to the debt markets, successfully raising £800.0 million of new debt at an average cost of 2.62% and average weighted life of 20 years.

SETTLEMENT OF THE SITE REVIEW

In December 2021, Annington and the MoD concluded the expedited Site Review process with the agreement of a global settlement in relation to the rent payable by the MoD for the MQE properties ('Settlement Agreement'). Early agreement concerning the Site Review brought the settlement forward, resulting in a considerable cost saving to both parties. Annington and the MoD also agreed to a number of additional terms to provide greater certainty to both parties and to help us work more closely together. These terms include a reduction in the minimum number of properties to be released in order for the MoD to qualify for the dilapidations waiver agreed as part of the 2019 Arbitration Agreement.

Whilst the Arbitration Agreement provided for a joint effort to find a solution to the ending of the Utilities Agreement (which falls away on a date in the relevant Underleases (between 25 and 28 years from 1996) the MoD has opted to allow the agreement to end without a replacement, meaning that all releases with a Base Dependency will need to be migrated onto the public utilities network prior to any sale of such Units.

NOTICES OF ENFRANCHISEMENT

Immediately after the completion of the Site Review Settlement Agreement, the MoD served a notice of enfranchisement in respect of a single property in Cranwell, Lincolnshire. The notice indicated that the MoD sought to enfranchise the freehold of that property. Prior to receipt of this notice the MoD had given no indication that it would seek to, or had any interest in, enfranchising any Units within the MQE.

Enfranchisement is a statutory right that allows certain qualifying individual tenants of houses, or groups of tenants living in a block of flats, to buy the freeholds of those properties from their landlords. Ordinarily, for a tenant to qualify they must have a lease of at least 21 years of a house or of a flat within a block of flats. There is a strict statutory process that must be followed in order to enfranchise, which starts with the service of a notice by the tenant on its landlord (and any other people having a superior interest in the building). The purchase price for the Enfranchisement is determined by reference to valuation criteria set out in legislation, being an amount to be agreed between the landlord and tenant, or otherwise determined by a tribunal if agreement cannot be reached.

On 27 January 2022, Jeremy Quin MP, the UK Minister for Defence Procurement, gave a written statement to the UK House of Commons in relation to the enfranchisement notice. He stated that the purpose of the claim was to "explore the exercise of [the MoD's] statutory leasehold enfranchisement rights to buy out Annington's interest in the homes and gain full ownership rights".

On 28 January 2022, the MoD served a further enfranchisement notice in respect of the adjacent property in Cranwell. On 11 March 2022, the Group commenced proceedings in the High Court and a separate application for Judicial Review challenging the MoD's attempt to enfranchise the Cranwell properties. In April 2022, the MoD issued enfranchisement notices in respect of six further properties in Bristol.

The legality of the Cranwell notices, and the MoD's decision to serve them, are being challenged in two sets of legal proceedings commenced by the Group, in the Chancery Division of the High Court, and the Administrative Court, a specialist court within the Queen's Bench Division of the High Court of Justice, respectively. The Group has submitted in those proceedings that the MoD does not have the legal right to enfranchise. On 9 May 2022, Mr Justice Choudhury, sitting as a Judge of the Administrative Court, gave permission for the Group's Judicial Review of the MoD's actions to proceed to a full hearing. Permission is only provided by the Administrative Court where a legal case is arguable and has realistic prospects of success. In granting permission Mr Justice Choudhury has confirmed that the Group's challenge meets this standard. Permission is not required for the Chancery Division proceedings, which are proceeding in parallel. The Group is challenging the six further Bristol notices in the Administrative

Court. All these proceedings are referred to collectively herein as the 'Enfranchisement Proceedings'. A hearing in the Administrative Court to determine whether the MoD is entitled to enfranchise the Units as a matter of public law is anticipated within the next nine months. If this succeeds, the Chancery Division proceedings will not be required. The timing of the hearing of the Chancery Division proceedings is likely to depend on when the Administrative Court proceedings are heard. Both the Chancery and Administrative Court decisions could be subject to appeal to the Court of Appeal, and potentially further appeal to the Supreme Court, and these appeals could take several years. If it is held in both the Administrative Court and Chancery Division claims that the MoD is entitled to enfranchise the Units, each enfranchisement by the MoD would constitute a separate legal action, which could also take significant time to conclude.

As at the date of signing these accounts, the MoD has issued notices on only eight properties across the entire estate. Annington's position is that the MoD has no legal right to enfranchise any properties. Annington is vigorously contesting the MoD's actions.

Notwithstanding the current legal process, the Group reiterates its commitment to maintaining a positive, constructive and mutually beneficial working relationship with the MoD.

RELEASES

This year Annington has successfully scaled up its refurbishment and sales activities to reflect the larger number of properties being returned by the MoD, which totalled 742 in the year to March 2022 across 22 Sites in England and Wales (2021: 320 properties over 12 Sites). The MoD has a stated aspiration of returning a similar number in the coming year and the Group is confident it has the capability to effectively manage this level of releases.

RESPONSIBLE BUSINESS

A primary concern of the Group continues to be the health and welfare of its staff. The positive impact of the UK's vaccination programme and the removal of all remaining COVID-19 related restrictions allowed the Group to welcome staff back to the office from 18 August 2021. The Group has adopted a pragmatic approach which incorporates hybrid working in order to mitigate the lingering effects of the pandemic and promote productivity.

The Group is committed to having a positive social and environmental impact and has significantly developed its Environmental, Social and Governance ('ESG') strategy and activities during the year, completing an externally administered ESG maturity assessment in September 2021. Following this ESG maturity assessment, the Group has aligned its strategy against sustainability frameworks and standards including the United Nations Sustainable Development Goals ('SDG') and as of 31 March 2022 has disclosed alignment with five SDGs.

Annington also made significant strides in understanding its environmental performance. Most notably, the Group contracted with a nationwide waste facilitator to set its first recycling/recovery target of 95% with standardised requirements implemented in regards to the disposal of specialist waste common across Annington's Sites. The Group has also commissioned an exercise to assess its carbon footprint which will help determine the Group's operational and organisational boundaries and understand its key carbon hot-spots. Other opportunities to contribute positively to the sustainability agenda have been identified in all departments and at all levels of the business.

Specific examples of where Annington has made progress embedding sustainability in its day to day operations include the refurbishment of 53 former military homes in Windsor, which will be carried out in line with the Building Research Establishment Environmental Assessment Method ('BREEAM') Refurbishment of Domestic Buildings standard where the Group is seeking a 'Very Good' accreditation, and the installation of both photovoltaic ('PV') panels and over 140 high heat retention storage heaters to improve the Energy Performance Certificates ('EPC') rating to C as part of the refurbishment of 70 properties at Swanton Morley. PV panels and electric vehicle ('EV') charging points are also being installed at 12 properties being refurbished at Abingdon. More broadly, the Group introduced a policy of installing EV charging points across its Assured Shorthold Tenancy ('AST') portfolio where requested by tenants.

During the reporting period, the Group's Health and Safety Committee's remit was expanded to include wellbeing and work began on several initiatives, including introducing the Cycle to Work scheme for staff.

As part of the Group's commitment to having a positive social impact, in particular through supporting military families and communities, the Group was proud to sponsor #forcesplayday, which saw c.8,500 children of military families take part in activities to promote the importance of outdoor play during the summer of 2021. The Group has continued to develop its charitable giving strategy and following a review during the year, has reaffirmed its support of military families and communities in line with our commitment as a signatory to the Armed Forces Covenant.

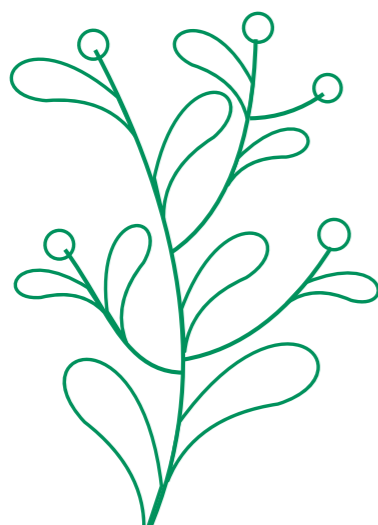
THE MARKET

The Group operates in a traditionally underserved part of the residential market for which the outlook remains strong. During the year, the UK residential property market showed significant growth and resilience, continuing the strong price growth in evidence since early 2020. This performance dispelled fears of a market slowdown resulting from the phase out of the expansion of the nil rate band for Stamp Duty Land Tax ('SDLT') as at 30 September 2021. HM Land Registry reported an annual growth rate of 9.8% to March 2022, the highest annual growth rate since 2007 and an average house price of £278,436. Undersupply continued to be the primary driver behind strong market momentum, with demand for houses exceeding that for flats. In the last quarter of Annington's financial year to 31 March 2022, house price growth again increased following a period of moderation.

The Group has a key focus on the affordable segment of the market. The homes the Group has available for sale or rent typically have larger floor areas, gardens and green space than equivalent new build properties, as well as often benefitting from good transport links. Whilst UK house price growth is expected to slow as a number of factors weigh on growth, notably the 'cost-of-living crisis', rising mortgage rates and a moderation of the supply shortage, house prices are still expected to rise over the year, if at a more modest pace than the recent record highs.

Strong rental demand continued with price inflation accelerating through the year. Private rental prices paid by tenants in the UK increased by 2.4% in the 12 months to March 2022, the largest annual growth rate in this Office of National Statistics ('ONS') measure since July 2016. London, which lagged the market through much of 2021 as remote and hybrid working encouraged occupiers to seek more space, has seen stronger growth since the start of 2022, if at a lower level than other locations.

These trends were felt in the Group's sales and market rent reviews conducted during the year – both for the proportion of the MQE subject to review in the year and for properties in the Non-MQE Rentals Portfolio – and provide a positive backdrop for potential rent inflation in the coming year. The market has shown continuing strong, if moderating, demand for the type of single family homes in suburban or well-connected rural locations that closely align with the Units that Annington will return to the sales or rental market during the year.



MOD POLICY

The MoD is our major customer. Across our MQE and Non-MQE Portfolios 94.4% (2021: 95.5%) of our investment properties are rented to the MoD, generating 92.3% (2021: 92.9%) of the Group's rental income.

The Group closely monitors Government discussions concerning the future of the armed forces and the overall Defence Estate. Whilst last year's Government policy paper "Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy" (the 'Integrated Review 2021') aimed to provide clarity on the future composition and requirements of the armed forces, current geopolitical events could lead to a change of thinking about military needs and priorities. The Government's focus on providing support to Ukraine is laudable but will have an effect on procurement and particularly equipment spending, as equipment sent to the Ukrainian army will need to be rapidly replaced in order to maintain operational readiness.

It therefore remains to be seen whether the policy set out in the Integrated Review 2021 will progress in its current form or whether it will have any impact

on Service Family Accommodation ('SFA'), which includes the MQE Portfolio. However, the increased levels of releases that the Group expects in the current year suggests that the MoD is taking seriously its commitment to reduce the size of the Defence Estate, even as all parties acknowledge the significant challenges and complexity of doing so.

Cost and condition remain perennial concerns for the service personnel living in SFA. The MoD has been making efforts to improve the quality of SFA through additional investment and ongoing repair and maintenance through the award of new contracts under the Future Defence Infrastructure Services ('FDIS') initiative (which came into effect in early 2022). The MoD has also announced the launch of an independent review of armed forces incentivisation which will consider the future approach to both financial and non-financial elements of the MoD's offer to service personnel, including accommodation. As in prior years, the Group remains committed to maintaining a constructive dialogue with the MoD and is supportive of its stated ambition to move towards a more efficient built estate.



GROUP OVERVIEW

The Group, headed by Annington Limited, is one of the largest private owners of residential property in the United Kingdom and, as at 31 March 2022, owned 39,940 (2021: 40,427) residential property units.

The primary asset of the Group is a portfolio of residential property units which was acquired from the MoD on 5 November 1996 (the '1996 Acquisition'). At the time of the 1996 Acquisition the Group acquired c.55,060 Units which were located on 765 Sites, almost all of which were on 999-year headleases which were then leased back to the MoD for a term of 200 years to provide the majority of the MoD's subsidised SFA as well as certain 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 March 2022 (unless otherwise noted), the Group's investment property portfolio consisted of:

	MQE Portfolio	Non-MQE Portfolio
Properties	37,398 (2021: 38,140) homes leased to the MoD and 179 related assets on 503 Sites	2,531 (2021: 2,248) homes owned and rented to the general public, the MoD and local authorities, including homes released from the MQE.
Activity	<ul style="list-style-type: none"> Provision of Service Family Accommodation 	<ul style="list-style-type: none"> Refurbishment and sale or rent of properties released by the MoD Residential investment portfolio Properties rented on market terms, both individually and in bulk Redevelopment capability
Lease length	200 year leases – 174 years unexpired	AST and flexible leases
Lease type	Repairs and maintenance paid by tenant	Repairs and maintenance paid by tenant or landlord
Passing rent at 25 December* 2021	£192.5m	£20.3m
Value	Fair Value: £7,966.4m (2021: £7,641.2m) SAVPV: £10,285.1m (2021: £9,724.8m)	Fair Value: £559.2m (2021: £478.0m) SAVPV: £635.4m (2021: £526.8m)

In addition to the above, a further 11 newly developed Units were held for sale (2021: 39 under development for sale or for rental). The Group also managed 20 (2021: 27) properties on bulk or assured shorthold tenancies.

*Passing rent is calculated at 25 December, being the point at which Beacon Unit Rent Reviews become effective.

STRATEGIES

The Group enjoys a unique role as the MoD's primary landlord for residential housing, 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.

Maximising MQE value increases through Rent Reviews and Site Reviews

The Group looks to maximise rental income and in turn estimated market value of the MQE through the five yearly Rent Review cycle, setting the reference open market rent for the MQE. The recent settlement of the Site Review process pursuant to the Settlement Agreement not only decreased the Original Adjustment Factor from 58% to the New Adjustment Factor of 49.6% but also included an agreement that at the next Site Review in 15 years' time, the New Adjustment Factor will also be applied, meaning that the next full Site Review will take place between 2051 and 2054.

Rigorously appraising options for Released Units and Disposal Proceeds

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 relet the Units within the Non-MQE Portfolio. The Group's management reviews and evaluates options for Released Units and pursues appropriate strategies having regard to market conditions and other circumstances at the time. From time to time, the Group may also choose to rent out certain properties prior to sale, either while base dependent utilities supplies are separated, or where this approach appears more likely to yield greater value due to market conditions or otherwise.

The Group examines all potential options for the use of proceeds that it receives from the sale of Released Units. The Group may reinvest proceeds into the refurbishment of the Non-MQE Portfolio, it may expand the Non-MQE Portfolio and also considers potential infill development or redevelopment. The Group may also consider pre-paying debt if considered appropriate and may also elect to distribute such cash (subject to the Group's dividend policy). If the MoD is successful in establishing that it has the right to enfranchise MQE Units and in fact elects to enfranchise any MQE Units, the Group would apply the same strategy that it already employs with respect to use of proceeds received from the sale of Released Units to the use of proceeds received from any Enfranchisement actions by the MoD.

Developing systems and processes to minimise cost of sales of Released Units to third party purchasers and ensure efficient handling of units between release and sale or reletting

In respect of Released Units which are intended to be sold to third party purchasers, the Group utilises established systems and processes to minimise the cost of sales of Released Units. This ensures efficient handling of Units between release and sale or reletting and includes 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 control programme implementation and costs. The Group also maintains an extensive use of outsourcing to control workflows

and match the uncertainties arising from variable MoD property release levels. Preferred contractors are employed on a schedule of rates in order to guarantee pricing levels. Where necessary, the Group will continue to offer certain sales incentives to maximise sales volumes, as well as employing sales support providers and estate agents with detailed knowledge of the local markets in which they operate.

Actively managing tenancies

Through the Non-MQE Portfolio, the Group intends to continue letting at market rates to the MoD or other third parties on the open market, and improving the Group's returns through proactively managing the Group's tenancies and rental levels. 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 reletting. If it becomes uneconomic to retain such properties, potential options to maximise value will be considered, including refurbishment, redevelopment and disposal.

Undertaking planning and development initiatives where appropriate

As and when opportunities arise within the properties released from the MQE or in the Non-MQE Portfolio, the Group will continue to undertake planning and development initiatives within, and provide planning and development skills to, the wider Group.

BUSINESS REVIEW

MQE PORTFOLIO

The MQE, held by Annington Property Limited ('APL'), is the core asset of the Group. APL's primary business consists of renting MQE Units to the MoD, conducting periodic Rent and Site Reviews and selling or renting out Units which are released by the MoD from time to time.

As of 31 March 2022, the Fair Value of the MQE was £7,966.4 million (2021: £7,641.2 million) and the SAVPV (as defined in the Glossary) at that date was estimated to be £10,285.1 million (2021: £9,724.8 million).

The MoD is obliged to make rental payments to the Group on all MQE Units, regardless of occupancy, meaning there is no rental void risk while the properties are leased to the MoD. The MoD is solely responsible for the condition, management and maintenance of the MQE, and is required to pay compensation for the costs of repairs for dilapidations if Released Units are not returned to APL in good tenable repair and decorative order.

Rent Reviews

At the time of the 1996 Acquisition, the MQE was split into four broadly homogenous tranches, each encompassing approximately 25% of the MQE for purposes of Rent and Site 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 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 MQE which would otherwise arise out of evaluating all MQE 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.

At the current stage of completion of the December 2021 Rent Review, the annualised passing rent in respect of the MQE was £192.5 million (December 2020: £183.1 million).

Site Reviews and Settlement Agreement

Under the original terms of the agreement, in addition to the Rent Review cycle described above, each Site would be reviewed over a four-year period commencing in December 2021 (the 'Site Review'). Similar to the Rent Review process, the Site Review would be performed in four separate tranches, with approximately 25% of Sites being reviewed in each of the respective review years. The Site Review would subsequently be repeated on the 15th anniversary of the initial Site Review, with the five-yearly Rent Reviews continuing alongside and between each Site Review.

Under the 1996 contracts, MQE Units were rented to the MoD at a 58% adjustment by way of discount to open market rent ('Original Adjustment Factor'). The Arbitration Agreement set out the terms of an expedited process to complete the 2021-2024 Site Review rounds to set the New Adjustment Factor. Following completion of the expedited Site Review in December 2021, a new global discount of 49.6% will apply from the dates at which the new rents become payable between 2021 and 2024 across the entire MQE. When applied to the Units held at the date of the Settlement Agreement, this uplift equates to a £35.9 million uplift in annual passing rent. In addition, it was agreed that the same discount will be applied to the MQE at the next Site Review, on the 15th anniversary of the initial Site Review scheduled for 2036-2039, providing certainty for the next thirty years. The next opportunity for revisiting the global discount will therefore be 2051. Both Annington and the MoD consider the outcome a good outcome and a fair settlement.

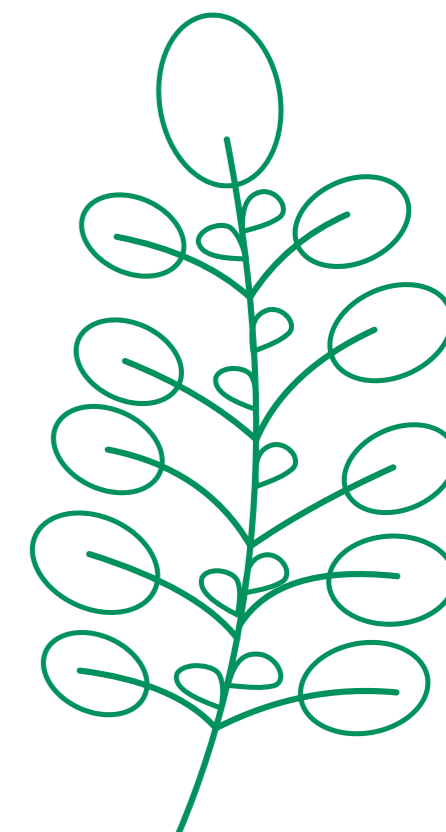
Property Releases

As the MoD's requirements for SFA change, it may elect to terminate, in whole or in part, any lease upon six months' notice subject to meeting certain release criteria. In the year to 31 March 2022, the MoD returned 742 Units to Annington. Upon termination of a lease, APL is left with vacant possession of the Released Units and is free to use or dispose of them as it sees fit, including by selling them to third party purchasers, or by leasing them at open market value, thereby generally providing an immediate uplift in value given that such properties will no longer be subject to the adjusted rent being paid by the MoD prior to their release.

Historically, under the agreements entered into with the MoD at the time of the 1996 Acquisition, the MoD was under an obligation to release a certain minimum number of Units. This obligation was met in 2007, since which time the rate of handbacks of Units from year to year became unpredictable. Accordingly, concomitant with the Arbitration Agreement, APL and the MoD entered into the Dilapidations and Handback Agreement, pursuant to which the MoD agreed to a minimum number of releases per annum and the Group agreed to waive up to £7,000 per Unit of dilapidations, subject to an annual cap of £3.5 million.

As part of the settlement reached with the MoD in December 2021 to bring the expedited Site Review process to a successful conclusion, a revision to the number of minimum releases from 500 to 375 per annum was agreed, commencing in the year to March 2023. The 375 releases is calculated on a two-year average within a three-year period with the MoD also agreeing to release a minimum of 250 properties per annum. The Group has agreed to continue to waive up to £7,000 per Unit of dilapidations, subject to a revised annual cap of £2.6 million and to meeting certain release criteria. Annington has also agreed to the return of properties at two Sites – Brize Norton (87 properties) and Uxbridge (85 properties) – with a waiver of all associated dilapidations in relation to the properties, which were returned to Annington in May 2022.

Having agreed a lower number of minimum releases as part of the Site Review settlement, the MoD significantly exceeded the minimum in the year to March 2022 with 742 Units handed back, and has a stated aspiration to return a similar number in the coming year. The Group continues to work closely with the MoD to identify future releases.



NON-MQE PORTFOLIO

The operational platform developed as a result of owning and operating the Non-MQE Portfolio is key to realising best value from the expected releases from the MQE. This platform allows the Group to control the timing of sales releases into the housing market and provides an opportunity to take advantage of strong yields in markets where the Group sees the potential for appropriate returns.

As of 31 March 2022, the Non-MQE Portfolio (excluding properties held in inventory) consisted of 2,531 properties. Of these, 983 were transferred from the MQE Portfolio upon release by the MoD and remain in APL (the 'Non-MQE: Surplus Estate'), where they are strategically assessed and either rented or sold. The remaining 1,548 properties (the 'Non-MQE: Rentals Portfolio') are owned by other companies within the Group. These properties are let on bulk tenancies (which are often to the MoD) at market value or let to other third parties on the open market. Some of this activity is useful in generating comparison data which the Group uses in rent negotiations with the MoD during Rent Reviews. Furthermore, the Group undertakes property management services for a small portfolio of 20 Units.

As at 25 December 2021, annualised passing rent in respect of the Non-MQE Portfolio was £20.3 million (December 2020: £19.9 million). As of 31 March 2022, the investment properties within the Non-MQE Surplus Estate and the Non-MQE Rentals Portfolio were valued at £559.2 million and SAVPV at £635.4 million.

The Group has a proven in-house development capability and is able to provide planning and development support. Where opportunities arise to create added value through infill or other development, the Group may carry out development activities on its own account or enter into joint venture arrangements with other landowners and property developers where the combination of skills, assets and resources are expected to yield higher returns. The Group holds 11 newly developed Units recorded as inventory (31 March 2021: 39 Units under development with 17 inventory Units and a further 22 investment properties in build). The categorisation of development Units between investment properties and inventory depends on the Group's intentions for future use of the properties. At 31 March 2022, the inventory Units had a book value of £6.1 million and a Fair Value of £6.3 million (2021: £9.2 million book value). At the same date, the inventory Units had an SAVPV of £6.7 million.

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. The provision of good quality living accommodation is a core principle for the MoD, is considered to be a key enabler of operational capability and it is an important part of the Defence Estate. A number of factors influence the future of SFA, 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 reported in its 2022 SFA Bulletin that there are c.47,900 (2021: 49,000) SFA Units in the United Kingdom. Of these, c.8,600 (2021: 9,700) properties are currently vacant (17.9% of the total). As at 31 March 2022, of the 47,900 UK SFA properties,

91.5% are in England and Wales, amounting to 43,829 properties, of which 37,398 (as of 31 March 2022) are part of the MQE. Applying the published void rates for the SFA generally on a pro-rata basis suggests that there are approximately 6,700 vacant Units in the MQE. The MoD's long-term management margin for void properties is 10%, but void rates have consistently been around 20% for at least the last 15 years. Since 2019, void rates have shown a general decrease with 1,100 fewer vacant UK SFA in the year to March 2022 than in the preceding year. This is in part due to the increase in allocation to military personnel who became eligible for SFA following a policy change, and an increase in the number of disposals.

The management of SFA is the responsibility of the Defence Infrastructure Organisation ('DIO') within the MoD. The Group is not responsible for management and maintenance of those properties leased to the MoD and carries no void risk.

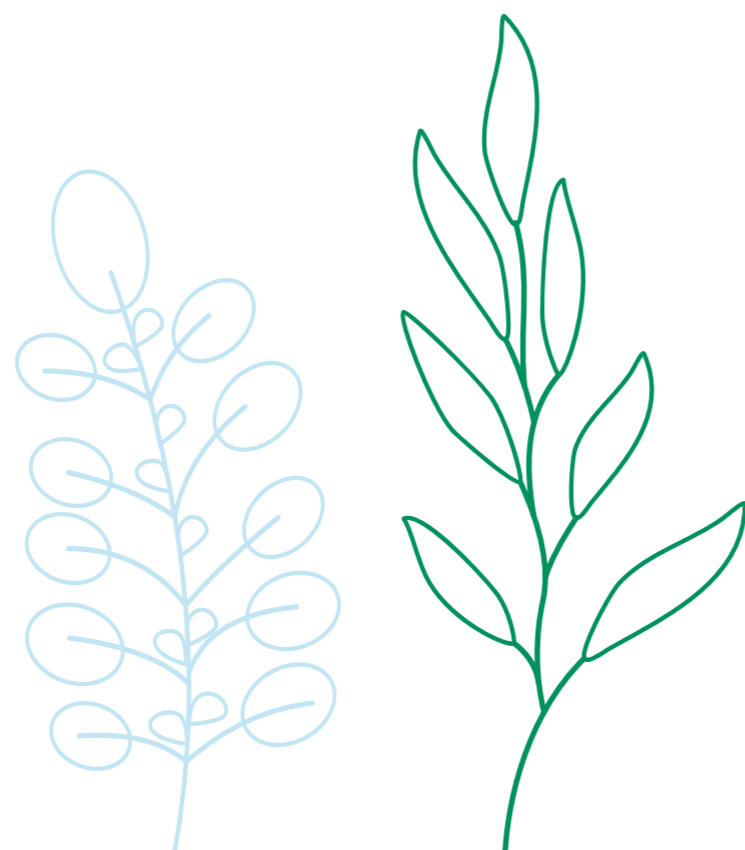
Maintenance of the overall accommodations portfolio continues to prove challenging and costly for the MoD with satisfaction with responses to maintenance requests and satisfaction with the quality of repair work both falling further this year, to 30% of respondents, a 10% decrease across both measures since 2015 (Armed Forces Continuous Attitude Survey: 2022). During the year, the MoD retendered the maintenance contracts for SFA as part of the Future Defence Infrastructure Services ('FDIS') initiative. Pinnacle Group Ltd were awarded the National Accommodation Management Services ('NAMS') contract, which will provide a single point of contact for service families for housing services.

Four Regional Accommodation Maintenance Services ('RAMS') contracts, which replace the national contract with Amey (formerly Carillion-Amey) will provide repair and maintenance services to military homes. Worth £499 million, these were awarded to Amey for the Northern and Central Regions, and VIVO for the South East and South West of England. In addition, these will deliver £171 million of improvement and upgrade works in their first year alone. This aims to build on the increased levels of investment by MoD over the last two financial years.

On 17 July 2020, the Defence Secretary and the Chancellor of the Exchequer jointly announced £200 million of new Government funding to improve accommodation for service personnel, of which £122 million was allocated for improving the SFA. The funds were allocated to return more than 800 long-term void properties to use and for improvements to 2,700 further properties. In January 2022, the MoD reported that it had spent £123 million in the preceding year to improve the quality of SFA in the UK and expects to invest a further £143 million in the subsequent year. A Damp and Mould Action Plan has been released which provides a more proactive approach to damp and mould issues with £73 million set aside to be spent on windows, doors, roofs and upgrades to thermal efficiency and ventilation to reduce the occurrence of damp and mould in homes. The DIO is also taking its commitments to sustainability seriously and, following a successful pilot study, is rolling out electric vehicle charging points to those whose SFA meets its eligibility criteria.

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 MQE has resulted in higher dilapidations claims. For claims agreed during the ten year period beginning 2012 and ending 2021, the average gross cost to the MoD of dilapidations was approximately £18,000 per Unit. However, as previously discussed, concomitant with the December 2021 Settlement Agreement, a deed of amendment to the Dilapidations and Handback Agreement was entered into whereby the MoD retains the dilapidations relief, subject to meeting the agreed release profile. In addition Annington agreed to waive dilapidations compensation in its entirety on two Sites, one at Uxbridge and one at Brize Norton, which the MoD wished to return to the Group.

Following the successful conclusion of the Site Review, the MoD will be subject to a lower rental adjustment whereby it will pay 50.4% of open market rental value on all properties leased from the Group, rather than the 42% that it has paid since 1996. The revised rental adjustment comes into force over four years starting in December 2021 and represents a £2.2 million increase in rent in the current year. The average annual rent for an MQE Unit was approximately £5,060 as at 25 December 2021 and, according to Rightmove Group Limited, the estimated national average asking rent in the UK, excluding Greater London, at the same date was £12,816 per annum, and for Greater London was £25,704. Accordingly, notwithstanding the significant expense, the MoD's lease arrangements with the Group continue to provide it with a very cost-effective housing solution.



The MoD continues to consider ways to reduce costs and the financial burden of providing SFA. This year will see the review of the Future Accommodation Model ('FAM') pilot projects at HMNB Clyde, Aldershot Garrison and RAF Wittering and the launch of an independent review of armed forces incentivisation, which aims to modernise financial and non-financial elements of the offer to service personnel so that these are commensurate with the ways in which the armed forces are expected to change and operate in future. Given that 76% of all serving personnel live in service accommodation during the working week (of this 29% live in SFA) serious consideration would need to be given to the impact on recruitment or retention to any significant change to accommodation provision.

The UK Housing Market

The Department for Levelling Up, Housing and Communities ('DLUHC', formerly Ministry of Housing, Communities and Local Government ('MHCLG')) estimated there were 24.9 million homes in England at 31 March 2021 (in their most recent statistical release from May 2022), an increase of 216,490 dwellings (0.88%) on the previous year. The majority of these (15.9 million or 64%) were owner occupied, with 4.9 million private rented dwellings and 4.1 million social and affordable rental housing. The Welsh Government, in its last available statistical release showed an additional 1.4 million dwellings in Wales as at 31 March 2020 of which, 1.2 million were owner occupied.

New supply of housing in England reached 216,490 in 2020-21 down 11% on 2019-20 (244,000) which was expected due to the impact of the COVID-19 pandemic. Using EPCs as a proxy for housing supply as reported in the DLUHC 28 April 2022 statistical release Energy Performance of Buildings Certificates Statistical Release January to March 2022 England and Wales, in the 12 months to March 2022, new dwelling EPCs totalled 239,000, an increase of 8% on the 12 months to March 2021

but down from the peak of 255,000 in 2020. Whilst consents have remained above 300,000 on a 12 month rolling basis in each of the last three quarters, it is still insufficient to tackle the historic undersupply which underpins the UK housing market and the distribution of new supply does not necessarily correlate to need.

In the last year, demand has continued to be driven primarily by buyers seeking additional space as much of the UK workforce adapts to hybrid working in the wake of the COVID-19 pandemic, which has allowed many commuters to look further than the traditional commuter belt. Whilst it was expected that the end of the SDLT nil rate band extension in September 2021 would cool the market, the continuing supply-demand imbalance has driven buyer activity and strong house price growth. Hometrack's March 2022 House Price Index ('HPI') report showed strong continued demand for homes with demand statistics returning +58% in the 4 weeks to 24th April vs 5-year average and against a +3% flow of new supply in the same period vs 5-year average, a modest increase in supply. This suggests further potential rises in house prices, however affordability constraints are significantly more pronounced than last year. Inflation is currently at the highest levels seen in 40 years, at 9% and consequently Bank of England base rates have increased from 0.25% at the end of 2021 to 1.25% in June 2022. The erosion of real earnings is causing a wider 'cost-of-living' crisis, the ratio of house prices to earnings has increased to 8.9 in England and Wales vs. 7.7 in 2019 according to the ONS and mortgage lenders are beginning to reflect both the increase in interest rates and stricter affordability criteria, which is likely to bring about a tighter mortgage environment. These factors are expected to result in slower house price growth over time.

Annual house price growth in the United Kingdom was 9.8% in March 2022 as reported by the Office of National Statistics ('ONS') and HM Land Registry. The average house price in the UK was

£278,436, based on ONS data, £297,524 in England (up 9.9% over the year) and £206,395 in Wales, an increase of 11.7% over the preceding 12-month period and the highest of the four home nations. On a regional basis, London had the highest average house price at £523,666 (but the lowest annual growth at 4.8%), followed by the South East and the East of England, at £384,966 and £343,900, respectively. The lowest average price remained the North East at £154,913. There was strong growth across the market as a whole (excluding London), with overall price increases being driven by a wide supply-demand imbalance in the market. Regionally, the data shows a change from 2020-21, where the fastest price growth was seen in the most affordable regions. This year saw lower growth in lower value regions (North East, Yorkshire and The Humber, and North West) and higher growth in higher value regions (South East and South West) with the East Midlands, in the middle of the range, returning the highest growth at 12.4%.

The regional divergence in house prices suggests a continuation of trends resulting from the COVID-19 pandemic, but rather than the 'race for space' of 2020-21, the move to hybrid working is having the bigger impact with buyers prioritising lifestyle factors, whether that is more space within their budget or more agreeable locations as demonstrated by coastal parts of England seeing the strongest demand from affluent buyers. Whilst the appetite for flats, particularly in London, seems to be returning, demand for houses continues to outstrip that for flats in the 12 months to March 2021 with growing divergence over the past 12 months, although all property types have seen strong growth during the year due to the lack of supply.

In its May 2022 release, the Royal Institute of Chartered Surveyors ('RICS') set out its 12 month outlook for the housing market, showing expectations for sales volumes to be fairly flat, but with a majority of survey respondents expect rising prices over the next year. Savills Research revised its five year

forecasts for UK mainstream sales in May 2022. With this revision, expectations for 2022 are that house price growth in the UK will reach 7.5% with the continued supply-demand imbalance driving this growth. Economic conditions (most notably increased cost of living and interest rate rises) are expected to impact affordability further ahead, causing house prices to contract by 1% in 2023. These conditions are expected to give way to lower but steady growth in 2024 and beyond, bringing the five year price growth forecast to 12.9% overall. Savills further predicts that the markets will maintain transactional volumes at a steady level after an initial fall in 2023.

The ONS reported that private rental prices paid by tenants in the UK increased by 2.4% in the 12 months to March 2022, 2.2% in England, 1.6% in Wales and 2.8% in Scotland over the same period. Regional divergence is in evidence with the East Midlands and East of England registering the highest annual growth (at 3.8% and 3.7%, respectively), while London saw the lowest (0.4% – a move into positive growth after registering negative 0.1% last year). This reflects a lack of overall supply in the market and whilst there continues to be a preference for more space because of changing work norms resulting from the COVID-19 pandemic, city living, particularly in London, is starting to regain its appeal.

The RICS reported that tenant demand continued to rise at a robust pace over the month to March 2022. Whilst landlord instructions increased for the first time since July 2020, rental growth expectations remain elevated with all regions expecting further material increases in rental prices over the coming quarter, and headline projections for the year at +4% and +5% per year over the next five years. Further ahead, UK rents are expected to rise by 19.9% (18.8% UK ex London, 22.2% London alone) over the 5 years to 2026, from data published by Savills pertaining to rents in the second hand market.



KEY PERFORMANCE INDICATORS

The Group measures Key Performance Indicators ('KPI's) based on the controllable variable drivers of its activities. The section on Alternative Performance Measures in Appendix 3 provides further details on the calculation of these measures.

Financial KPI	2022 £ millions	2021 £ millions	Management commentary
Gross rental income	205.5	201.3	Gross rental income has increased by £4.2 million or 2.1% in 2022 and is mainly due to the application of the new Site discount rate of 49.6% replacing the current rate of 58% on a quarter of the MQE Portfolio. In addition, there have been rent price uplifts following the outcomes of the 2020 and 2021 Beacon Unit Rent Reviews.
Net rental income margin	96.7%	97.1%	Net rental income margin measures the profitability of the Group's rental operations, expressing net rent as a percentage of gross rental income. The decrease in margin is primarily as a result of increased holding costs of the larger volume of Units released from the MQE.
Adjusted EBITDA	183.8	181.3	Adjusted EBITDA is used to measure the normalised earnings of the business by removing exceptional items of profit and loss and aims to make comparisons more meaningful across different periods. Adjusted EBITDA has increased slightly due to the increase in gross rental income. This was partially offset by the increase in property holding costs as the volume of Released Units on hand increased and an increase in administration costs.
Adjusted EBITDA margin	89.5%	90.0%	Similar to the Adjusted EBITDA, Adjusted EBITDA margin is used to measure the normalised earnings of the business. This metric measures the rate of conversion of gross rental income into Adjusted EBITDA. This KPI has slipped slightly due to the impact of additional costs caused by additional Units being released and the planned executive transition being executed during the year.
Free cash flow	155.4	100.6	This measure is used to assess the cash generated to be utilised on discretionary purchases or dividends. Free cash flow has increased by £54.8 million, driven by higher proceeds from sale of investment properties.
Net rental yield	2.3 %	2.4%	This measure is used to measure rental yields on investment property carrying values and has remained fairly consistent year on year.



FINANCIAL REVIEW

INCOME STATEMENT

Gross Rental Income

The Group generated rental income of £205.5 million – a 2.1% increase over 2021 at £201.3 million.

	2022 (£m)	2021 (£m)	Increase %
MQE	184.8	181.5	1.8%
Non-MQE	20.7	19.8	4.5%
Total	205.5	201.3	2.1%

The MQE Portfolio rental income was £184.8 million in the year to March 2022 (2021: £181.5 million). This increase is reflective of the Site Review rent adjustment agreed in December 2021, applied to the first tranche of Sites in accordance with the terms of the Underlease (contributing an increase of £2.2 million over 2021), combined with the Beacon Unit Rent Reviews (an increase of £2.3 million) and partially offset by releases of Units during the year (a reduction in rent of £1.2 million).

The new Site Review adjustment of 49.6%, if applied to all MQE Units at the time of Settlement Agreement, would add £35.9 million to annual passing rent. This uplift will be reflected in the annual Rent Reviews conducted between December 2021 and December 2024 to the Units rented to the MoD in the relevant rent period.

Rent from the Group's Non-MQE Portfolio increased from £19.8 million in 2021 to £20.7 million in 2022. This reflects principally the addition of surplus Units to the portfolio over the last two years (£0.7 million) and a 4.4% increase in like-for-like AST rental income (£0.5 million). The early surrender programme, relating to certain of the Group's bulk leases within the Non-MQE Portfolio, whereby Units were released from their contracts early, continued during the year, resulting in a net decrease in rent of £0.4 million.

Overall, across our MQE and Non-MQE Portfolios 93.4% (2021: 94.1%) of the Group's rental income is derived from contracts with Government bodies, with properties rented to the MoD generating 92.3% (2021: 92.9%) of the Group's rental income. The MQE contributes 89.9% (2021: 90.2%) of the Group's rental income.

By its nature, the MQE has a 100% occupancy. Occupancy within the Non-MQE Portfolio remained at around the 98% mark throughout the year, with a small dip in December 2021/January 2022 as a result of the addition to the portfolio of a number of refurbished Units which were released from the MQE.

Property Operating Expenses and Dilapidation Income

Property operating expenses ended the year at £6.8 million (2021: £5.8 million), a 16.9% increase on 2021. The higher level of releases during the year (742 Units in 2022 vs 320 in 2021) gave rise to increased survey and investigation costs, which have not been capitalised. Additionally, the increase in AST rental Units (an increase of 10% in terms of number of Units) led to an increase in the costs of running this portfolio.

Dilapidation income was £0.5 million lower than 2021 at £2.6 million (2021: £3.1 million). Dilapidation income is largely a function of the nature and location of Units and their state of repair when they are released to the Group, hence the variability in income from year to year.

Administrative Expenses

During the current year, administrative expenses (including depreciation) amounted to £15.3 million for the year (2021: £14.3 million). This increase was due in large part to higher staff costs with an executive transitional period for the positions of CEO and CFO taking place during the year and an increase in staff numbers from 50 at 31 March 2021 to 55 at 31 March 2022 to support the higher number of property releases. Inflationary pressures have also increased running costs slightly, but pared back expenditure on IT costs (where 2021 saw increased costs as staff moved from an office based model to one of working from home) and lower charitable spend (where additional support was given in 2021 to our charity partners due to the negative impact of COVID-19 on them last year) helped to curb non-staff related costs this year.

Adjusted EBITDA

The Group uses Adjusted EBITDA to measure a normalised performance for the business. Adjusted EBITDA reflects the total of net rental income, other operating income (except for dilapidation income), administrative expenses and other operating expenses.

Adjusted EBITDA for the year ended 31 March 2022 was £183.8 million (2021: £181.3 million) – an increase of 1.4% over 2021. This is the result of a combination of the factors discussed above: the increase in gross rental income; the increase in property holding costs as the volume of Released Units on hand increased; the increase in rental running costs where Units were transferred into the AST rental portfolio; and the increase in administration costs. For further information on the calculation of this measure, please refer to the section on Alternative Performance Measures, Appendix 3.

Property Disposals

The Group sold 487 residential Units during the year (2021: 314 residential Units). Out of our investment property portfolio, 481 Units were sold for £107.7 million (2021: 302 properties for £70.6 million). Of this, 351 properties were sold out of the Non-MQE Surplus Estate portfolio (2021: 169 Units), the increase being reflective of the higher volume of releases from the MQE Portfolio over the last year. The majority of the remainder is attributable to Units sold out of the early surrender programme of bulk Units in the Non-MQE Rentals Portfolio (referenced earlier in the Financial Review), as well as the remaining Units at our Brize Norton development. Profit on disposal of investment properties amounted to £7.4 million in the current year (2021: £12.6 million) – a decrease of £5.2 million. The profit/loss on investment property disposals is, in general, reflective of housing market movements during the year, with the profit representing the increase in house prices between the March 2021 valuation and the time of sales.

Six properties were sold from inventory for £4.0 million (2021: 12 properties for £5.2 million) in connection with the Group's new build projects. A profit of £0.3 million was made in the current year (2021: loss of £0.7 million).

Property disposals	2022		2021	
	Units	Sales (£m)	Units	Sales (£m)
Non-MQE Portfolio – Surplus Estate	351	73.2	169	37.0
Non-MQE Portfolio – Rentals Portfolio	130	34.5	133	33.6
Total investment properties	481	107.7	302	70.6
Inventory units	6	4.0	12	5.2
Total properties	487	111.7	314	75.8

Exceptional Items

Site Review negotiations concluded in December 2021, with the remaining costs relating to this body of work ending at £7.4 million for the year – significantly below that of last year, which amounted to £24.4 million in 2021.

The Group has incurred additional costs relating to the MoD's Enfranchisement notices. Because of the unusual circumstances surrounding this case, the possible impact on the MQE, and the likelihood of substantial amounts being spent to defend the Group's position, these costs have been shown separately on the face of the income statement. Costs incurred in the current year amount to £4.1 million (2021: £nil).

Cash Flows

Cash generated from operations before tax increased by £25.8 million from £153.0 million in 2021 to £178.8 million in 2022. This reflects the increased cash receipts from rental income, up c.£5.6 million, reflecting as the effects of Rent Review and Site Review filter through, as well as increased rent from our AST portfolio. Expenditures were also lower due to the conclusion of the Site Review process in December 2021 (c.£17.3 million lower), though this was partially offset by higher overhead spend. Dilapidation income was lower due to timing of negotiated outcomes on released Sites, whilst inventory sales generated c.£1.8 million less than last year with volumes halving.

The Group generated £90.5 million of cash from investing activities (2021: inflow of £50.9 million). Higher volumes of sales achieved (481 investment property Units) resulted in net sales proceeds of £105.1 million for the year, compared with £72.8 million on 302 properties in the comparative period. Refurbishment costs on investment properties decreased as large projects at Brize Norton and Bordon St Lucia Park came to an end.

Cash from financing activities reflects the bond issue of £800.0 million that took place in October 2021, net of costs of £6.4 million (see Financing section) as well as the subsequent special dividend of £793.6 million paid to Annington Holdings (Guernsey) Limited, the immediate parent of the Group. A dividend of £170.0 million was also paid earlier in the year relating to the March 2020 and 2021 financial years. Debt service costs were £105.5 million for the year ended 31 March 2022 (2021: £106.0 million) with the first interest payment on the new bonds paid in April 2022.

The Group uses free cash flow to determine cash available to distribute or reinvest. The Group has defined free cash flow as the net increase/decrease in cash for the year adjusted for capital raised and dividends paid and payments for the purchase or construction of new investment properties. The free cash flow for the year was £155.4 million (2021: £100.6 million).

Property Valuation

CBRE Limited ('CBRE') continued as valuer of the MQE and the Non-MQE Portfolios this year following their appointment last year after a competitive tender process.

As in previous years, the valuation of the MQE portfolio is determined on a discounted cash flow basis, given the MQE is let on a long leasehold basis to the MoD. The Non-MQE Portfolio has been valued using a range of approaches, including using discounted cash flows, income capitalisation techniques and utilising a discount to vacant possession. The carrying value of the Group's investment property portfolio has increased from £8,123.3 million at 31 March 2021 to £8,533.4 million at 31 March 2022, with £490.3 million being recognised as a gain on revaluation in the income statement (2021: £478.1 million). The carrying value differs from the Fair Value in that it has been adjusted for assets or liabilities recognised separately on the balance sheet to avoid double counting (refer to Note 10 to the financial statements for further details). Further, the Fair Value takes into account transaction costs incurred by disposing of the portfolio as an asset sale. When valuing on the basis of the assumption of no SDLT and the investment properties held in SPV's, as at 31 March 2022, the value of the portfolio is £8,907.4 million.

The movement in the valuations from 31 March 2021 reflect a number of adjustments including the upward movement from the release of the risk premia attached to the Site Review uncertainty and the downward movement from the inclusion of a £415 million (circa 5% of the overall value) adjustment for CBRE's view of the risk associated with the liquidity and marketability of the MQE during the Enfranchisement Proceedings. The balance of the movement is made of a number of other factors including property sales during the period, discount rate movements, updates to modelling assumptions for known future terminations, updates to future MQE release assumptions and MQE Rent Review forecasts, and non-MQE growth.

For the year to 31 March 2022, the majority of the valuation uplift has been seen in the MQE portfolio, which increased £325.2 million in value during the year, despite there being 742 Units released from this portfolio. This portfolio now has an average Fair Value of £213,000 per Unit, up from £200,400 at March 2021.

Noting the contractual nature of the rental uplifts arising from the Site Review process, which will be implemented by December 2024 at the latest, the MQE valuation reflects a net initial yield of 2.3% (2021: 2.0%) and an IRR of 4.9% (2021: 5.0%).

On the basis of Fair Value, 83% (2021: 85%) of this portfolio is located in the Greater South, with the regional split being as follows:

Region	31 March 2022		31 March 2021	
	Number of units	Fair Value £m	Number of units	Fair Value £m
East of England	2,810	480.0	2,885	420.9
East Midlands	2,456	385.0	2,456	190.0
Greater London	1,872	717.3	1,952	921.6
North East	376	49.9	376	43.6
North West	485	64.9	509	78.5
South East	14,561	3,570.3	14,782	3,539.0
South West	9,554	1,867.2	9,719	1,644.7
Wales	801	128.0	848	122.7
West Midlands	1,569	258.7	1,569	249.6
Yorks & Humberside	2,914	445.1	3,044	430.6
Total Fair Value	37,398	7,966.4	38,140	7,641.2
SAVPV		10,285.1		9,724.8

At the time of the 31 March 2021 valuation, market values were based on regional assumptions derived from the outcomes of each of the Site Review batches. Subsequently, pursuant to the terms of the Settlement Agreement, a discount of 49.6% was agreed to be applied to all Sites equally. This has resulted in regional variations when comparing 2021 to 2022.

The Group has historically used SAVPV to account for the change in value of the portfolio's underlying assets and as a measure of what the properties would be worth were they to be released. SAVPV for both the MQE and Non-MQE Portfolio is defined in more detail in the Glossary. MQE SAVPV was calculated using a representative sample within the MQE, which was extrapolated over the total Units within the MQE at the date of the relevant valuation.

The SAVPV for the MQE was valued at £10,285.1 million (2021: £9,724.8 million), which equates to an average SAVPV of £275,000 per Unit (2021: £255,000). The SAVPV represents a 29.1% premium on Fair Value (2021: 27.3% premium) and is an indicator of the potential value to be realised from future sales, assuming vacant possession and no transactions costs.

Financing

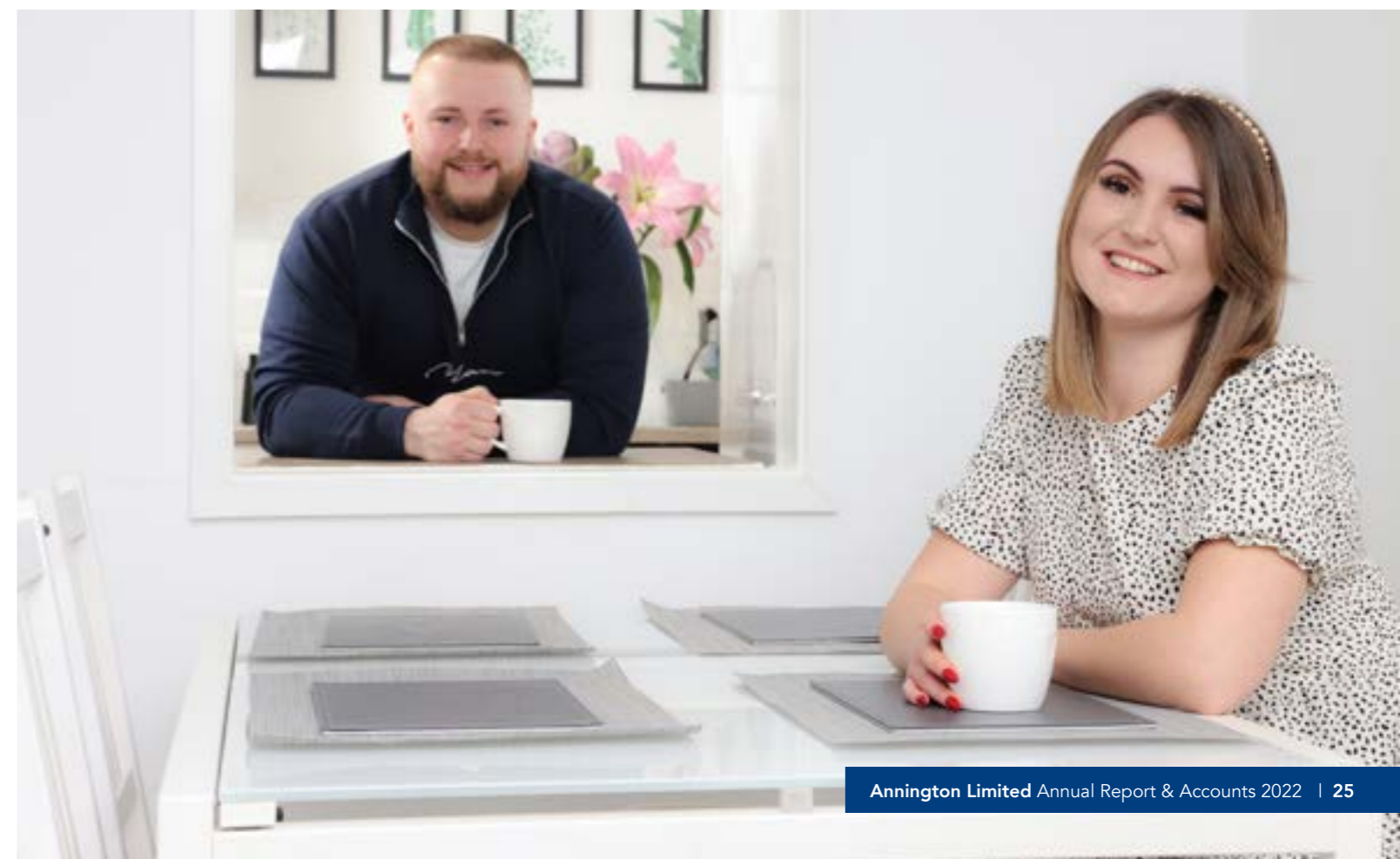
In October 2021, the Group, through its subsidiary Annington Funding plc ('AFP'), issued two tranches of fixed rate notes of £400.0 million each under its £4 billion Euro Medium Term Note ('EMTN') Programme. The notes mature in 2032 and 2051 and carry coupon rates of 2.308% and 2.924%, respectively.

The Group continues to operate an unsecured debt strategy and a policy of retaining a BBB rating. Following the bond issue in October, the Group's debt now amounts to £4.2 billion (2021: £3.4 billion), mainly consisting of bonds issued on the London Stock Exchange through AFP.

The Group's covenants attaching to the bonds are set out below. These ratios incorporate the effect of the new debt issue referred to above, but still remain well below covenant thresholds.

Covenant	Test	Limit for Bonds	Limit for Loans	31 March 2022	31 March 2021
Limitation on Debt	Total debt / Total assets	<65%	<65%	46.7%	39.1%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%	-	-
Interest Cover Ratio	Consolidated EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)	1.54x	1.69x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	212.4%	253.8%

At 31 March 2022, the Group's weighted average cost of debt was 3.00% (2021: 3.09%) with a weighted average life of 11.5 years (2021: 10.2 years).



Bonds issued under the 2017 Euro Medium Term Note ('EMTN') Programme

AFP has issued bonds in the following denominations, maturities and fixed interest rates:

Principal Amount	Currency	Final Maturity	Coupon
600m	EUR (€)	12-Jul-24	1.650%*
625m	GBP (£)	12-Jul-25	2.646%
600m	GBP (£)	12-Jul-29	3.184%
400m	GBP (£)	06-Oct-32	2.308%
625m	GBP (£)	12-Jul-34	3.685%
625m	GBP (£)	12-Jul-47	3.935%
400m	GBP (£)	06-Oct-51	2.924%

*Euro denominated debt and interest payments subject to cross currency swap agreement (see hedging paragraph below) which increases the effective rate of this tranche to 2.764%.

Facilities Agreement

The Group is party to an unsecured £500 million facilities agreement (the 'Facilities Agreement') with Barclays Bank plc as agent. Pursuant to the terms of the Facilities Agreement, a £400 million term loan has been drawn down and a £100 million revolving credit facility remains undrawn. The term loan facility and revolving credit facility mature in March 2025.

Hedging

Cross currency swaps are in place for the €600 million bond, converting its initial nominal balance to £526.3 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. These swaps are considered effective hedges of foreign currency fluctuations within the Euro bonds and as such hedge accounting is applied, with fair value gains or losses on the hedge being recognised in other comprehensive income. In the current year, fair value gains of £4.0 million (2021: losses of £23.3 million) were recognised in other comprehensive income.

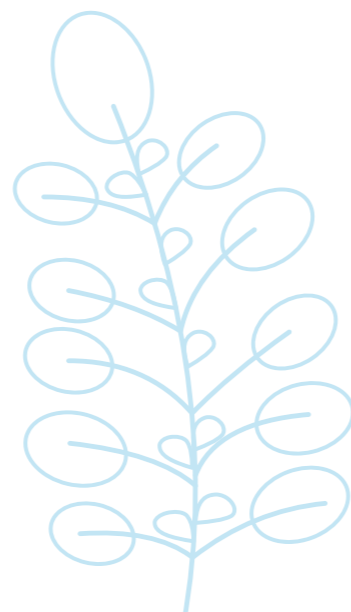
Taxation

A deferred tax asset of £51.4 million (2021: £44.3 million) has been recognised in respect of unutilised tax losses available for offset against expected future profits over the next five years (2021: five years), leaving £232.2 million of unrecognised deferred tax assets (2021: £179.7 million). The expected future profits are based on the Group's internal forecasts upon which management expect that loss utilisation is probable.

Annington Limited's immediate parent entity, Annington Holdings (Guernsey) Limited ('AHGL') has confirmed to the Board of Annington Limited that it qualifies as an Open Ended Investment Company, and consequently, as a Collective Investment Vehicle, and has made an exemption election under the Non Resident Capital Gains Tax legislation. While this exemption is in place, Annington Limited and its subsidiaries are exempt from capital gains tax on investment property disposals. A consequence of this that the Group does not recognise deferred tax liabilities relating to these capital gains.

Dividends

The Group's policy is to distribute free cash flow subject to maintaining financial policies and suitable cash reserves to ensure the Group's operational needs are able to be met. The Group operates an unsecured debt strategy and a policy of retaining a BBB rating. During the financial year 2021, no dividend was paid in relation to the 2020 year end and in May 2021, the Group paid a dividend of £170.0 million representing free cash flow generated in the 2020 and 2021 financial years. Later in the year, in October 2021, the Group, through its subsidiary Annington Funding plc, issued two tranches of fixed rate notes of £400.0 million each under its £4 billion EMTN Programme. The notes mature in 2032 and 2051 and carry coupon rates of 2.308% and 2.924% respectively. Subsequently, Annington Limited completed a partial return of capital by way of a £793.6 million special dividend to its immediate parent, Annington Holdings (Guernsey) Limited.



PRINCIPAL RISKS AND UNCERTAINTIES

The table below outlines the principal risks and uncertainties;

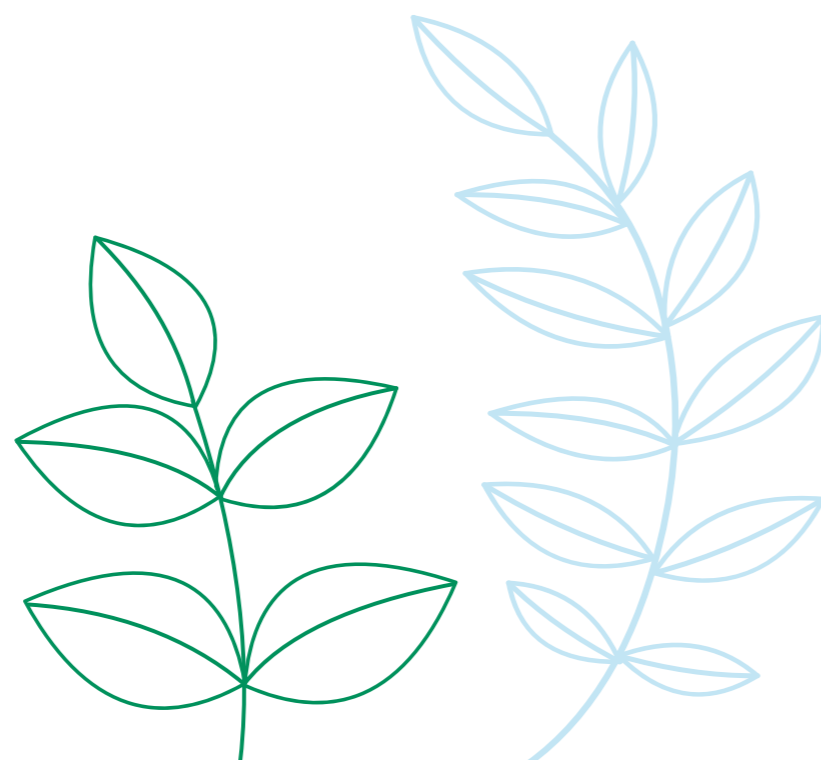
Area of potential uncertainty	The UK housing market and rental market may be significantly affected by changes in general and local economic conditions.
Description of risk	<p>The property market has a history of experiencing periods of rising values followed by a slowdown in growth. The realisable value of the Group's property portfolio at any given time can be affected by many factors outside the Group's control, including regulatory and political factors, general economic factors and those specific to the property market and suppliers and service providers to the property market, taxes and subsidies, number, condition and location of released properties, consumer confidence including changes due to cost of living increases, applicable interest rates, underlying inflation and the lingering impacts of Brexit and COVID-19.</p> <p>On 24 February 2022, Russian military forces launched a military action against Ukraine, and sustained conflict and disruption in the region is likely. Although the length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, this conflict could lead to significant market and other disruptions, including significant volatility in commodity prices, financial markets, supply chain interruptions, changes in consumer or purchaser preferences as well as increase in cyberattacks, any or all of which could adversely affect the Group's business, results of operations and financial condition.</p> <p>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 UK Government (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. 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 in a timely fashion, without extensive marketing efforts, or without reducing the price of the properties.</p> <p>Similarly, 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. A worsening of general rent levels could adversely affect the Group's ability to negotiate rent increases during Rent Reviews. Weak rental markets could also adversely affect the sales value of Released Units.</p> <p>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 as to future levels of demand for rental property. 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 housing associations and local authorities, to which the Group may bulk lease properties forming part of the Non-MQE Portfolio, shift away from rentals.</p>

Area of potential uncertainty	The UK housing market and rental market may be significantly affected by changes in general and local economic conditions.
Mitigating strategies	<p>The Board reviews the capital values and rental levels achieved and considers any changes that have occurred to the expected levels alongside prevailing market conditions.</p> <p>Where deviations are noted, these will be incorporated into future appraisals to ensure realistic and rational forecasting which forms the basis for all business decisions.</p> <p>In unfavourable conditions where chosen sales strategies may be difficult to execute, the Group could implement alternative strategies, including renting Units on a short-term basis until market conditions become more favourable. It also remains an option for the Group to vary the extent of any refurbishment undertaken if supply chain disruption or cost of construction is elevated.</p> <p>The Group engages in proactive management of its rentals portfolio to ensure that maximum value can be achieved, utilising the 20+ years of experience gained in the residential rental market and its in-depth knowledge of local market dynamics, including rents, valuations and occupancy rates. Local agents are used to supplement in-house knowledge and experience to achieve the best returns.</p> <p>The Group is also protected somewhat by market fluctuations due to its arrangements with the MoD (five-yearly Rent Reviews) and entering into other bulk arrangements where long-term leases are negotiated.</p>



Area of potential uncertainty	The Group is dependent on rental income from leases entered into with the MoD for a substantial proportion of its revenue.
Description of risk	<p>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 and bulk leases which are part of the Non-MQE Portfolio.</p> <p>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 MQE 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.</p> <p>The Group expects to continue to rely primarily on the MoD, the Group's sole tenant in respect of the MQE, 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. 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.</p>
Mitigating strategies	<p>The Group is very experienced in negotiating Rent Reviews and employs local experts as needed. It retains a number of strategic Units for rental in the Non-MQE Portfolio to assist with relevant market benchmarking in order take full advantage of Rent Review opportunities.</p> <p>The Group has the ability to call upon a £100 million revolving credit facility which, to date, remains undrawn. This facility provides liquidity to the Group were any rental income to be received after its due date.</p>

Area of potential uncertainty	The Group cannot limit the quantity or influence the type, location and timing of property releases by the MoD.
Description of risk	<p>When the MoD identifies properties within the MQE as being surplus to its requirements, it can elect, subject to certain conditions, to terminate the lease underlying the applicable Site in whole or in part. Pursuant to the terms of the Dilapidations and Handback Agreement (the terms of which were modified as part of the Settlement Agreement), the MoD has committed to release a minimum of 375 Units per year on a two-year average within a three-year period. However, 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 a minimum of only six months' notice prior to termination of Units on an applicable lease.</p> <p>Prior to the date of the Dilapidations and Handback Agreement, there was no trend or consistency in the release profile of surplus properties. The terms of the Dilapidations and Handback Agreement, as modified, help to provide more certainty as to the future release profile. There is a risk that the MoD will not honour its commitment in the future and that steps taken by the Group to enforce the commitment may be unsuccessful, which would then lead to uncertainty as to the number of annual property releases.</p> <p>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, notwithstanding the Group's previous successful management of a large number of Units released just before and during a previous economic downturn, the Group may be unable to sell all of, or any, such properties. Such circumstances could occur as a result of the demand for MQE housing being reduced in the future by evolving Government spending and defence policy, particularly in relation to the size and composition of the armed forces. 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.</p> <p>This lack of control over property releases by the MoD 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.</p> <p>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.</p>



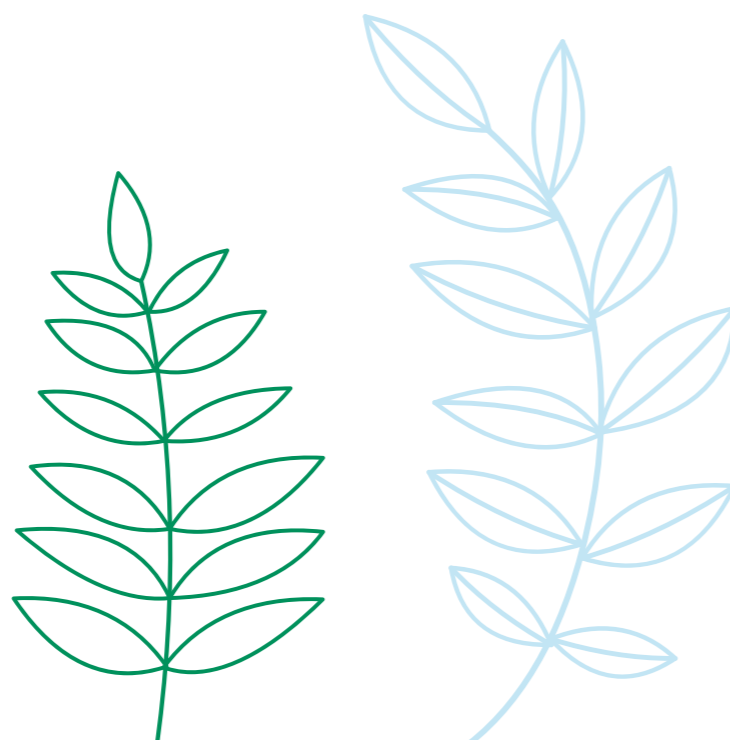
Area of potential uncertainty	The Group cannot limit the quantity or influence the type, location and timing of property releases by the MoD.
Mitigating strategies	<p>Although there can be no guarantee that the MoD will honour its minimum release commitment, management is in dialogue with the MoD regarding potential releases that would enable the MoD to meet its target for the current year, and the commitment of the MoD to provide such releases is a legally binding and enforceable contractual right of the Group.</p> <p>The Board is of the view that the long-term demand for housing in the UK will continue to outstrip supply and that demand for market renting will be stronger during poor selling periods, reducing the overall impact on the Group's position. The Group's heavy presence in the Greater South of the country provides further comfort that it is well placed to benefit from structural changes in demand. The business will continue to examine and benefit from the best options on a Site-by-Site basis and continue to operate dual sales and rental strategies where appropriate, thereby benefitting from earlier occupation and increased income.</p> <p>The Group also prepares and reviews sensitivity analyses on an annual basis to monitor the number of releases that it could withstand such that it would still be able to service its debt obligations and comply with its covenant restrictions, which currently reflect significant headroom. Noting that as the MoD releases surplus properties back to the Group, they may be either sold or rented in the open market, which, over time, will offset some of the financial impact of releases. The Group's flexible sales/rental strategies, its revolving credit facility and its ability to pay down debt all provide options for mitigating the impact of an unexpected quantity or mix of releases.</p> <p>In recognition of the uncertainty around volume of releases, the Group has maintained a policy of keeping internal resources at minimum levels. Principal activities are outsourced to third parties, which can provide the necessary skills in the right mix and location. This enables the Group to flex outsourcing to meet its operational needs according to stock levels and the prevailing market conditions.</p>

Area of potential uncertainty	The Group may be obliged to re-provide connections to public utilities where the MoD elects to terminate its obligation to supply utility services or upon expiration of the MoD's obligation to supply such services under the Utilities Agreement.
Description of risk	<p>Under the terms of a utilities agreement (the '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 sewage, 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 (a '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.</p> <p>Any obligation on the MoD to provide services pursuant to the Utilities Agreement falls away on a date in the relevant Underlease (between 25 and 28 years from 5 December 1996). Upon expiration of the Utilities Agreement, when the MoD releases Units subject to a Base Dependency, the Group will be obliged to re-provide connections to the public utilities network for whichever utility supply is base dependent on that Site, prior to releasing Units for sale and will incur costs, which could be significant, at that time. Any delay in the implementation of such utilities separation schemes could delay the sales of such Units which could have an adverse impact on the Group's business, results of operations and financial condition.</p>
Mitigating strategies	<p>Since the 1996 Acquisition Date, the Group has, as of 31 March 2022, successfully completed 62 utility separation projects on 49 Base Dependent Sites. The experience and capabilities that the Group has developed over this period to efficiently execute such projects means that the Group is in a strong position to assess the risks associated with any Base Dependent Site and develop a programme to minimise the costs and time associated with such utility separation projects. In many cases it will also be possible to let properties on ASTs until the utilities separation schemes can be completed and the properties sold.</p> <p>Many of the Sites that were originally thought to be Base Dependent Sites at the time of the 1996 Acquisition may no longer be base dependent due to the effects of Government Legislation, which allows for the public adoption of some private utilities. The Group co-operates with the MoD wherever possible to deliver private infrastructure utility transfers to public utility companies.</p>



Area of potential uncertainty	Property valuation is inherently subjective and uncertain.
Description of risk	<p>For the purposes of the Group's Annual Financial Statements, the valuation of its properties is undertaken internally by the Group and externally by third-party professional valuers in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement current as of the valuation date. The purpose of each valuation is expressly limited therein, namely for the preparation of the Group's Annual Financial Statements, and each valuation is prepared accordingly.</p> <p>Property valuations are inherently subjective due to the individual nature of each property as they are necessarily made on the basis of assumptions which may not prove to be accurate and which can change from year to year. As a result, valuations are subject to a degree of uncertainty.</p> <p>In determining the Fair Value of any property, the valuers are required to make certain assumptions in respect of matters including, but not limited to, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, legal matters, statutory and regulatory requirements and planning, estimated market rental values, market-based yields and expected future rental revenues from the property and to 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.</p> <p>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.</p>
Mitigating strategies	The Group manages this risk by ensuring that regular valuations of the Group's properties are performed by external, independent, third party professional valuers, registered with the RICS.

Area of potential uncertainty	Retention, development and recruitment of the right people is critical to the Group's success.
Description of risk	<p>The success of the Group relies on recruiting, retaining and developing the right individuals to perform a series of specialist roles. It also relies on the discretion and judgment of the management team and, in particular, their relationships with, and their understanding of the requirements of the MoD, and other partners and stakeholders.</p> <p>While the Group has put in place policies and remuneration which are designed to retain and properly incentivise staff at all levels of the business, should team members, particularly management, leave in significant numbers 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 management from its existing operations.</p>
Mitigating strategies	<p>The Group has devised remuneration packages that are designed to retain and properly incentivise management and there are succession plans in place for key positions. Knowledge is shared between senior staff members at formal and informal meetings.</p> <p>Additionally, if there is sudden increased activity within the business, it can be managed effectively through a combination of recruitment and outsourcing to provide the resource needed.</p>
Area of potential uncertainty	The Group's business could be disrupted in the event of failure or loss of key technology infrastructure or in the event of a cyber security attack on our systems.
Description of risk	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.
Mitigating strategies	The Group has taken measures to mitigate potential information technology security risks and information technology failures, though the use of industry-leading cloud service providers for critical information systems, external cloud back up for all critical systems, the use of a Managed Detection and Response ('MDR') service (via a third party using a 24/7 off-site cyber security operations centre), encryption of data in transit and at rest, restriction on access to the Group's network to devices issued and managed by the Group and with centralised control over software and updates. The Group makes regular back ups of production servers (on-site and off-site) and undertakes annual cyber security reviews and penetration testing.



Area of potential uncertainty	The Group's business is subject to complex new and evolving legislation and regulations, including rules governing the ownership, leasing or occupation of land, climate change risk and the use of hazardous materials that carry potential environmental risks and liabilities.
Description of risk	<p>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.</p> <p>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 clean-up 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.</p> <p>It is possible that more stringent legal and regulatory requirements may be imposed on the Group in the future (including more stringent environmental or climate change based regulations) 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 clean-up 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.</p>
Mitigating strategies	The Group actively monitors emerging legislation and amendments to existing regulation to ensure operational adaptation and cost recognition. The Group maintains policies and procedures to ensure it is compliant with laws and ethical standards and employs advisers (including sustainability consultants) to ensure it is compliant with changing laws and regulations. The Group actively monitors compliance with laws and regulations relevant to its third-party tenancies and works with its third-party service providers to ensure adherence. Acknowledging the risk posed by climate change the Group has commissioned a carbon foot-printing exercise, the results of which will inform future mitigation strategies.

Area of potential uncertainty	The Group's operational and financial performance could be affected by failures within or by a key third party supplier or service provider.
Description of risk	The failure of any key third party suppliers or service providers, for example rental managing agents or a major building contractor, could have an adverse effect on the Group. Internal issues at such entities may impact their ability to work with the Group efficiently and knowledgeably and to perform to an acceptable level.
Mitigating strategies	The Group maintains interaction with members of key third parties. Considerable effort continues to be made to develop and nurture relationships to maintain operational efficiency. The Group will continue to encourage more co-operation and partnership. A review of key contracts is being undertaken to ensure robust contractual obligations are in place.
Area of potential uncertainty	Risks arising from the Group's financing structure.
Description of risk	<p>The Group currently relies on primary forms of financing consisting of bank facilities (i.e. term loan and revolving credit facility from major banks) and issuance of notes under the EMTN Programme. The last global economic downturn and resulting dislocation of financial markets around the world caused a number of the world's largest financial and other institutions significant operational and financial difficulties. Recent global social, political and economic events and trends, including current geopolitical risks around the current situation in Ukraine, and the resulting impact on the UK economy, in particular increasing energy and oil prices and increasing inflation and interest rates, have resulted in increased uncertainty in the currency and credit markets.</p> <p>The failure of the Group to manage its refinancing requirements may result in a shortage of funds to repay facilities and meet its other payment obligations as they fall due. A source of financing could become unavailable or more expensive, for example, if a reduction in its credit rating makes the cost of accessing the public and private debt markets prohibitive. Although the Group considers that the diversity of its financing and the diversity in the tenor of its financing helps to protect it from liquidity risk, it could find itself unable to access any or all of these sources of financing on reasonable terms. Any failure by lenders to fulfil their obligations to the Group as well as the inability of the Group to access new funding in the longer term may impact the Group's cash flow and liquidity, which could have a material adverse effect on its business, results of operations, financial condition and prospects and, accordingly, the Issuer's and the Guarantors' ability to meet their respective obligations under the notes and the Guarantee.</p> <p>The terms of the Group's financing facilities include financial covenants such as Loan to Value and Interest Coverage Ratio covenants. Although the Group currently benefits from significant headroom in its covenants and has processes and procedures in place to forecast and monitor covenant compliance, unexpected changes in financial performance or asset values, or higher interest rates could potentially lead to the possibility of a breach of these covenants which could adversely affect the Group's business, results of operations and financial condition.</p>
Mitigating strategies	The diversity in the tenor of the Group's financing helps to protect it from liquidity risk. The Group has processes and procedures in place to forecast and monitor covenant compliance and currently benefits from significant headroom in its covenants. The Group constantly monitors the financial markets for refinancing opportunities and maintains relationships with a large number of lenders.

Area of potential uncertainty	MoD attempt to enfranchise.
Description of risk	<p>If the Group's challenge to the MoD attempts to enfranchise (as more particularly described in the Introduction) fails, the MoD will have the right to purchase its interest in each property subject to an Enfranchisement notice. Should the MoD be found to have the right to enfranchise, and then decide to exercise it in respect of a Unit, Annington would receive a capital sum in exchange for its interest, and would lose the right to both the future rent on the Unit, and the possibility of a hand back in the future of the relevant Unit. The capital sum payable for the Group's interest would be agreed with the MoD, or otherwise determined by a tribunal if agreement cannot be reached. The tribunal would determine a price which it considered to be equivalent to the market value at the time of Enfranchisement of the relevant Unit of the interest being enfranchised, subject to a small number of additional assumptions. The capital sum payable could be higher or lower than the value ascribed to such interest by the Group, and any such valuation would have inherent risks as set out above in "Property valuation is inherently subjective and uncertain". If the valuation of enfranchised Units in aggregate is lower than the value ascribed to such interests by the Group then such result could have an adverse effect on the Group's business, results of operations and financial condition.</p> <p>If the MoD is successful in the Enfranchisement Proceedings and establishes that it has the right to purchase the Group's interest in the MQE Units, there is no certainty as to the number or location of any Units the MoD will in fact enfranchise and no certainty as to the timing of any Enfranchisement actions.</p> <p>In the event that the MoD enfranchises a significant number of Units during a time when market conditions are depressed, the overall reduction in rent that the Group receives from the MoD could have an adverse impact on the Group's business, results of operations and financial condition. In addition, the reduction in income that could otherwise be generated by the Enfranchisement of such Units under more favourable conditions, could have an adverse impact on the Group's business, results of operations and financial condition.</p> <p>This lack of control over when and if such MQE Units are enfranchised and which Units are enfranchised could affect the Group's business significantly. The Group's financial position is underpinned by rental 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, if it is established that the MoD has the right to enfranchise MQE Units, an unexpectedly high concentration of Enfranchisement actions involving a large number of MQE Units in the short term could jeopardise the stability of the Group's revenue.</p> <p>Given it may take a significant length of time to conclude the Enfranchisement Proceedings, this uncertainty could continue to have an impact on the Group's property valuation and the cost of the Enfranchisement Proceedings could be significant.</p>
Mitigating strategies	<p>The Group has instructed leading law firms and barristers to challenge the MoD's attempt to enfranchise. The Group is also open to finding a constructive and mutually satisfactory settlement with the MoD.</p>





ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')

CORPORATE RESPONSIBILITY

Building Opportunities Corporate Responsibility Plan

Annington believes that being a good corporate citizen and being commercially successful go hand in hand. The Group's commitment to corporate responsibility is based on its desire to make society and the communities in which it operates better places, whilst recognising that it brings a commercial advantage, contributes to management of risks within operations, increases efficiency and enhances the Group's reputation with key stakeholders.

The Group monitors its approach to sustainability, recognising the changing demands of society and the regulatory landscape and the views of its key stakeholders, particularly regarding environmental issues. To help manage the Group's various ESG initiatives and to align them with the Group's business priorities, these activities are captured within a strategic framework, the Building Opportunities Corporate Responsibility Plan, which consists of four pillars: People, Environment, Customers and Partners, and Communities. The Group's corporate social responsibility ('CSR') strategy is overseen by its Corporate Responsibility Taskforce ('CRT') led by the CEO, who has Board level responsibility for the sustainability agenda.

As part of its continuing commitment to corporate responsibility, in the 2022 financial year, management undertook a comprehensive review of the Group's CSR strategy and retained a specialist ESG and sustainability consultancy to undertake a thorough assessment

of Annington's approach to ESG. The process included a full review of Annington's current ESG position against 10 reporting frameworks and standards including the Task Force on Climate Related Financial Disclosure ('TCFD'), Sustainability Accounting Standards Board ('SASB') and Global Real Estate Sustainability Benchmark ('GRESB'). The review resulted in 26 recommendations across Environment, Social and Governance. Overseen by the CRT, these recommendations form the basis of a timetable of implementation across a 6-18 month timeframe. Targets and objectives have been allocated internally and progress is being reported to the Board on a quarterly basis. Key projects have been implemented including Annington's first carbon foot-printing exercise which will help determine the Group's operational and organisational boundaries and an understanding of key carbon hot-spots. A summary of the Group's progress against TCFD recommendations is presented in Appendix 4.

Activity continued to be aligned to the UN Sustainable Development Goals ('SDGs') including the sector-specific goals highlighted by RICS. The outcome of the ESG Assessment determined that SDG 4, 7, 8, 11 and 12 are the most relevant to the Group and, where it can, the Group continues to make meaningful contributions.

Caring for People

Annington values its employees' commitment, professional development and health and wellbeing and in doing so is aligned with the overall purpose of SDG 8 (Decent Work and

Economic Growth). A comprehensive range of benefits aimed at promoting physical and mental health as well as excellent opportunities for personal and professional development are available to all staff.

In response to evolving Government guidance concerning safe working during the COVID-19 pandemic, Annington welcomed staff back to the office under a new hybrid-working model where staff are permitted to split their work week between office or site and home working on a 60/40 basis. The measures put in place to support staff during 2020/21 continued, ensuring that all employees had the necessary equipment to do their jobs safely and securely from the relevant work location. Additionally, Annington also updated its IT infrastructure and issued all members of staff with mobile telephones during the period. The Group places a high priority on staff health and safety and therefore encourages all staff whose role may require them to working alone on site or in an Annington office to utilise the Stay Safe app which is specifically designed for the safety of lone workers. The Group understands the benefits of life-long learning, in alignment with SDG 4 (Quality Education). In the reporting period, 89% of staff completed a suite of online training courses, both technical and soft skill based, as well as continuing professional development ('CPD'). In the financial year the Group invested an average of £1,245 per employee (2021: £727). As part of its commitment to providing appropriate ongoing training, the Group has also reviewed its overall training programme and engaged a new online training provider with a more flexible and engaging offering.

Diversity & Inclusion

Management is committed to encouraging and achieving a working environment where equality and diversity are recognised, encouraged and valued. At 31 March 2022, there were 55 employees (2021: 50) with employee turnover at 11% (2021: 4%) and the overall gender split of the workforce is as follows:

	Male	Female	Total
The Board	5	1	6
Senior executive team (excl board members)	2	2	4
All employees	27	28	55

Equal opportunities reporting:

Age Range	
Under 30	3
30-50	31
Over 50	21
Average Age	46
Gender Split	49% Male (27); 51% Female (28)
Ethnicity	71% White; 13% Asian/Black/Mixed; 16% Other or Not disclosed
Number of reported incidents of harassment and/or discrimination in the workplace	Zero





Respecting the Environment

Reporting framework and oversight

The Group and the Board of Directors recognise and understand that the nature of the business has environmental and social impacts and that it has a responsibility to consider and minimise these impacts where possible. The Group has a suite of environmental policies which apply to the Group, its contractors and suppliers which have been adopted by the Board and are regularly reviewed and updated.

The Group is also considering how it can contribute to the UK's goal to be Net Zero by 2050 and as part of the overall ESG review conducted during the reporting period, implemented a project designed to help the business understand its overall carbon footprint. Using internationally accepted standards, such as the Greenhouse Gas Protocol, the exercise will firstly determine which emissions and activities are within the Group's operational and organisational emission boundaries before calculating the Group's carbon footprint and gaining insight into emission hotspots. This will allow the Group to consider areas of improvement and whether particular targets are appropriate for the Group and its activities.

The Group welcomes the recommendations of TCFD and recognises the impetus this will provide for companies and stakeholders to understand relevant climate-related risks and to ensure appropriate risk mitigation processes are in place. This is the Group's second year implementing the TCFD recommendations, and it is committed to further developing its approach in order to meet the recommendations in full and in line with emerging legislative requirements.

The table in Appendix 4 shows a summary of the Group's progress against the TCFD recommendations.

On-site Activity

The Group is aligned to SDG 12 (Responsible Consumption and Production) and has policies in place governing the supply of materials and development practices. This year the Group began a review of a number of policies, amongst them its Sustainable Procurement Policy. The review will ensure that the Group's current approaches to ethical sourcing and environmental impact of materials and products are reflected while also maintaining the Group's technical standards. Management has developed the supply chain, allowing for more visibility and control over the materials sourced for current and future projects. The Group continued to work with its suppliers when compiling material specifications for its projects.

The Group incorporates sustainable design principles in all its projects in order to reduce the negative impacts on the environment, minimising waste and reducing the consumption of non-renewable resources and creating healthy, productive environments.

The Group's Environmental Policy guides management and its employees on reducing the consumption of utilities and materials as well as minimising the amount of waste produced on site. In the reporting period, the Group took responsibility for oversight of all day-to-day on-site waste management and entered into an agreement with a nationwide waste facilitator. In doing so, the Group set its first recycling/recovery target of 95%. Furthermore, given the nature of materials found across former MQE properties, the Group has introduced standardised requirements in regards to specialist waste disposal. This includes the recycling of significant quantities of old carpets, old fencing and timber as well as UPVC windows and doors which are segregated and recycled into pellets for re-use. Where space allows, the on-site crushing of concrete, a significant material used in the original construction of the MQE continues to be undertaken and the arising utilised as sub-base.

Following the formation of the Taskforce on Nature-related Financial Disclosures in July 2020, the Group engaged a leading biodiversity and environmental consultancy to run a pilot project at Bordon to further consider the issues around Biodiversity Net Gain (BNG). The project's recommendations are being studied to ensure the Group is in a position to understand and respond to the potential impacts of nature on financial performance. The Group complies with all legislation and Health and Safety regulations regarding the handling of hazardous/contaminated material. Given the age of some of the properties, there have been instances where asbestos has been found. Any such materials have been, and will continue to be, professionally removed and disposed of or, where advised to do so, left in situ but appropriately treated, recorded and labelled. In the reporting period the Group encouraged contractors to install Asbestos Notice Boards across all active Sites. Centrally located and accessible to all tradespeople on site, the boards hold all unit specific reports in individual numbered pockets.

Energy efficiency, particularly regarding Released Units, is a key focus of the environmental pillar within the ESG strategy. In line with SDG 7 (Affordable and Clean Energy), the Group has utilised renewable energy sources in past new builds, including air source heat pumps. In the reporting period work continued on how best to incorporate low-carbon sources of heating and other energy efficiency measures into its projects to future-proof these homes for the next generation of occupants.

In the reporting period, the Group applied for BREEAM accreditation for the refurbishment project of 53 two- and three-bedroomed former military houses at Cavalry Crescent, Windsor. The Group is aiming for BREEAM Very Good against the Refurbishment Domestic Buildings BREEAM standard. Other initiatives during the reporting period include the decision to include PV panels and EV charging points at a refurbishment project at Abingdon and the initiation of a project designed to evaluate energy use of typical ex-MQE properties. The resulting technical analysis of the most effective route to improvement/ decarbonisation of these buildings will be utilised going forward.

During the period and in advance of the intended Minimum Energy Efficiency Standards ('MEES') proposed for 2025, the Group reduced the number of properties within the AST portfolio with EPC ratings below C by 15%. Going forward, all released MQE properties being retained for the Group's AST portfolio will be required to have an EPC rating of at least C.

In the reporting period, the Group agreed to trial the installation of vehicle charge points where requested by AST tenants.

Within the Group, APL has an obligation to report carbon usage under the Streamlined Energy & Carbon Reporting ('SECR') regulations. Whilst the Group is not individually required to report, it monitors its use of energy and resources and its policies in this area are summarised here. The metrics used to monitor the Group's energy consumption and greenhouse gas ('GHG') emissions is set out later within this section of the report. The risks and opportunities identified by the Group with respect to the environment are:

Opportunity /risk:	Impact and strategy:
Some Released Units require a complete demolition and rebuild. While this has a higher environmental impact than refurbishment, there is an opportunity to recycle materials from the demolition.	<p>The use of recycled material has short- and long-term cost savings; concrete can be crushed and used for footpaths and non-adoptable highways as well as bed and backfill for drainage purposes. Often, recycled material can be used directly on the rebuilt site allowing for transportation charges to be saved.</p> <p>The Group's Sustainable Procurement Policy guides its purchasing to ensure it is sourcing low impact materials. As new development or dilapidation work is undertaken, the Group will investigate opportunities for the use of recycled materials and products.</p>
Given the geographic spread of the Group's portfolio and proximity to MoD bases, there is a risk of Site contamination from previous uses.	<p>Failure to identify and clean past contaminates could result in health regulatory charges and increased remediation costs. While there is a potential for high costs, the likelihood of this risk is relatively low.</p> <p>Over 25 years, only two released Sites have been found to have traces of contamination and both were appropriately remediated. The Group will always inspect Sites and undertake remediation work where necessary, removing contaminated material and securing a 'clean and inert' status. In relation to this, the Group complies with all legislation and Health and Safety regulations with regards to the handling of hazardous/contaminated material.</p>
The potential impact of climate change on the Group's portfolio.	As part of the Group's ESG review, specialist advice and recommendations have been sought to further understand how climate change could potentially impact the portfolio in the short, medium and long-term.

Greenhouse Gas Reporting

The Group reports its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data detailed in this table represent emissions and energy use for which Annington are responsible, including electricity and gas use in our offices, electricity used in the common parts of the properties in our portfolio and fuel used in our vehicles. The below figures detail the Group's total emissions by activity and scope in the year:

	2022		2021	
	Energy (kWh)	tCO2e	Energy (kWh)	tCO2e
Direct Emissions (Scope 1)				
Natural gas	1,135,063	207.9	1,539,829	283.1
Owned vehicles	474,061	109.4	262,174	59.2
	1,609,124	317.3	1,802,003	342.3
Indirect Emissions (Scope 2)				
Electricity	545,631	115.9	307,314	71.7
Other Indirect Emissions (Scope 3)				
Electricity T&D ¹	-	10.2	-	6.2
Grey Fleet ²	40,943	9.6	43,254	10.2
Total emissions	2,195,698	453.0	2,152,571	430.4

¹Electricity Transmission and Distribution (T&D) refer to indirect emissions associated with grid losses which occur when getting electricity from power plant to organisation.

²Grey fleet relates to emissions and fuel used for transport in company vehicles or reclaimed mileage for private cars used on business.

Scope 1 emissions relate to direct emissions from greenhouse gases sourced, owned or controlled by the organisation.

Scope 2 emissions relate to indirect emissions from the generation of imported electricity, heat or steam consumed by the organisation.

Scope 3 emissions relate to other indirect emissions, which are the consequences of an organisation's activities but arise from sources that are owned or controlled by other entities.

Carbon emission levels overall has seen a small increase from 430.4 tCO2e in 2021 to 453.0 tCO2e in 2022. Consumption for void properties is estimated based on utilities payments made during the reporting period. The mix of Scope 1 vs Scope 2 emissions is highly dependent on the mix of properties released to the Group and whether they are connected to gas or electricity supplies. Emissions from Company owned vehicles has increased due to the higher level of activity (more Unit releases on more Sites) and the locations of the releases requiring further travel.

Methodology: In order to calculate emissions, the main requirements of the Greenhouse Gas Protocol Corporate Standard have been used along with the UK Government GHG Conversion Factors for Company Reporting 2021. Any estimates have been derived from actual historic consumption data or based on spend. No global energy use or emission data has been used as all group activity took place in the UK.

Intensity Metric: The Group's emission intensity metric is calculated using tonnes of carbon dioxide equivalent (tCO2e) using gross rental income. During the year, the Group released emissions of 2.2 tCO2e (2021: 2.1 tCO2e) per million pounds of gross rental income which is an increase of 3% compared to prior year. This is in line with the changes in the absolute carbon footprint, which has increased by 5%, primarily due to increased usage of natural gas.

Energy efficiency actions/undertakings: As mentioned, the Group is considering how it can contribute to the UK's goal to be Net Zero by 2050. During the year, a project has been started to determine which emissions and activities are within the Group's operational and organisational emission boundaries before calculating the Group's carbon footprint and gaining insight into emission hotspots. This will allow the Group to consider areas of improvement and whether particular targets are appropriate for the Group and its activities.



Valuing our Customers and Partners

The Group takes its responsibilities to the communities and environments in which it operates seriously and seeks to work only with partners and suppliers that subscribe to its business standards and values.

The Group's refurbishment strategy of former military homes and their subsequent return to the UK housing stock presents a unique opportunity to restore and reinvigorate communities that have been neglected and in some cases abandoned and in doing so, the Group is aligned to SDG 11 (Sustainable Cities and Communities). Over and above internal refurbishment, the Group routinely works to improve the 'street scene' on its Sites to make the communities in which houses are situated more sustainable and more desirable places to live. This can include landscaping and planting that is sympathetic to the region, the provision of, or improvements to, children's play areas, installing off-road parking and upgrading the external appearance of properties.

The Group strives to make home buying as straight forward as possible by managing the sale process for its properties through regular engagement with agents and solicitors, aiming to ensure all buyers receive a consistent, fair and timely process. Where appropriate, buyers are offered the Annington Seal of Approval incentive, providing the buyer with the comfort that the electrical, heating and internal water systems have been professionally checked and serviced and that, should they fail within the 28 day period from legal completion, the Group will repair them free of charge. The Group has set a target of responding and dealing with any customer service issues arising within 14 days and has achieved this in 62% (2021: 37%) of cases. This is a significant improvement on the 2020/2021 financial year where the Group's ability to

respond within the 14 day period was severely impacted by the restrictions imposed by COVID-19. Although there were still periods during the 2021/2022 financial year where restrictions were in place, the general relaxation of such restrictions enabled the swifter resolution of customer issues this year.

In the 2021/2022 financial year, the Group continued to assist customers by participating in the Help to Buy scheme. As an example, 62% of purchasers at the development at Brize Norton utilised the scheme.

Although the majority of the Group's activity relates to the refurbishment of homes, when the Group does build new homes, it acts as a responsible developer, abiding by the Consumer Code for Home Builders to make the home buying process fairer and more transparent for buyers.

Many of the Group's suppliers and contractors are long-term partners and it is committed to treating them fairly. The Group's selection process focusses on identifying companies who have proven experience in the industry, ensuring that they deliver high quality results and give the best results for customers.

The Group is closely aligned to SDG 8 (Decent Work and Economic Growth) and requires suppliers and contractors to share the Group's commitment to quality, health and safety and environmental issues. The Group is committed to providing a safe working environment, with both its own and its contractors' safety management systems complying with UK Health and Safety legislation. The Group monitors and assesses implementation of its policies and systems through monthly independent health and safety checks on active Sites, in addition to requiring contractors to undertake their own regular health and safety checks, as part of their contractual obligations. During the reporting period, to augment the Group's monthly health

and safety checks, a league table approach was introduced whereby all contractors are assessed using a traffic light system. Where our health and safety inspections highlight a breach, contractors are required to write to Annington to formally confirm steps being taken to address. Substantiation is required and can include a signed and dated copy of a 'Toolbox Talk' training document. Future contracts will only be awarded to those with consistently high performance. Further initiatives in the reporting period include the recommendation that Site Safety Boards are installed. Designed with labelled sleeves, the boards contain all relevant Site specific safety information including Accident Report Book and First Aider details. The Group complies with the Modern Slavery Act (2015) and maintains an Annual Slavery and Human Trafficking Statement, which is available at www.annington.co.uk.

Despite the increased number of releases from the MoD over the last two years and the consequent increased activity on-site, management can report the following:

	2022	2021
Contractor Incidents	1	Nil
Incidents reportable under RIDDOR	Nil	Nil
Employee work incidents	Nil	Nil

Regarding the Non-MQE Portfolio, the Group adhered to all legal and moral responsibilities throughout the pandemic and the Group's AST tenants continued to be able to report all aspects of maintenance, regardless of the issue and jobs were prioritised for completion, with all emergency works successfully undertaken. There were no reports, incidents or complaints in relation to the COVID-19 restrictions.

Investing in Communities

The Group is passionate about local communities and supporting charities that work with disadvantaged groups or those at risk of marginalisation and its activities in this regard are closely aligned with the targets of SDG 4 (Quality Education) and SDG 10 (Reduced Inequalities).

Charitable Contributions

All charity partners and projects are assessed against four key principles and are aligned with the Group's corporate identity and culture – the Group seeks out focussed, approachable, caring and experienced partners. It is the Group's intention that its charitable support will:

- Make a tangible and measurable difference to those receiving the Group's help.
- Work to alleviate disadvantage; the Group will focus on those groups with inherent disadvantages be it through poverty, diminished circumstance or fractured family life.
- Create a sense of community; the Group will fund sectors or issues identified by its staff with the aim of engaging their interest and involvement.
- Create opportunities for beneficiaries aimed at improving their lives.

During the year, the Group entered its final year of support of the Commonwealth War Graves Commission ('CWGC') "Eyes On, Hands On" project. The project has seen the creation of a nationwide army of volunteers who will be responsible for documenting the condition of and providing basic maintenance for 165,000 'scattered graves' that exist across 12,500 sites in the UK. The year ended with 1,855 volunteers recruited.

Throughout the pandemic, the Group continued to support its charity partners. During the year, the Group worked closely with:

- Reading Force – A charity for service families that was inspired by one military family's experience of the lasting power of shared reading, and which was shortlisted in 2019 for the prestigious Soldiering On Awards.
- Waterloo Uncovered – A mental health charity that supports veterans through the power of archaeology.
- The Outward Bound Trust – The Annington Challenge, the Group's flagship project for military youngsters returned in 2021. Restrictions on numbers due to the pandemic saw fewer participants than usual and the surplus of the Group's donation was derestricted and allocated to the Outward Bound Trust's 'In-School Adventures' programme.
- Turn on the Subtitles ('TOTS') – TOTS is partnering with the National Literacy Trust to encourage all broadcasters of children's programming to make same language subtitles the default in order to decrease rates of illiteracy.
- Scotty's Little Soldiers – Scotty's Little Soldiers aims to provide support to bereaved children of British armed forces personnel and Annington's donation effectively funds the costs of a Head of Support which the CEO of Scotty's Little Soldiers has described as "the single most impactful activity since the charity started".
- The Silver Line – The Silver Line is a free confidential helpline providing information, friendship and advice to older people, open 24 hours a day, every day of the year.
- Royal British Legion Industries ('RBLI') – RBLI is a national charity supporting the armed forces, people with disabilities and the unemployed through its social enterprise. The Group supported the charity's LifeWorks programme which provides veterans with employment, training and education advice and skills.

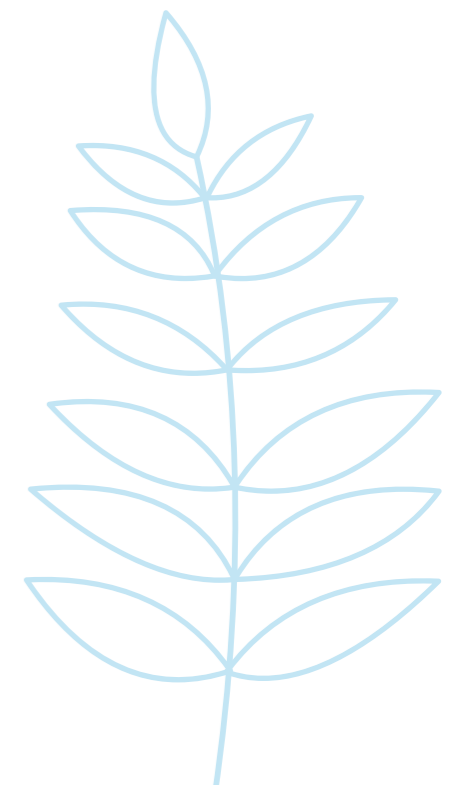
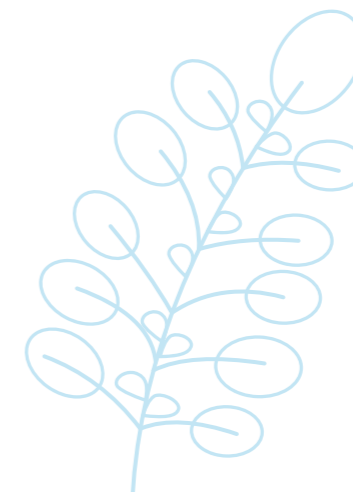
During the summer of 2021, the Group funded #forcesplayday, an offshoot of the annual PlayDay, a campaign that highlights the importance of play in children's lives and celebrates children's right to play. The campaign promoted the benefits of outdoor play for forces youngsters living on the MQE and saw c.8,500 take part from more than 70 Army, Navy and RAF bases nationwide.

In addition to cash donations, which in 2022 totalled £0.5 million (2021: £0.9 million) the Group allows each employee to take up to three days paid leave to undertake volunteering work. Whilst this proved difficult over the past year due to COVID-19 restrictions, employees continued to volunteer as Silver Line Phone Friends.

The Group continued to invest in local communities where it operated and examples of this includes a programme of providing "Buddy Benches" to local schools, "Memory Trees" to local hospitals and donations to several armed forces and veterans breakfast clubs.

Since 1996, the Group has provided discounts to armed forces personnel wishing to buy a former MoD property. Furthermore, support to this important group of stakeholders has also been provided in the form of numerous charitable donations to a variety of military charities. In October 2018, Annington formalised its commitment to the armed forces community by signing the Armed Forces Covenant. Importantly, the Group's Covenant pledges include a range of incentives to service and ex-service personnel wishing to buy or rent an Annington property, as well as:

- continuing to support service personnel and their families living in services' communities and ex-service personnel in the community;
- providing for the recreation and general needs of members of the services who live in services' communities and in particular for the improvement of the recreational facilities in the interests of social welfare and with the object of improving conditions for such families;
- providing support for activities and organisations with a connection to the armed forces; and
- maintaining a close relationship with the services by engaging representatives from the Forces' Federations.



Stakeholders - Statement on s172 of the Companies Act 2006

s172(1) of the Companies Act requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long-term,
- (b) the interests of the company’s employees,
- (c) the need to foster the company’s business relationships with suppliers, customers and others,
- (d) the impact of the company’s operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

In meeting this requirement, the Group engages with various stakeholders in many ways:

Stakeholder	How the Board consults and considers stakeholder interests	More information
Customers	The Group’s largest customer is the MoD. While there is access at high level within the DIO on strategic issues, most day to day business is dealt with through the Joint Working Board (Annington and DIO), which is scheduled to meet quarterly and is chaired by the Head of Accommodation at DIO. The majority of the issues relate to the day-to-day running of the estate rather than strategic direction and decision making but this forum is a good opportunity to discuss accommodation strategy with the MoD at a suitable level. For individual customers, the Group maintains regular engagement with solicitors and agents and makes available a customer helpline to facilitate feedback.	See the Service Family Accommodation and MoD relationship section of this report. See the Valuing our customers and partners section of the Group’s Corporate Responsibility Plan in this report.
Shareholders	The Board comprises independent Non-Executive Directors, Terra Firma Directors and Executive Directors. This enables the Board to consult with Shareholders in real time. Further to this, members of the Board are in regular contact with Terra Firma representatives through informal meetings and formal events such as conferences and scheduled management meetings.	See the Directors’ Report disclosures on Board and committee composition and Ownership Structure.
Suppliers	Via the management team’s regular contact with suppliers, the Group maintains strong relationships and open lines of communication. Information gained via these relationships is available to the Board via the Executive Directors and department heads who are welcomed at Board meetings in an ex officio capacity. The Group considers the interests of suppliers in many ways and this is evidenced by the Group’s commitment to health and safety and the development of COVID-19 protocols during the pandemic to manage risks.	See the Valuing our Customers and Partners section of the Group’s Corporate Responsibility Plan in this report.
Employees	The Group has a small number of employees and goes to great lengths to ensure the welfare and concerns of staff are taken into account when making decisions impacting them. The Group communicates with employees through a weekly report detailing all relevant business, market and staff news. Executive Directors meet weekly with key members of operational management and regular feedback is passed through a quarterly senior managers’ meeting. Staff Forums are held where all staff are invited to attend and participate. Up until 2020 these were held quarterly, however since the outbreak of the pandemic these have been held at least annually, when COVID rules allowed. Employees are anonymously surveyed on a biennial basis to gauge attitudes and sentiments to a range of factors, issues, and concerns. Regular contact and communication with employees has been a particular priority during the COVID-19 lockdown periods, where virtual activities and socials were arranged so that employees had a chance to maintain social interaction.	See the Caring for People section of the Group’s Corporate Responsibility Plan in this report.

Stakeholder	How the Board consults and considers stakeholder interests	More information
The community	The majority of the Group’s portfolio is located on or near to MoD bases. When these houses are released to the Group, it makes efforts to support the communities in which they are located. The Group has also committed to the Armed Forces Covenant, providing a number of benefits to service personnel. The Group seeks feedback from the individual forces Families Federations and is in contact with the leadership of these organisations on a regular basis.	See the Investing in Communities and Charitable Contributions sections of the Group’s Corporate Responsibility Plan in this report.
The environment	The Group considers the impact on the environment based not only on safety but also on benefit to the community. Decisions are taken in line with its Sustainable Procurement Policy to reduce its impact on the environment. During the year, the Group developed its ESG strategy and completed an ESG maturity assessment. Work is currently underway to act upon the recommendations resulting from this assessment and further aligning its strategy against sustainability frameworks, such as the United Nations Sustainable Development Goals.	See the section on Respecting the Environment within the Group’s Corporate Responsibility Plan in this report.



OUTLOOK AND GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Introduction, Group Overview, Strategies, Business Review and Financial Review as well as in this section.

The Group, through AFP, has issued £3.8 billion of unsecured corporate bonds in seven tranches; this includes the two tranches of fixed rate notes of £400 million each issued in October 2021. The Group has a further £400 million term loan and an undrawn revolving credit facility of £100 million, both expiring in 2025.

Critical to the Group's future as a going concern is the ability to service and repay its debt. For the foreseeable future, at least until the maturity of the Euro denominated tranche of notes in 2024, the Group only needs to pay the interest on the debt. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are set out in the Financial Review section.

The Group's forecasts do not indicate any of these 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, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance.

The Group meets its day-to-day working capital requirements from both rental income and property sales. In uncertain economic environments, such that there is uncertainty over the level of demand for properties, comfort is gained that the 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.

The Group receives cash on a quarterly basis in relation to its long-term rental of investment properties. The lengthy timeframes for the Rent Review and Site Review processes mean that the effects of market movements are averaged over these cycles and significant movements will take a while to impact the results of the Group. For example, the effect of the Site Review on rent will become effective for the first tranche in December 2021 with one further tranche per year until December 2024. On 15 December 2021, a Settlement Agreement was reached with the MoD in respect to the Site Review discount, whereby the current MQE discount rate of 58.0% would be phased out over the tranches of the next four years and replaced with the new rate of 49.6%. The new discount, applied solely to the December 2021 tranche, has increased annual passing rent by approximately £8.4 million. Had the new rate been applied immediately to all Sites held at 24 December 2021, the Group would have realised an uplift to annual passing rent of £35.9 million. As part of this agreement, the MoD are incentivised to release Units which allows for the Group to generate further cash through private rental at full market value or dispose of the property altogether.

The forecast receipts of rent in the year ahead will be sufficient to meet short-term cash requirements. In making these forecasts and considering the issue of going concern, the Board has taken into account the effects of current market conditions, including rising inflation and interest rates, the war in Ukraine, the UK's exit from the European Union and of COVID-19. Possible downside effects considered included falling house prices, falling rental values, increased arrears from tenants. In all circumstances, cash reserves and rental receipts from the MoD were sufficient to fund the ongoing operations of the Group.

On 9 May 2022, the Group received permission for Annington's Judicial Review of the MoD's notice of Enfranchisement. The Judicial Review and legal processes are expected to take some time to resolve. No negative impacts to our covenants are forecast and Annington continues to assert its position that the MoD has no legal right to enfranchise any properties.

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, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

This Strategic Report is approved by the Board of Directors and signed on behalf of the Board.

I Rylatt
Director
5 July 2022

Registered Office
1 James Street
London, United Kingdom
W1U 1DR



DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2022.

DIRECTORS

The Directors who served throughout the year and up to the date of approval of the financial statements, except as noted, were as follows:

Baroness Helen Liddell (Chairman)
Independent Non-Executive Director
Appointed 1 April 2017

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 entering Parliament, she held positions in the Scottish Trades Union Congress, worked for the BBC, the Labour Party, the Scottish Daily Record and the Sunday Mail and was the Chief Executive of Business Ventures.

Jonathan Short
(Deputy Chairman)
Independent Non-Executive Director
Appointed 1 April 2017

Jonathan 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 in 2007, Internos Global Investors. Internos, now known as Principal Real Estate Investors, 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.

Ian Rylatt
Chief Executive Officer
Appointed 7 May 2021

Ian Rylatt joined Annington in April 2021 from Balfour Beatty plc where he was Chief Executive Officer for a number of group businesses and member of the group Executive Committee. Since 2012, Ian was Chief Executive Officer of Balfour Beatty Investments, responsible for all the business's infrastructure and real estate / PRS investment activities including its US multi-family housing business and its Military Housing business, managing c. 35,000 homes for the US Department of Defense. Ian initially joined Balfour Beatty in 1998 as a Business Development Director. Prior to Balfour Beatty Ian held a number of finance and equity investment related roles within Rolls Royce plc.

Stephen Leung
Chief Financial Officer
Appointed 1 April 2021

Stephen Leung has over 20 years' experience in the real estate sector and joined Annington in March 2021 from iQ Student Accommodation, where he had been CFO since 2015. He was previously Finance Director at Otium Real Estate Limited and has held positions at a number of leading real estate businesses including Land Securities and Trillium.

Nick Vaughan
Transitioned from Chief Operating Officer to Non-Executive Director on 1 January 2022
Appointed 29 October 2012

Nick Vaughan has over 32 years' experience in the real estate sector and joined the Group in December 1998. He was appointed Commercial Director in January 2001. He stepped down from his executive role as Chief Operating Officer and has remained on the board as a Non-Executive Director effective from 1 January 2022. 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.

Vivek Ahuja
Non-Executive Director
Appointed 23 October 2018

Vivek Ahuja joined Terra Firma as a Partner and Group Chief Financial Officer in January 2018. Subsequently, he was appointed to the role of CEO of Terra Firma in July 2020 and joined the Board of Annington Limited in October 2018 through Terra Firma's appointment. Vivek has three decades of experience in global finance and over 20 years in senior finance roles.

Justin King
Non-Executive Director
Appointed 3 March 2016;
Resigned 5 May 2021

James Hopkins
Chief Executive Officer (former)
Appointed 29 October 2012;
Resigned 7 May 2021

Andrew Chadd
Chief Financial Officer (former)
Appointed 29 October 2012;
Resigned 1 April 2021



CORPORATE GOVERNANCE ARRANGEMENTS

The Group has not applied a formal corporate governance code as it believes its established and previously applied corporate governance principles currently sufficiently align with published corporate governance codes.

The Board sets the strategy, values and culture for the Group in furthering its success. To help them achieve this, the Board:

- delegates responsibilities to various committees, the functions and compositions of which are set out below;
- fosters relationships with stakeholders (refer to ESG section of the Strategic Report, including the statement on s.172 of the Companies Act); and
- conducts risk assessments and develops risk management systems in order to manage and mitigate identified risks (refer to the Principal risks and uncertainties section of the Strategic Report).

BOARD AND COMMITTEES ATTENDANCE

The number of board and committee meetings attended by each Director during the 2022 financial year was as follows:

	Board	Audit Committee	Nomination and Remuneration Committee	Overall Attendance
Total number of meetings	12	2	-	
Baroness Helen L Liddell	12	2	-	100%
Vivek Ahuja	12	2	-	100%
Jonathan Short	12	2	-	100%
Nick Vaughan	12	*	*	100%
Ian Rylatt	12	2*	*	100%
Stephen Leung	12	2*	*	100%
Justin King	1	*	-	100%
James Hopkins	1	2*	.*	100%

*- Director was not a member of the committee therefore attendance was not required.

1 – No Nomination and Remuneration Committee meetings were held during the year. Due to scheduling reasons, a meeting was held on April 2022, rather than March, as planned.

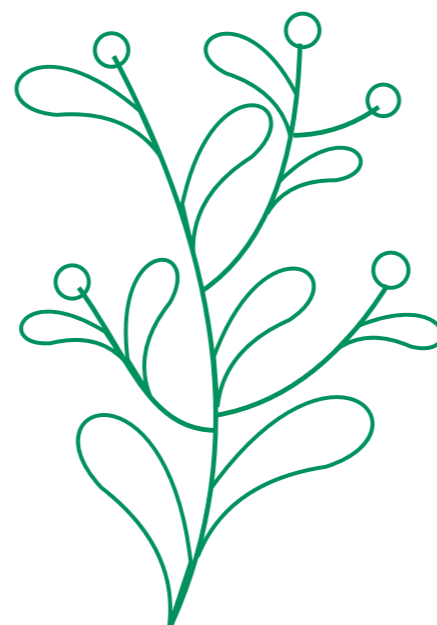
Andrew Chadd was not required to attend any meetings during the year.

DIRECTORS' INDEMNITIES

Qualifying third party indemnity provisions were in place for all Directors of the Company and its subsidiaries for the current and preceding year.

THE ROLE OF THE BOARD

The Board is responsible for the long-term success, strategic direction and delivery of operational objectives. The Board provides leadership of the Group within the framework of prudent and effective controls, which enables risk to be assessed and managed. It sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for it to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.



DETAILS OF THE BOARD AND COMMITTEE COMPOSITION, REMIT AND FREQUENCY OF MEETING

Board of Directors

The Board of Directors comprises at least two independent, Non-Executive Directors, up to two further Non-Executive Directors, who may be employed by Terra Firma Capital Partners Limited and the Group's Executive Directors. The Chairman is drawn from the Non-Executive Directors. The Board meets formally each quarter to review issues, progress being made and performance against budget, however additional meetings may be called to discuss any issues which may require resolution prior to the next formal Board meeting.

Audit Committee

The Audit Committee includes independent, Non-Executive Directors and at least one Non-Executive Director employed by Terra Firma Capital Partners Limited. Alongside other responsibilities, the Committee considers the ongoing effectiveness of controls and procedures operated by the executive team and considers whether there is a need for an internal audit function. With respect to external audits, the Committee receives a report from the Auditor presenting the audit plan prior to commencement of audit work and a report following substantial completion thereof, and conducts an assessment of the effectiveness of the external audit. The Committee has specifically considered the appropriateness of preparing financial statements on the 'going concern' basis.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee includes the independent, Non-Executive Directors and at least one Non-Executive Director employed by Terra Firma Capital Partners Limited. The Committee meets as required, but at least once per annum, to consider the overall remuneration packages of all staff and to review the staff appraisal process, which provides evidence for salary reviews and/or award of discretionary bonuses. The appraisal process seeks to identify individual development and training potential as well as assessing historical performance.

Finance Committee

The Finance Committee includes the independent, Non-Executive Directors, up to two Non-Executive Directors employed by Terra Firma Capital Partners Limited and two Executive Directors. The Committee meets as required to discuss and consider appraised project strategies above the Investment Committee's approval threshold and to consider financing strategy. Any major projects or significant investments will be referred to the Board for ultimate approval. No meetings were necessary during the year.

Investment Committee

During the year, in response the executive director transition process, the Investment Committee has included the Executive Directors and one or two senior executives. The Committee meets as required to discuss and consider project strategies. Any major projects or significant investments or sales will be referred to the Finance Committee or Board for ultimate approval.

Operational Review Meetings

The Executive Directors, along with key members of operational management, meet every Monday morning in order to consider results from the previous week, provide an update on short-term issues and to prioritise work for the coming week. This meeting forms the basis for compiling a weekly report which is subsequently sent to Terra Firma Capital Partners. A further report is circulated to all staff.

A meeting of Executive Directors and key senior management is held quarterly. This ensures that all those present are kept up to date with the Group's progress and any issues affecting the operations of the Group. Those present are charged with disseminating the information to their teams. Each senior manager also produces a monthly progress report and has monthly progress meetings with the Chief Executive, on a one-to-one basis.

A summary of board composition and its diversity as at 31 March 2022 is set out in the tables below:

Board composition

Independent Non-Executive Chairman and Director	1
Independent Non-Executive Directors	1
Non-Executive Directors	2
Executive Directors	2
Total number of Directors	6

Non-Executive Director tenure (including the Chairman and excluding Executive Directors)

Under 3 years	1
3 – 6 years	3

Gender diversity (including the Chairman)

Female	1
Male	5
Total	6

Remuneration report

The Nomination and Remuneration Committee meets as required but at least annually to review all salary, bonus, any long-term incentive plans and other benefits available to Directors and staff, to ensure remuneration packages continue to be competitive in order to attract, retain and motivate experienced individuals and to drive the Group forward in achieving its objectives.

All staff are employed by the Group through Annington Management Limited as lead employer. It has always been the Group's policy to maintain a small core team to manage the activities of the Group and to outsource certain operational activities to other organisations. This has allowed Annington to access professional services as required, enabling the Group to manage the fluctuating activity levels in the portfolio across England and Wales more efficiently. Where employee turnover has occurred, the Group has adapted its structure to meet current and expected future requirements.

The Group operates an annual staff appraisal process, requiring managers and their staff to discuss the year completed, to address any issues arising and to provide staff development where appropriate. These meetings are also used to set objectives for the coming year. The appraisal form is reviewed by the relevant Director and each individual is 'scored' across a series of headings. The appraisal process has been developed during the year to ensure alignment with the requirements of the annual bonus process. As in previous years, all staff appraisals are subject to review by the Remuneration Committee.

Details of the Directors' remuneration are included in Note 6.

GUIDELINES FOR DISCLOSURE AND TRANSPARENCY IN PRIVATE EQUITY

The Group is defined as a portfolio company for the purposes of the "Guidelines for Disclosure and Transparency in Private Equity" issued by the Guidelines Monitoring Group. This Annual Report and Financial Statements, comprising the Strategic Report, the Directors' Report, the Financial Statements and the Notes to the Financial Statements has been prepared in accordance with Part V of that document "Guidelines for Enhanced Disclosure by Portfolio Companies and Private Equity Firms".

OWNERSHIP STRUCTURE AND ECONOMIC BENEFIT

Annington Holdings (Guernsey) Limited ('AHGL'), a company registered in Guernsey, is the immediate parent of Annington Limited. AHGL is a subsidiary of the Terra Firma Special Opportunities Fund I ('TFSOFI'), with a further ownership interest held by the Terra Firma Special Opportunities Fund II ('TFSOFII'). TFSOFI and TFSOFII are managed by General Partners that are ultimately owned by Terra Firma Holdings Limited (Guernsey), a company registered in Guernsey, which the Directors regard as the ultimate parent entity. The ultimate controlling party is Guy Hands.

TFSOFI was established as a single asset fund with the purpose of acquiring Annington from Nomura. Terra Firma had previously managed Nomura's investment in Annington. Having raised funds from investors around the world, both institutional and private, TFSOFI closed in December 2012. In 2017, to further support Annington's growth strategy, Terra Firma raised TFSOFII, as a parallel investor in Annington. Terra Firma appoints up to two Directors to the Board of Annington Limited.

GOING CONCERN

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, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found within the Going Concern section of the Strategic Report.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations of £0.5 million (2021: £0.9 million), principally to local charities serving the communities in which the Group operates. The Group made no political donations during the year (2021: £nil).

Further information on the charitable activities of the Group is provided in the Strategic Report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Financial instruments and risk management policies are addressed in Note 22.

LINKS TO 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. An indication of likely future developments in the business and development activities are included in the Strategic Report. Information regarding stakeholder engagement and ESG reporting, including carbon reporting, is included in the Strategic Report.

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DIVIDENDS

Our policy is to distribute free cash flow subject to maintaining financial policies and suitable cash reserves to ensure the Group's operational needs can be met. The Group operates an unsecured debt strategy and a policy of retaining a BBB rating. During the financial year 2021, no dividend was paid in relation to the 2020 year end and in May 2021, the Group paid a dividend of £170.0 million representing free cash flow generated in the 2020 and 2021 financial years. Later in the year, in October 2021, the Group, through its subsidiary Annington Funding plc, issued two tranches of fixed rate notes of £400.0 million each under its £4 billion EMTN Programme. The notes mature in 2032 and 2051 and carry coupon rates of 2.308% and 2.924%, respectively. Subsequently, Annington Limited completed a partial return of capital by way of a £793.6 million special dividend to its immediate parent, Annington Holdings (Guernsey) Limited.

SUBSEQUENT EVENTS

In connection with the £155.4 million of free cash flows generated in the 2022 financial year, on 28 June 2022, a dividend of £100.0 million was approved by the Board. In June 2022 loans attracting a below market rate of interest were made by the Group's parent entity, AHGL, to a Non-Executive Director of the company and two directors of the Company's subsidiaries.

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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP has expressed their willingness to continue in office as auditor and arrangements have been put in place for them to be re-appointed as auditor in the absence of an Annual General Meeting.

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

S Leung
Director
5 July 2022

Registered Office
1 James Street
London, United Kingdom
W1U 1DR



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

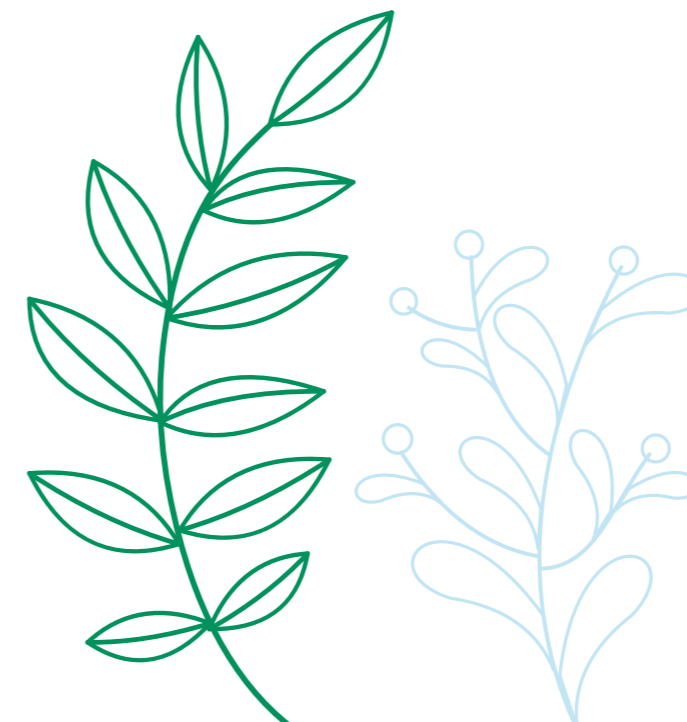
Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') and have also chosen to prepare the parent company financial statements under IFRSs. 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 Group and of the profit or loss of the Group 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 Group'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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, 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 Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of Annington Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;

- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 35 and a to j.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included: UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.



We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

The valuation of investment property is an area of judgement due to the use of assumptions and estimates to derive the valuation and therefore we have identified this as a potential fraud risk. The risk is specifically focussed on those judgements which carry the greatest risk of misstatement being the setting of discount rates, rental inflation and the number of unit releases by the MoD. In response to this specific risk we have assessed management's design and implementation of controls over the inputs provided to CBRE and their review of the valuation outputs. We worked with our real estate valuation and analytics specialists to challenge the assumptions used including the benchmarking to available market data seeking appropriate rationale and evidence ensuring, where appropriate, that the assumptions were within an acceptable range. We also tested the integrity and logic of the CBRE valuation model.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent 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 respect of these matters.

Use of our report

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.

Helen Wildman ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 July 2022



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

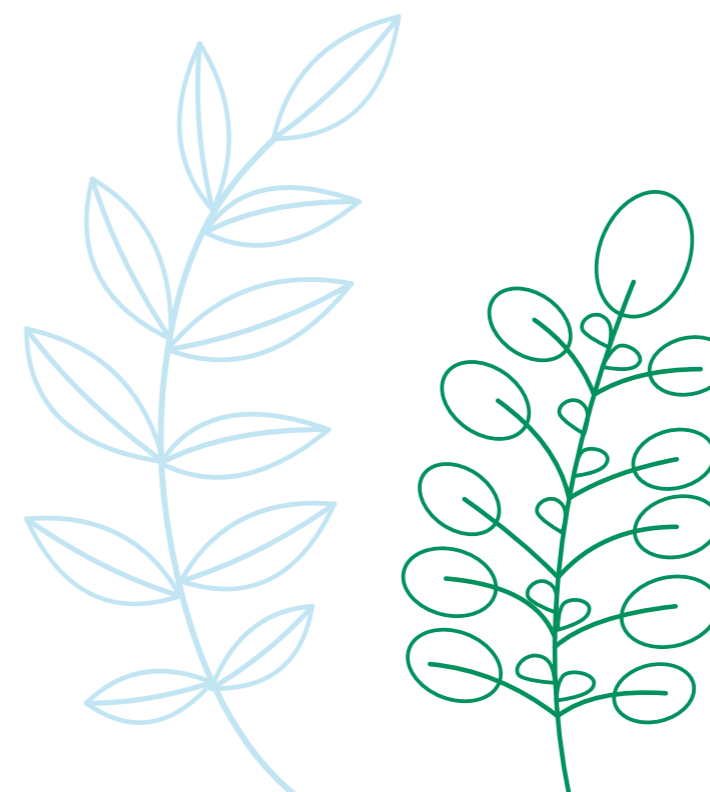
	Note	2022 £'000	2021 £'000
Property rental income	4	205,495	201,345
Property operating expenses		(6,779)	(5,799)
Net rental income	4	198,716	195,546
Other operating income	5	2,633	3,147
Administrative expenses		(15,339)	(14,263)
Other operating expenses		(548)	(983)
Site Review costs	5	(7,419)	(24,416)
Enfranchisement Proceedings costs	5	(4,108)	-
Profit on disposal of investment properties	7	7,367	12,644
Profit/(loss) on disposal of inventory		258	(659)
Unrealised property revaluation gains	10	490,274	478,091
Share of results of joint ventures after taxation	13	(209)	(462)
Operating profit	5	671,625	648,645
Finance income	8	26	50
Finance costs	8	(120,940)	(109,453)
Profit before taxation		550,711	539,242
Taxation credit	9	945	20,225
Profit for the year after taxation		551,656	559,467

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Profit for the year		551,656	559,467
Items that may subsequently be recycled through the income statement			
Cash flow hedge:			
Fair value gains/(losses) on cash flow hedge	21	4,006	(23,252)
Reclassification of fair value gains included in the income statement	8	4,218	19,509
Total other comprehensive gain/(loss)		8,224	(3,743)
Total comprehensive income for the year		559,880	555,724
Total comprehensive income attributable to shareholder		559,880	555,724

The accompanying Notes (1 to 35) should be read in conjunction with these financial statements.



CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investment properties	10	8,518,259	8,087,751
Plant and equipment	11	417	285
Right-of-use assets	12	1,045	1,688
Investment in joint ventures	13	2,053	2,262
Deferred tax assets	9	51,364	44,276
		8,573,138	8,136,262
Current assets			
Inventory	14	6,128	9,235
Trade and other receivables	15	10,795	8,080
Cash and cash equivalents	16	181,787	197,509
		198,710	214,824
Investment properties held for sale	10	15,105	35,531
Total assets		8,786,953	8,386,617
Current liabilities			
Trade and other payables	17	(48,896)	(36,450)
Rental income received in advance		(42,820)	(41,072)
Lease liabilities	19	(703)	(749)
Provisions	20	(15,220)	(11,732)
		(107,639)	(90,003)
Non-current liabilities			
Trade and other payables	17	-	(273)
Loans and borrowings	18	(4,160,229)	(3,367,854)
Lease liabilities	19	(185)	(735)
Deferred tax liabilities	9	(88)	(39)
Provisions	20	(8,466)	(9,641)
Derivative financial instruments	21	(14,623)	(18,629)
		(4,183,591)	(3,397,171)
Total liabilities		(4,291,230)	(3,487,174)
Net assets		4,495,723	4,899,443
Capital and reserves			
Share capital	23	84,756	84,756
Share premium	24	480,401	480,401
Merger reserve	25	(10,000)	(10,000)
Hedging reserve	26	1,250	(6,974)
Retained earnings	27	3,939,316	4,351,260
Total equity		4,495,723	4,899,443

The accompanying Notes (1 to 35) should be read in conjunction with these financial statements.

The financial statements of Annington Limited, registered number 08271384, were approved by the Board of Directors and authorised for issue on 5 July 2022.

Signed on behalf of the Board of Directors

S Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2020	84,756	480,401	(10,000)	(3,231)	3,791,793	4,343,719
Total comprehensive (loss)/income for the year	-	-	-	(3,743)	559,467	555,724
Balance at 31 March 2021	84,756	480,401	(10,000)	(6,974)	4,351,260	4,899,443
Total comprehensive income for the year	-	-	-	8,224	551,656	559,880
Dividends paid	-	-	-	-	(963,600)	(963,600)
Balance at 31 March 2022	84,756	480,401	(10,000)	1,250	3,939,316	4,495,723

The accompanying Notes (1 to 35) should be read in conjunction with these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Net cash from operating activities	28	178,842	153,026
Tax paid		(8,586)	(3,400)
Net cash inflow from operating activities		170,256	149,626
Investing activities			
Proceeds from sale of investment properties		105,121	72,818
Development and acquisition of investment properties	10	(999)	(6,818)
Refurbishment expenditure on investment properties	10	(13,433)	(16,485)
Purchase of plant and equipment	11	(246)	(45)
Receipts from joint ventures	5, 13	-	1,409
Interest received		26	50
Net cash inflow from investing activities		90,469	50,929
Financing activities			
Interest and other financing costs		(105,527)	(105,986)
Dividends paid		(963,600)	-
Proceeds from new borrowings		800,000	-
Debt issuance costs		(6,414)	-
Interest payments on lease obligations		(24)	(40)
Principal payments on lease obligations		(793)	(770)
Lease termination payments		(6)	-
Net cash outflow from financing activities		(276,364)	(106,796)
Net (decrease)/increase in cash and cash equivalents		(15,639)	93,759
Cash and cash equivalents at the beginning of the year		197,509	103,695
Exchange differences on cash and cash equivalents		(83)	55
Cash and cash equivalents at the end of the year	16	181,787	197,509

The accompanying Notes (1 to 35) should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

I. CORPORATE INFORMATION

Annington 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, United Kingdom, W1U 1DR. Information on the Group's ultimate parent is presented in Note 34.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations as adopted by the United Kingdom. They have also been prepared in accordance with the Companies Act 2006.

These financial statements are presented in pound sterling, which is the functional currency of the parent company and 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 direct relevant activities of an entity, exposure, or rights, to variable returns of an entity and the ability to use its power over an entity to affect the amount of its returns. 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.

Going concern

The financial statements are prepared on a going concern basis as explained in the Going Concern section of the Strategic Report.

Fair value measurement

Certain of the Group's accounting policies and disclosures require the measurement of fair values. Fair values are categorised into three different levels in a fair value hierarchy, in accordance with IFRS 13 Fair Value Measurement, and is based on the inputs used in the valuation techniques as follows:

- 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).

Further information regarding the assumptions made in measuring fair values is included in Note 10 and Note 22.

Critical accounting judgements and key sources of estimation uncertainty

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 to be relevant including rising inflation and interest rates, the war in Ukraine, and the continuing impacts of the UK's exit from the European Union and the COVID-19 pandemic. Actual results may differ from these estimates.

Further details regarding key sources of estimation uncertainty for the Group can be found within Notes 9 (with respect to deferred tax), 10 (with respect to the valuation of investment properties) and 20 (with respect to the provision for utilities).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Standards, interpretations and amendments effective from 1 April 2021

The Group has adopted the new accounting standards, interpretations and amendments, which have become effective as at 1 April 2021. Those that have impacted the Group's current accounting policies are described below:

Amendment to IFRS 9, IAS 39 and IFRS 7, Financial Instruments; Interest Rate Benchmark ("IBOR") Reform Phase 2

Phase 2 amendments address any issues that arise once the existing Interest Rate Benchmarks have been replaced with an alternative rate. The Group has adopted the amendments relating to the IBOR reform from 1 April 2021 and transitioned from GBP LIBOR to SONIA (Sterling Overnight Index Average) during the year, using the available practical expedients within the Phase 2 amendments. No significant adjustments were therefore required within the financial statements relating to this reform.

3. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT 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 UK Endorsement Board ('UKEB') but are not yet effective:

New/Amended Standards and Interpretations		Effective date (annual periods beginning on or after)
IFRS Improvements	2018-2020 Annual Improvements Cycle	1 January 2022
IAS 37 Amendments	Amendments to Costs of Fulfilling a Contract	1 January 2022
IFRS 9 Amendments	Amendment to Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022

The following new and revised IFRSs have been issued, but not yet endorsed by the UKEB:

New/Amended Standards and Interpretations		Effective date (annual periods beginning on or after)
IAS 1 and IFRS Practice Statement 2	Amendments to Disclosure of Accounting Policies	1 January 2023
IAS 1 Amendments	Amendments to the Classification of Liabilities as current or Non-current	1 January 2023
IAS 8 Amendments	Amendments to Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Amendments to Deferred Tax from Single Transactions	1 January 2023

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

4. PROPERTY AND NET RENTAL INCOME

ACCOUNTING POLICY

Property rental income – Revenue recognition

Property rental income from investment properties 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.

	2022 £'000	2021 £'000
Property rental income	205,495	201,345

Net rental income

Net rental income comprises property rental income less property operating expenses. Property operating expenses are expensed as incurred.

The Group 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 other operating income, charging depreciation, and auditor remuneration, and before finance income and finance costs.

	2022 £'000	2021 £'000
Depreciation of plant and equipment	112	78
Depreciation of right-of-use assets	838	831
Loss on disposal of plant and equipment and right-of-use assets	1	2
Write downs of inventory to net realisable value	9	1
Other operating income		
Dilapidation income	2,590	3,105
Net profit from property management	38	41
Sundry income	5	1
Total other operating income	2,633	3,147
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company	83	75
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	293	284
Total audit fee	376	359
Non-audit remuneration		
Other assurance services	100	-
Total non-audit fee	100	-

Site Review costs

Included in operating profit are costs relating to the Site Review, which are considered exceptional in nature, due to the size and infrequent occurrence of Site Reviews.

A significant sum was spent during Site Review negotiations, as precedents were developed between the parties as to the way in which a Site Review will operate. The Group considers that the costs associated with this process were of such a material nature as to require separate disclosure on the face of the consolidated income statement. The £7.4 million of Site Review costs incurred in the 2022 financial year (2021: £24.4 million) have been disclosed separately in the income statement.

In December 2021, Annington reached an agreement with the MoD to settle the Site Review process established in the Arbitration Agreement which included an agreement to replace the current discount rate of 58% with the new discount rate of 49.6% (between 2021-2024) to be applied to all Sites within the MQE. It was also agreed that at the next scheduled Site Review in 15 years time, the discount rate of 49.6% will also be applied, meaning the next full Site Review will take place between 2051 and 2054.

Enfranchisement Proceedings costs

On 16 December 2021, the MoD served a notice of Enfranchisement in respect of a single property in Cranwell, Lincolnshire and on 28 January 2022, it served a further Enfranchisement notice in respect of the adjacent property.

On 11 March 2022, the Group commenced proceedings in the High Court and a separate application for Judicial Review challenging the MoD's attempt to enfranchise the Cranwell properties. In April 2022, the MoD issued Enfranchisement notices in respect of six further properties in Bristol.

The legality of the Cranwell notices, and the MoD's decision to serve them, are being challenged in two sets of legal proceedings commenced by the Group, in the Chancery Division of the High Court, and the Administrative Court, a specialist court within the Queen's Bench Division of the High Court of Justice, respectively. The Group has submitted in those proceedings that the MoD does not have the legal right to enfranchise. On 9 May 2022, Mr Justice Choudhury, sitting as a Judge of the Administrative Court, gave permission for the Group's Judicial Review of the MoD's actions to proceed to a full hearing. The Group is challenging the six further Bristol notices in the Administrative Court. All these proceedings are referred to collectively herein as the 'Enfranchisement Proceedings'. Both the Chancery and Administrative Court decisions could be subject to appeal to the Court of Appeal, and potentially further appeal to the Supreme Court, and these appeals could take several years. If it is held in both the Administrative Court and Chancery Division claims that the MoD is entitled to enfranchise the Units, each Enfranchisement by the MoD would constitute a separate legal action, which could also take significant time to conclude.

As a result of the Enfranchisement Proceedings, the Group has begun to incur legal costs that are both material and outside the scope of normal operations. Legal costs of £4.1 million related to the Enfranchisement Proceedings have been (and further costs will continue to be) disclosed separately in the income statement due to their exceptional nature.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

ACCOUNTING POLICY

Employee benefits

The Group provides a range of benefits to employees, including annual bonuses, 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.

	2022 £'000	2021 £'000
Directors' emoluments		
Aggregate emoluments representing short-term employee benefits	2,544	2,562

No retirement benefits are accruing to Directors. Emoluments, for the highest paid Director amounted to £0.6 million (2021: £0.9 million). No Directors' emoluments were paid to those Directors who are employed by Terra Firma Capital Partners Limited.

	2022 Number	2021 Number
Average monthly number of persons employed (including directors)		
Administrative	31	28
Operations	22	19
	53	47

	2022 £'000	2021 £'000
Staff costs incurred during the year		
Wages and salaries including directors' emoluments	6,973	6,629
Social security costs	954	915
Other pension costs	368	321
	8,295	7,865

The Company has no direct employees. All staff are employed by the subsidiary, Annington Management Limited, on behalf of the Group.

The other pension costs disclosed above represents the Group's contributions to employees' personal defined contribution pension schemes.

7. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

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. Where estimated costs were attributed to properties sold, but changes to those estimates were made in a subsequent period, they are recognised as late costs incurred and expensed/credited to profit on disposal of investment properties.

	2022 £'000	2021 £'000
Sales proceeds	107,749	70,567
Selling costs	(2,628)	(1,924)
Net disposal proceeds	105,121	68,643
Carrying value of properties disposed	(95,658)	(55,822)
Late costs incurred on units sold	(2,096)	(177)
	7,367	12,644

During the year, disposals of 481 properties (2021: 302 properties) were completed.

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.

	2022 £'000	2021 £'000
Finance income		
Interest receivable	26	50
Finance costs		
Interest payable on unsecured fixed rate notes	107,988	97,652
Amortisation of issue costs	2,935	2,437
Interest payable on bank loans	7,118	7,214
Foreign exchange gains on financing	(4,146)	(19,564)
Transfer to equity for cash flow hedge	4,218	19,509
Unwinding of discount on provisions	1,351	1,497
Effect of change in discount rate on utilities provision	327	55
Other finance expenses	1,125	613
Finance costs on lease transactions	24	40
Total finance costs	120,940	109,453

9. TAXATION

ACCOUNTING POLICY

Taxation for the year comprises current and deferred tax, which 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. 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.

The Group has elected to offset the deferred tax assets and liabilities as:

- the Group 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 and intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

9. TAXATION (CONTINUED)

Key source of estimation uncertainty

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. The assessment of future taxable profit is based on management's judgement regarding the reliability of internal forecasts and estimates regarding future growth rates and costs. Estimates and assumptions could prove to be inaccurate, which may significantly affect deferred tax balances recognised.

	2022 £'000	2021 £'000
Current tax		
United Kingdom corporation tax at 19% (2021: 19%)	(6,094)	(4,148)
Deferred tax recognised in income statement		
Deferred taxation: origination and reversal of temporary differences	7,039	24,373
Total taxation for the year recognised in income statement	945	20,225

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2021: 19%). The tax for the current and preceding years differ from the standard tax rates for the reasons set out in the following reconciliation:

	2022 £'000	2021 £'000
Profit before taxation	550,711	539,242
Tax charge at the standard rate	(104,635)	(102,456)
Factors affecting the current tax for the year:		
Expenses not deductible for tax purposes	(480)	(132)
Non-taxable income	157	2,948
Revaluation of investment properties	93,152	90,838
Change in tax rate	5,712	4,658
Utilisation of tax losses	7,039	24,369
Taxation for the year recognised in income statement	945	20,225

The rate of Corporation Tax for the UK remains at 19% for the year ended 31 March 2022. The UK Corporation Tax Rate will be 25% with effect from April 2023. The March 2022 calculation of current and deferred tax use the 19% and 25% rate, respectively.

Deferred tax

The movement in deferred tax is as set out below:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 April 2020	(43)	19,908	19,865
Credit to income statement	4	24,368	24,372
At 31 March 2021	(39)	44,276	44,237
(Charge)/credit to income statement	(49)	7,088	7,039
At 31 March 2022	(88)	51,364	51,276

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:

	2022 £'000	2021 £'000
Deferred tax assets	51,364	44,276
Deferred tax liabilities	(88)	(39)
Net deferred tax liabilities	51,276	44,237

At the balance sheet date, the Group has unused tax losses of £1,145.0 million (2021: £1,178.9 million) available for offset against future profits. A deferred tax asset of £51.4 million has been recognised in respect of these losses (2021: £44.3 million), leaving £232.2 million of unrecognised deferred tax assets (2021: £179.7 million). Deferred tax assets have been recognised based on the Group's reasonable expectation that their utilisation is probable based on internal forecasts. This has resulted in the recognised deferred tax asset at March 2022 representing the forecast utilisation of deferred tax assets for the next five (2021: five) financial years.

Annington Limited's immediate parent entity, Annington Holdings (Guernsey) Limited ('AHGL') has confirmed to the Board of Annington Limited that it qualifies as an Open Ended Investment Company, and consequently, as a Collective Investment Vehicle, and has made an exemption election under the Non Resident Capital Gains Tax legislation. While this exemption is in place, Annington Limited and its subsidiaries are exempt from capital gains tax on investment property disposals. A consequence of this that the Group does not recognise deferred tax liabilities relating to these capital gains.

No deferred tax liabilities are recognised on temporary differences associated with investments in subsidiaries and interests in joint ventures for the current and preceding year in accordance with the accounting policy.

Deferred tax balances at 31 March 2022 are measured at 25% (2021: 19%).

10. INVESTMENT PROPERTIES

ACCOUNTING POLICY

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, expenditure is capitalised to investment properties if it is deemed to enhance the value of the properties. At each year end, investment properties are revalued at fair value, adjusted for related provisions. 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 fair value are included in the income statement in the period in which they arise. As permitted by IAS 40, the Group does not derecognise replaced parts as it is assumed that through the application of the fair value model, the property values will reflect any losses in value at reporting date. 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.

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.

Key source of estimation uncertainty

The valuation of the investment properties 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 investment properties portfolio differs from the valuation, which could have a material effect on the financial position of the Group. Further information regarding valuation techniques and inputs used in determining the fair value of investment properties is set out further on in this note.

2022	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	8,087,751	35,531	8,123,282
Additions - development and acquisitions	999	-	999
Additions - refurbishment expenditure	13,433	-	13,433
Disposals	(60,127)	(35,531)	(95,658)
Change in utilities obligation	1,034	-	1,034
Transfer to investment properties held for sale	(13,734)	13,734	-
Unrealised property revaluation gains	488,903	1,371	490,274
Total carrying value at 31 March	8,518,259	15,105	8,533,364
2021	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	7,659,407	15,742	7,675,149
Additions - development and acquisitions	6,818	-	6,818
Additions - refurbishment expenditures	16,485	-	16,485
Disposals	(40,080)	(15,742)	(55,822)
Change in utilities obligation	2,561	-	2,561
Transfer to investment properties held for sale	(26,969)	26,969	-
Unrealised property revaluation gains	469,529	8,562	478,091
Total carrying value at 31 March	8,087,751	35,531	8,123,282

IO. INVESTMENT PROPERTIES (CONTINUED)

Properties would have been included on an historical cost basis at £1,427.9 million (2021: £1,468.8 million).

As at 31 March 2022 there were 70 (2021: 202) investment properties classified as held for sale, with disposal expected within the next 12 months.

	2022 £'000	2021 £'000
The carrying value of investment properties and investment properties held for sale comprises:		
Freehold	560,410	475,082
Long leaseholds	6,540	7,015
Very long leaseholds (over 900 years)	7,966,414	7,641,185
	8,533,364	8,123,282
	2022 £'000	2021 £'000
Reconciliation of fair value/market value to carrying value:		
Fair value as estimated by the external valuer	8,525,603	8,119,147
Add: amounts included in utilities provision	7,761	4,135
Carrying value for financial reporting purposes	8,533,364	8,123,282

IFRS requires the fair 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 fair value, when arriving at carrying value, the Group has adjusted the valuation of investment properties to exclude that portion of the utilities provision (Note 20) relating to properties still held by the Group.

All leasehold properties leased by the MoD are maintained by them 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 30.

Substantially all of the Group's investment properties generated rental income in the current and prior year, with the exception of the plots and infill areas that are held for future development.

The Group's freehold and long leasehold interests in its investment properties were valued as at 31 March 2022 by an external valuer, Rupert Driver BSc MRICS of CBRE Limited. The valuation, which was prepared on a portfolio basis, was subject to the existing leases, underleases and tenancies as advised but otherwise with vacant possession.

The valuer's opinion in relation to the MQE was derived primarily using a discounted cash flow approach, supplemented by comparable recent market transactions on arm's length terms in relation to the Non-MQE: Surplus Estate. The valuer's opinion in relation to the AST and other bulk tenancies in the Group was derived with reference to recent market transactions on arm's length terms. Both of these were undertaken in accordance with the requirements of IFRS 13, Fair Value Measurement and the RICS Valuation - Global Standards 2017, as amended, except where it was not, in practical terms, feasible to comply due to the large number of properties involved.

This is a 'Regulated Purpose Valuation'. CBRE has a policy of rotating the Lead Valuer of the portfolio at least every five years. This is CBRE and Rupert Driver's second year conducting the annual valuation. CBRE have confirmed that the total fees earned from the Annington group of companies is less than 5.0% of its total UK revenues, which may be deemed as minimal.

Assumptions and valuation models used by the valuers are typically market related, such as yield and discount rates. For the other Units, these are based on their professional judgement and market observation.

The fair value measurement hierarchy level for all investment properties as at 31 March 2022 was Level 3 significant unobservable inputs (2021: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior year.

Investment property valuations are inherently subjective, depending on many factors, including property location, expected future net rental value, market yields and comparable market transactions. In valuing the properties, the following assumptions have been adopted and incorporated into the valuation model:

2022	Fair value £'000	Unobservable inputs	Input
MQE			
Fair value	7,966,414		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	190,318
		Estimated future rent increase (20 year average (%))	3.12% p.a.
		Long-term House Price Inflation (%)	3.00% p.a.
		Discount rates (%)	4.30 – 6.50%
		Discount to SAVPV (%)	7.00%
Non-MQE - Surplus Estate			
Fair value	181,177		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Discount rate for bulk disposal (%)	6.00%
		Net yield on rented units (%)	3.85 – 4.75%
		Discount to SAVPV (%)	10.00%
Non MQE – Rentals Portfolio			
Fair value	378,012		
Valuation technique		Vacant possession market comparison	
		Net yield (%)	3.60 – 4.70%
		Discount to SAVPV (%)	3.50 – 7.00%
Fair value at 31 March 2022	8,525,603		

Within the above discount rates for the MQE Portfolio, a factor of 0.25% was included to reflect the risk associated with the liquidity and marketability of the MQE during the Enfranchisement Proceedings. This adjustment amounts to a £415 million reduction, circa 5% of the overall value.



IO. INVESTMENT PROPERTIES (CONTINUED)

2021	Fair value £'000	Unobservable inputs	Input
MQE			
Fair value	7,641,200		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	181,612
		Estimated future rent increase (20 year average (%))	3.26% p.a.
		Long-term House Price Inflation (%)	3.00% p.a.
		Discount rates (%)	3.75 – 6.50%
Non-MQE - Surplus Estate			
Fair value	100,560		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Discount rate for bulk disposal (%)	6.00%
		Net yield on rented Units (%)	4.00 – 4.25%
		Discount to SAVPV (%)	5.00%
Non MQE – Rentals Portfolio			
Fair value	377,387		
Valuation technique		Vacant possession market comparison	
		Net yield (%)	3.65 – 5.00%
		Discount to SAVPV (%)	3.50 – 11.39%
Fair value at 31 March 2021	8,119,147		

Had the MQE Portfolio valuation discount rates increased by 0.2%, the valuation, all other factors remaining constant, would have decreased by £329.0 million. Conversely, had the MQE Portfolio valuation discount rates decreased by 0.2%, the valuation, all other factors remaining constant, would have increased by £351.0 million.

There are other interrelationships (changes in gross rent, estimated future rent increase and long-term HPI) 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.

II. 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 determined for each asset. 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. The useful life applied to plant and equipment range between 2-10 years (2021: 2-10 years).

	2022 £'000	2021 £'000
Cost		
At 1 April	1,665	1,674
Additions	246	45
Disposals	(89)	(54)
At 31 March	1,822	1,665
Accumulated depreciation		
At 1 April	1,380	1,354
Depreciation charge for the year	112	78
Disposals	(87)	(52)
At 31 March	1,405	1,380
Net book value		
At 31 March	417	285

12. RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The average lease life applied is 3 years (2021: 4 years). For further information on the lease liabilities, refer to Note 19.

2022	Computer equipment £'000	Buildings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April	234	2,374	553	3,161
Additions	-	-	300	300
Disposals	-	-	(311)	(311)
Remeasurement adjustments	(14)	-	-	(14)
At 31 March	220	2,374	542	3,136
Accumulated depreciation				
At 1 April	97	1,154	222	1,473
Depreciation charge for the year	44	576	218	838
Disposals	-	-	(220)	(220)
At 31 March	141	1,730	220	2,091
Net book value				
At 31 March	79	644	322	1,045

2021	Computer equipment £'000	Buildings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April	234	2,374	441	3,049
Additions	-	-	270	270
Disposals	-	-	(158)	(158)
At 31 March	234	2,374	553	3,161
Accumulated depreciation				
At 1 April	48	578	168	794
Depreciation charge for the year	49	576	206	831
Disposals	-	-	(152)	(152)
At 31 March	97	1,154	222	1,473
Net book value				
At 31 March	137	1,220	331	1,688

13. 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 March 2022 are set out below. Each of these entities operates within the United Kingdom.

Held through Annington Developments Limited

Name of joint venture	Principal activity	Holding	Held since
Annington Wates (Cove) Limited	Property development	50.00%	22 July 2004
Countryside Annington (Mill Hill) Limited	Property development	50.00%	8 December 2006

On 30 March 2021, Annington Wates (Cove) Limited passed a resolution to begin voluntarily winding up the Company.

The Group's interest in these entities is held as 100% interest in "X" Ordinary shares. Each of these entities has issued 500 "X" Ordinary and 500 "Y" Ordinary shares. The rights of the holders of these classes of shares are identical and rank in pari passu.

Held through Annington Property Limited

Name of joint venture	Principal activity	Holding	Held since
The Inglis Consortium LLP	Property development	28.55%	4 April 2011

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.

The Group's investment in joint ventures is presented in aggregate in the table below:

	Share of net assets £'000	Loans £'000	Total £'000
At 1 April 2020	1,722	1,000	2,722
Additions	1,411	-	1,411
Distributions	(1,409)	-	(1,409)
Share of loss for the year	(462)	-	(462)
At 31 March 2021	1,262	1,000	2,262
Share of loss for the year	(209)	-	(209)
At 31 March 2022	1,053	1,000	2,053

The Group's share of losses from joint ventures represents those from continued operations. Annington Wates (Cove) Limited is in voluntary members' liquidation, however the income, expenditure, assets and liabilities in relation to this joint venture are immaterial in both the current and prior year. The joint ventures have not recorded any other comprehensive income and the share of losses disclosed in the above table also represents the Group's share of total comprehensive income.

14. INVENTORY**ACCOUNTING POLICY**

Inventory consists of land and buildings held for development and is valued at the lower of cost and net realisable value. Cost represents the acquisition price including legal and other professional costs associated with the acquisition, together with subsequent development costs, net of amounts transferred to costs of sale. Net realisable value is the expected proceeds that the Group expects on sale of a property or current market value net of associated selling costs.

	2022 £'000	2021 £'000
Work in progress	6,128	9,235

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,607,109 (2021: £5,769,010).

There were no impairments of inventory during the year (2021: £nil).

15. TRADE AND OTHER RECEIVABLES**ACCOUNTING POLICY**

Trade and other receivables are initially recognised at fair value when the Group becomes entitled to receive the contractual cash flows and are subsequently measured at amortised cost using the effective interest method less any impairment.

Impairment provisions for receivables are recognised based on a forward looking expected credit loss model.

Trade receivables

The Group applies the simplified approach in measuring expected credit losses for its trade receivables and contract assets. A provision matrix is used to measure expected credit losses whereby trade receivables are grouped on similar credit risk and aging, with credit loss percentages applied based on historical performance.

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade receivables	113	881
Sundry receivables	3,163	3,539
Corporation tax	1,974	-
Other taxes	34	59
Accrued income	4,548	3,088
Prepayment	963	513
	10,795	8,080

The carrying value of trade and other receivables approximates the fair value.

Trade receivables are stated after provisions for impairment of £55,598 (2021: £40,294).

16. 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 relate to shares held in an investment company that holds 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.

	2022 £'000	2021 £'000
Cash on hand and at bank	34,953	41,863
Short-term deposits	2,427	31,480
Short-term investments	144,407	124,166
Cash and cash equivalents	181,787	197,509

17. 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.

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade payables	1,726	1,889
Accruals	46,503	32,815
Corporation tax	-	520
Social security and other taxes	292	299
Retention creditors	327	922
Other	48	5
	48,896	36,450
Amounts falling due after one year		
Retention creditors	-	273
	-	273

The carrying value of trade and other payables approximates the fair value.

18. 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 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.

	2022 £'000	2021 £'000
Amounts falling due between one and five years		
Unsecured notes	1,128,943	1,132,065
Unsecured bank loans	397,565	396,414
	1,526,508	1,528,479
Amounts falling due after five years		
Unsecured notes	2,633,721	1,839,375
Total non-current loans and borrowings	4,160,229	3,367,854
Total loans and borrowings	4,160,229	3,367,854

The Group holds seven tranches of corporate, unsecured bonds, totalling c.£3.8 billion, including the issue of two new tranches referred to below, and a term loan of £400 million, also unsecured. A revolving credit facility of £100 million is also available to the Group, which has never been drawn against.

In October 2021, the Group successfully raised £800.0 million in new bonds split equally into two tranches expiring in 2032 and 2051 and carrying coupon rates of 2.308% and 2.924%, respectively.

A reconciliation of debt movement is provided in Note 29.

19. LEASE LIABILITIES**ACCOUNTING POLICY**

Lease liabilities are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

Lease liabilities relate to lease contracts on office buildings, motor vehicles and communications infrastructure.

	2022 £'000	2021 £'000
Maturity analysis		
Amounts falling due within one year	714	775
Amounts falling due between one and five years	186	747
Minimum lease payments	900	1,522
Less: future finance charges	(12)	(38)
Present value of lease obligations	888	1,484
Current	703	749
Non-current	185	735
Total lease liabilities	888	1,484

A reconciliation of the lease liability movement is provided in Note 29.



20. 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).

Key source of estimation uncertainty

Utilities provision

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. These estimated cash flows are then discounted at an appropriate rate that reflects current assessments of the risks associated with the liability. The inputs, if not accurate, could have a material effect on the provision balance. As an example, if the discount rate assumption increased/decreased by 0.5%, the provision would decrease by £0.4 million/increase by £0.5 million, respectively.

Warranty provision

When determining the warranty provision on the sale of new build properties, the estimation technique requires an assumption to be made of the future costs. When doing so, estimates of costs and future inflation are made which, if not accurate could have a material effect on the provision balance.

Make good provision

When determining the make good provision on leased properties, the estimation technique requires an assumption to be made of the future costs and timing of work to be completed. When doing so, estimates of costs and future inflation are made, which, if not accurate could have a material effect on the provision balance. The estimated future costs are subject to negotiation with the landlord at the time of which the liability becomes due.

	Warranty provision £'000	Make good provision £'000	Utilities provision £'000	Total £'000
2022				
At 1 April	153	451	20,769	21,373
Unwinding of discount	-	12	1,339	1,351
Effect of change in discount rate	-	-	327	327
Change in estimated obligation				
- through profit and loss	21	-	2,096	2,117
- through investment properties	-	-	1,034	1,034
Utilised	(31)	-	(2,485)	(2,516)
At 31 March	143	463	23,080	23,686
Current provision	87	132	15,001	15,220
Non-current provision	56	331	8,079	8,466
	143	463	23,080	23,686
2021				
At 1 April	-	439	19,866	20,305
Unwinding of discount	-	12	1,485	1,497
Effect of change in discount rate	-	-	55	55
Change in estimated obligation				
through profit and loss	153	-	2,561	2,714
Utilised	-	-	(3,198)	(3,198)
At 31 March	153	451	20,769	21,373
Current provision	42	-	11,690	11,732
Non-current provision	111	451	9,079	9,641
	153	451	20,769	21,373

Utilities provision

At the point of purchase in 1996, the Married Quarters Estate included certain Sites that are dependent on the related technical base for the provision of utilities. The MoD has undertaken to supply utilities to those Sites for the period they are rented to the MoD and for Released Units, until at least the 25th anniversary of the purchase. Where there have been releases of property that are currently base dependent or there is a constructive obligation to provide for the adoption of certain utilities on Units which are not base dependent, a provision has been made to separate these Units where the Group has a committed present obligation to separate these Units, including Units that have already been sold to third parties. Of the total of £23.1 million, £7.8 million relates to Units still on hand at 31 March 2022. This amount has been added back to the investment property valuation to avoid double accounting for the obligation (refer Note 10). The provision has been discounted in accordance with the relevant borrowing costs of the Group. There is a contingent liability and asset (refer Note 31) in respect of base dependent Units where it is possible that an obligation to separate these Units may arise in the future.

Warranty provision

The warranty provision relates to the estimated costs to repair any defects that come to light during the warranty period on the sale of new build properties. The Group is legally obligated to rectify property defects for a ten year period which comes into effect upon the sale completion date. The Group's exposure is mitigated by an insurance policy that covers the majority of the warranty period, and a further one year period which is covered by the contractor's guarantee.

Make good provision

The make good provision relates to the estimated cost of restoration work agreed to be carried out on the Group's leased properties at the end of the lease term in 2023.

21. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The Group uses derivative financial instruments to reduce exposure to foreign exchange rate risk. The Group 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 Group 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 Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.



21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 hedging 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 periods 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.

	2022 £'000	2021 £'000
Financial liabilities carried at fair value through OCI		
Cross currency swaps that are in designated hedge accounting relationships	(14,623)	(18,629)

Reconciliation of movements in derivative financial liability/asset:

	2022 £'000	Revaluation adjustment £'000	2021 £'000
Cross currency swaps	(14,623)	4,006	(18,629)
Total derivative financial liabilities	(14,623)	4,006	(18,629)

Further details of derivative financial instruments are provided in Note 22.

22. 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 expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition.

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	2022 £'000	2021 £'000
Financial assets			
Cash and receivables:			
Trade and other receivables excluding prepayments	15	7,824	7,508
Cash and cash equivalents	16	181,787	197,509
Total financial assets		189,611	205,017
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables	17	48,604	35,904
Loans and borrowings	18	4,160,229	3,367,854
Liabilities measured at fair value through OCI:			
Cross currency swaps	21	14,623	18,629
Total financial liabilities		4,223,456	3,422,387

Exposure to credit, liquidity, currency 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 exchange rates but are not employed for speculative purposes.

Credit risk

The Group's principal financial assets are cash and cash equivalents, 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 MQE 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 amounts 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.

The Group also holds cross currency swaps with Barclays Bank plc, JP Morgan Securities plc, Goldman Sachs Bank USA and Banco Santander SA. The Group'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.

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 impairment are made where appropriate, as set out in Note 15.

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

Debt management

The Group holds seven tranches of corporate, unsecured bonds, totalling c.£3.8 billion and a term loan of £400 million, also unsecured.

A £100 million five year revolving credit facility is in place to ensure that there is no default in the repayment of the borrowing and interest to the bondholders. This facility has never been drawn against. The Group has no overdraft arrangements in place as it has adequate funds invested on the money market in short-term 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 reviewed on a monthly basis.

Capital risk management

Capital is managed so that entities in the Group will be able to continue as going concerns while leveraging the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt and equity. Net debt includes loans and borrowings (Note 18) offset by cash and cash equivalents, while equity comprises equity attributable to equity holders of the Company, being issued share capital, reserves and retained earnings (Notes 23 - 27).

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	31 March 2022	31 March 2021
Limitation on Debt	Total debt / Total assets	<65%	<65%	46.7%	39.1%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%	-	-
Interest Cover Ratio	Consolidated EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)	1.54x	1.69x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	212.4%	253.8%

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk

The Group holds a seven year unsecured euro bond of €600 million expiring July 2024. To hedge against fluctuations in the Euro to Pound Sterling exchange rate, the Group entered into a cross currency swap of €600 million, converting the nominal balance to £526.26 million. This swap mitigates 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 Group 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 the cross currency swap, with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below:

	Strengthening 5%		Weakening 5%	
	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
2022	-	(2,382)	-	(159)

	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
2021	-	(9,317)	-	2,950

The sensitivity factors represent management's assessment of reasonable possible fluctuations within the variables that could occur until they are next reported.

Interest rate management

The Group has a relatively low interest rate risk as the majority of the Group's borrowings are at fixed interest rates, although it is exposed to interest rate risk on the maturity of such borrowings. The term loan is the only instrument that has a floating interest rate (LIBOR + 1.6% up to December 2021 and spread adjusted SONIA + 1.6% from January 2022). The term loan is for a value of £400 million, maturing in 2025. The Group has assessed that this is a tolerable level of interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis 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 in the following table:

	100 bps increase		100 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
2022	(3,987)	(420)	993	(17)

	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
2021	(2,008)	(197)	719	222

The bps decrease in interest rate is subject to a floor of 0% + 1.6% margin.

Cash management and liquidity

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

AFP holds a £100 million liquidity facility that was undrawn as at 31 March 2022 (2021: £100 million).

Cash balances are invested in short-term 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 the net non-derivative financial liabilities, the table below 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. In respect of derivative financial instruments, the fair values have been calculated using appropriate market discount rates to arrive at the future cash flows.

	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
2022				
Non-derivative financial liabilities				
Trade and other payables	12,233	12,233	-	-
Loans and borrowings	5,806,450	121,830	1,962,162	3,722,458
Lease liabilities	900	714	186	-
Total non-derivative financial liabilities	5,819,583	134,777	1,962,348	3,722,458
Derivative financial instruments				
Cross currency swap	30,494	6,179	24,315	-
Total financial liabilities	5,850,077	140,956	1,986,663	3,722,458
2021				
Non-derivative financial liabilities				
Trade and other payables	10,105	10,105	-	-
Loans and borrowings	4,646,806	98,191	1,907,220	2,641,395
Lease liabilities	1,522	775	747	-
Total non-derivative financial liabilities	4,658,433	109,071	1,907,967	2,641,395
Derivative financial instruments				
Cross currency swap	32,254	6,111	26,143	-
Total financial liabilities	4,690,687	115,182	1,934,110	2,641,395

Fair values

The fair values of the Group's borrowings, cross currency swap and offsetting swaps are determined by a Level 2 valuation technique.

2022	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2 Non-derivative financial liabilities			
Unsecured bonds	3,801,260	3,762,664	3,717,708
Unsecured term loan	400,000	397,565	400,000
	4,201,260	4,160,229	4,117,708
Derivative financial asset			
Cross currency swap	-	14,623	14,623
	4,201,260	4,174,852	4,132,331
2021			
Level 2 Non-derivative financial liabilities			
Unsecured bonds	3,001,260	2,971,440	3,305,205
Unsecured term loan	400,000	396,414	400,000
	3,401,260	3,367,854	3,705,205
Derivative financial asset			
Cross currency swap	-	18,629	18,629
	3,401,260	3,386,483	3,723,834

Unsecured bonds

The volume of market trades of the Group'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, have been mentioned previously in this Note.

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 2022.

Unsecured term loan

This loan relates to a £400 million unsecured bank loan maturing in March 2025.

23. SHARE CAPITAL

	2022 £'000	2021 £'000
Called up, allotted and fully paid		
8,475,620,200 ordinary shares of £0.01 each	84,756	84,756

24. SHARE PREMIUM

	2022 £'000	2021 £'000
Share premium	480,401	480,401

On 12 July 2017, the Company allotted 200 ordinary shares with a share premium of £480.4 million.

25. MERGER RESERVE

	2022 £'000	2021 £'000
Merger reserve	10,000	10,000

The Group reconstruction effected in December 2012 was accounted for using merger accounting principles. On transition to IFRS, the business combination was not restated, with the merger reserve at transition being calculated by reference to the previous carrying value.

26. HEDGING RESERVE

	2022 £'000	2021 £'000
At 1 April	(6,974)	(3,231)
Fair value (losses)/gains on cash flow hedge	4,006	(23,252)
Reclassification of fair value gains included in the income statement	4,218	19,509
At 31 March	1,250	(6,974)

27. RETAINED EARNINGS

	Retained earnings £'000
At 1 April 2020	3,791,793
Total comprehensive profit for the year	559,467
Balance at 31 March 2021	4,351,260
Total comprehensive profit for the year	551,656
Dividends paid	(963,600)
Balance at 31 March 2022	3,939,316

28. NOTE TO THE CASH FLOW STATEMENT

	2022 £'000	2021 £'000
Profit after taxation	551,656	559,467
Adjustment for:		
Taxation	(945)	(20,225)
Finance costs	120,940	109,453
Finance income	(26)	(50)
Share of results of joint ventures after taxation	209	462
Profit on disposal of investment properties	(7,367)	(12,644)
Loss on disposal of plant and equipment and right-of-use assets	10	3
Unrealised property revaluation gains	(490,274)	(478,091)
Depreciation expense	950	909
Movements in working capital:		
Decrease in inventory	3,107	1,117
Increase in debtors	(792)	(268)
Increase/(decrease) in creditors	3,869	(3,950)
Decrease in provisions	(2,495)	(3,157)
Net cash inflow from operating activities	178,842	153,026

29. ANALYSIS OF CHANGES IN NET DEBT

	2022 £'000	Cashflow £'000	Non-cash items			2021 £'000
			Amortisation of bond issue costs and interest accrued £'000	Fair value adjustments and exchange movements £'000	Lease liability additions/disposals £'000	
Cash and cash equivalents	181,787	(15,639)	-	(83)	-	197,509
Unsecured notes	(3,762,664)	(793,586)	(1,784)	4,146	-	(2,971,440)
Unsecured term loan	(397,565)	-	(1,151)	-	-	(396,414)
Lease liabilities	(888)	817	(24)	-	(197)	(1,484)
Total loans and borrowings	(4,161,117)	(792,769)	(2,959)	4,146	(197)	(3,369,338)
Net debt	(3,979,330)	(808,408)	(2,959)	4,063	(197)	(3,171,829)

30. LEASE COMMITMENTS**ACCOUNTING POLICY**

Under IFRS 16 the determination of whether a contract contains a lease is based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group, as a lessee, recognises right-of-use assets and lease liabilities in the consolidated balance sheet; depreciation and interest in the consolidated income statement; and separates cash paid on principal and interest portions in the consolidated statement of cash flows. A lease expense has been recognised where the Group is the lessee to short-term and low-value asset lease contracts.

As a lessor, the Group continues to classify leases as either finance leases or operating leases and account for them accordingly under IFRS 16. 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 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.

Operating lease arrangements - Group as lessor

The Group has entered into property lease agreements on its investment properties portfolio and 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 March 2022, the Group had contracted with tenants the following future minimum rentals receivable under non-cancellable operating leases:

	2022 £'000	2021 £'000
Within one year	103,743	97,077
In two to five years	1,397	1,692
	105,140	98,769

31. CAPITAL COMMITMENTS AND CONTINGENCIES**ACCOUNTING POLICY****Capital commitments**

Contractual obligations comprise obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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 recognised on the face of the balance sheet.

Capital commitments

The Group had entered into construction contracts for the development of its investment properties and agreed to make contributions to community infrastructure projects as part of these developments. During the financial year, the Group finalised its contributions to the community development commitment.

Contingent liabilities

As stated in Note 20, there is a contingent liability to allow for the adoption of private utilities on properties that are currently base dependent (dependent on the MoD) for their supply of water and sewage treatment. No obligation currently exists with respect to these properties as they have not yet been released by the MoD. Instead, there is a possible future obligation should releases occur and the Group becomes obligated to provide for private utility adoption. This amounts to £223.8 million (2021: £203.8 million). Upon the technical completion of utilities adoption, the Group is eligible to a refund from the MoD for each utility. These refunds are estimated at £13.4 million (2021: £17.5 million).

In June 2018, Annington Limited, Annington Homes Limited, Annington Rentals (Holdings) Limited and Annington Rentals (No.4) Limited entered into an agreement with QBE Insurance (Europe) Limited through which surety bonding facilities to the value of £5.0 million are made available to the Group. Under this agreement, the aforementioned entities act as guarantors in respect of performance bonds given. A premium of 1.25% per annum is payable on the face value of the surety provided. In July 2018, a £0.6 million bond was issued against this facility.

32. 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.

Information regarding key management personnel

The Group considers the Directors to be the key management personnel. Details of payments to key management personnel are disclosed in Note 6.

33. 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 March 2022, which are wholly owned, incorporated in the United Kingdom and included in the consolidated financial statements, are shown below. The address of the registered office for all subsidiary 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 Funding plc	Finance
Annington Developments (Holdings) Limited	Intermediate group holding company
Annington Developments Limited	Property development
Annington (DA) Investment Limited	Property investment
Annington Rentals (Holdings) Limited ^c	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 development
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 management

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 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.

c Through subsidiaries of Annington Rentals (Holdings) Limited, the Group holds a shareholding in two further companies, the results of which are not consolidated into these financial statements of Annington Limited as they are not considered material for the purposes of giving a true and fair view to the consolidated results.

The results for each of these undertakings are not consolidated into these financial statements 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 %	Name of subsidiary undertaking	Holding %
Arborfield East Residents Company Limited	6.06	Innsworth Residents Company Limited	3.80
Ashchurch (St. David's) Residents Company Limited	10.53	Keith Park Road Residents Company Limited	0.60
Beaconside Residents Company Limited	1.75	Kirton (York Road) Residents Company Limited	6.25
Biggin Hill Residents Company Limited	3.33	Lancaster Square Residents Company Limited	1.75
Bordon Residents Company Limited	0.95	Longtown Rosetrees Residents Company Limited	7.14
Bordon (St Lucia Park) Residents Company Limited	29.95	Marchwood (Africa Drive) Residents Company Limited	100.00
Boulmer Residents Company Limited	8.62	Marham Residents Company Limited	19.05
Britannia Crescent Residents Company Limited	4.40	Mayne Avenue Residents Company Limited	1.10
Bulford Residents Company Limited	10.64	Mostyn Road Bushey Residents Company Limited	3.33
Burgoyne Heights Residents Company Limited	0.75	North Luffenham Residents Company Limited	5.05
Butlers Meadow Residents Company Limited	1.32	Northwood Residents Company Limited	12.50
Canterbury Place Residents Company Limited	9.38	Nottingham Road Residents Company Limited	9.68
Cardiff Place Residents Company Limited	10.26	Petersfield (Kings Road) Residents Company Limited	10.00
Catterick Anzio Residents Company Limited	100.00	Ringwood Crescent Residents Company Limited	11.11
Chester (Dale Camp) Residents Company Limited	8.00	Riverside Rise (Allington) Residents Company Limited	100.00
Chicksands Residents Company Limited	4.27	Scampton Residents Company Limited	1.84
Chivenor Residents Company Limited	11.76	South Wigston Residents Company Limited	1.67
Coningsby (West Drive) Residents Company Limited	4.05	St. Columb Minor Residents Company Limited	1.67
Cove Residents Company Limited	100.00	St. Eval Parc Residents Company Limited	0.67
Cranwell Residents Company Limited	9.38	Stanbridge Residents Company Limited	10.00
Dale Road Residents Company Limited	3.85	Stanmore Crescent Residents Company Limited	8.54
Dewsberry Gardens (Little Thetford) Residents Company Limited	10.00	Stokesay Road Residents Company Limited	5.66
Dishforth Residents Company Limited	9.68	Strensall Residents Company Limited	2.86
Donnington Residents Company Limited	1.25	Taranto Hill (Ilchester) Residents Company Limited	7.69
Donnington (Richards Road) Residents Company Limited	1.59	Tedder Avenue (Henlow) Residents Company Limited	1.82
Driffield Ramsden Residents Company Limited	7.14	The Elstons Residents Management Association Limited	30.43
East Vale Residents Company Limited	0.31	Thirsk Residents Company Limited	14.29
Elm Road (Marham) Residents Company Limited	1.41	Union Building (Aldershot) Residents Company Limited	5.56
Exmouth (York Close) Residents Company Limited	10.00	Uxbridge (Buchan) Residents Company Limited	80.39
Foulkes Terrace (Aldershot) Residents Company Limited	25.00	Waterbeach (Abbey Place) Residents Company Limited	100.00
Gamlingay Residents Company Limited	14.29	Watton Residents Company Limited	3.70
Garats Hay Residents Company Limited	7.69	West Vale Residents Company Limited	1.55
Greenmill Residents Company Limited	3.13	Whetstone Millson Close Residents Company Limited	1.03
Henlow Residents Company Limited	1.28	White Waltham Residents Company Limited	12.50
High Wycombe (Woodcock) Residents Company Limited	3.33	Wimbish Residents Company Limited	11.54
Honington (Poplar Close) Residents Company Limited	6.06	Wittering Residents Company Limited	0.84
Imber Road (Warminster) Residents Company Limited	100.00	Woodbridge West Residents Company Limited	2.44

Each company in the above table is incorporated in the United Kingdom and the address of their registered office is Unit 8 Minerva Business Park, Lynch Wood, Peterborough PE2 6FT. Through subsidiaries of Annington Rentals (Holdings) Limited, the Group indirectly holds a 70.00% investment in Beaumont Place Management Limited. The address of their registered office is Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN.

34. 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 Holdings (Guernsey) Limited ('AHGL'), a company registered in Guernsey, is the immediate parent of Annington Limited. AHGL 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 these financial statements. Group financial statements for the Company are available on request from the registered office at 1 James Street, London, United Kingdom, W1U 1DR.

35. SUBSEQUENT EVENTS

In connection with the £155.4 million of free cash flows generated in the 2022 financial year, on 28 June 2022, a dividend of £100.0 million was approved by the Board. In June 2022 loans attracting a below market rate of interest were made by the Group's parent entity, AHGL, to a Non-Executive Director of the company and two directors of the Company's subsidiaries.

COMPANY BALANCE SHEET

AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investment in subsidiary companies	c	4,716,600	4,649,800
Total assets		4,716,600	4,649,800
Current liabilities			
Payables	e	(27)	(27)
Total liabilities		(27)	(27)
Net assets		4,716,573	4,649,773
Capital and reserves			
Share capital	23	84,756	84,756
Share premium	24	480,401	480,401
Revaluation reserve		4,151,343	4,084,543
Retained earnings		73	73
Total equity		4,716,573	4,649,773

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

The Company reported a profit of £963.6 million for the year ended 31 March 2022 (2021: £nil).

The financial statements of Annington Limited, registered number 08271384, were approved by the Board of Directors and authorised for issue on 5 July 2022.

Signed on behalf of the Board of Directors.

S Leung
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

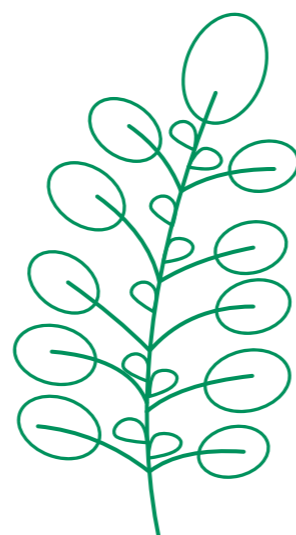
FOR THE YEAR ENDED 31 MARCH 2022

	Note	Share capital £'000	Share Premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2020		84,756	480,401	2,651,443	73	3,216,673
Change in fair value of investment in subsidiary companies	c	-	-	1,433,100	-	1,433,100
Balance at 31 March 2021		84,756	480,401	4,084,543	73	4,649,773
Profit attributable to shareholder		-	-	-	963,600	963,600
Change in fair value of investment in subsidiary companies	c	-	-	66,800	-	66,800
Change in fair value of investment Dividends paid		-	-	-	(963,600)	(963,600)
Balance at 31 March 2022		84,756	480,401	4,151,343	73	4,716,573

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Net cash from operating activities	g	-	-
Investing activities			
Dividends received from subsidiary		963,600	-
Net cash inflow from investing activities		963,600	-
Financing activities			
Dividends paid		(963,600)	-
Net cash outflow from financing activities		(963,600)	-
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

A. SIGNIFICANT ACCOUNTING POLICIES AND CORPORATE INFORMATION

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations as adopted by the United Kingdom. They have also been prepared in accordance with the Companies Act 2006.

The corporate information and significant accounting policies of the Company are consistent with those of the Group, which can be found in the Notes to the consolidated financial statements.

Significant judgements and key estimation uncertainties

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 within Note c with respect to the valuation of investments in subsidiaries.

B. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in Note 5 to the consolidated financial statements.

C. 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.

Key source of estimation uncertainty

In calculating the fair value of investment in subsidiaries, comparable companies are selected with reference to certain criteria and by reviewing publicly available market information, without reference to any premium offered for overall control. There is an element of subjectivity as to the level of similarity of comparable companies selected in terms of size and type of operations and this is further dependent on the timeliness of information that is available. Additionally, the underlying asset values within the Group are subject to judgements and estimates, changes in which could change the valuation base.

The fair value of the investment in subsidiaries are determined by a Level 2 valuation technique, as described below.

	2022 £'000	2021 £'000
At 1 April	4,649,800	3,216,700
Increase in fair value during the year	66,800	1,433,100
At 31 March	4,716,600	4,649,800

The historical cost of the investment in subsidiaries was £565,256,967 (2021: £565,256,967).

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 4% premium (2021: 2% 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. This premium arises from market-related factors and does not include an additional amount for control. Had the premium applied increased/decreased by 1%, the fair value of the investment in subsidiaries would have increased by £45.3 million or decreased by £45.4 million, respectively.

The fair value gain of £66.8 million (2021: gain of £1,433.1 million) was recognised through other comprehensive income.

Details of all subsidiaries as at 31 March 2022 are shown in Note 33 to the consolidated financial statements.

D. TAXATION

ACCOUNTING POLICY

Taxation for the year comprises current and deferred tax, which 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. 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.

	2022 £'000	2021 £'000
Current tax		
United Kingdom corporation tax at 19% (2021: 19%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	-	-
Total taxation for the year	-	-

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2021: 19%). The tax for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2022 £'000	2021 £'000
Profit before taxation	963,600	-
Tax on profit at the standard rate	(183,084)	-
Factors affecting the current tax for the year:		
Income not assessable for tax purposes	183,184	-
Total taxation for the year	-	-

The rate of Corporation Tax for the UK remains at 19% for the year ended 31 March 2022. The UK Corporation Tax Rate will be 25% with effective from April 2023. The March 2022 calculation of current and deferred tax use the 19% and 25% rate, respectively.

Deferred tax

At the balance sheet date, the Company has unrecognised deferred tax liabilities relating to the investment in the subsidiary of £1,040.0 million (2021: £790.4 million).

E. PAYABLES

ACCOUNTING POLICY

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

	2022 £'000	2021 £'000
Amounts owed to group undertakings	27	27

Amounts owed to group undertakings by the Company are unsecured, interest free and have no fixed date of repayment.

F. 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 Group's expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition.

Financial liabilities

The Company's financial liabilities consists of intercompany borrowings.

The Company has the following financial instruments:

	Note	2022 £'000	2021 £'000
Financial assets			
Investment in subsidiary companies	c	4,716,600	4,649,800
Total financial assets		4,716,600	4,649,800
Financial liabilities			
Liabilities measured at amortised cost:			
Payables	e	27	27
Total financial liabilities		27	27

Details of risk management of the Company are shown in Note 22 to the Consolidated financial statements.

Fair values

The fair values of the Company's borrowings are determined by a Level 2 valuation technique. Refer Note 22 to the consolidated financial statements where the fair value measurement hierarchy levels have been defined.

2022	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2 Non-derivative financial assets			
Investment in subsidiaries	-	4,716,600	4,716,600
2021			
Level 2 Non-derivative financial assets			
Investment in subsidiaries	-	4,649,800	4,649,800

G. NOTE TO THE CASH FLOW STATEMENT

	2022 £'000	2021 £'000
Profit after tax	963,600	-
Adjustment for:		
Dividends received	(963,600)	-
Net cash from operating activities	-	-

H. RELATED PARTY DISCLOSURES

Amounts owed to related parties

	2022 £'000	2021 £'000
Annington Homes Limited	(27)	(27)

Information regarding key management personnel

Details of payments to key management personnel are disclosed in Note 6. The Company considers its key management personnel to be its Directors.

I. COMMITMENTS AND CONTINGENCIES

The Company had no capital or other commitments at 31 March 2022 (2021: £nil).

J. SUBSEQUENT EVENTS

In connection with the £155.4 million of free cash flows generated in the 2022 financial year, on 28 June 2022, a dividend of £100.0 million was approved by the Board. In June 2022 loans attracting a below market rate of interest were made by the Group's parent entity, AHGL, to a Non-Executive Director of the company and two directors of the Company's subsidiaries.



APPENDICES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

APPENDIX I: GLOSSARY

Term	Definition
1996 Acquisition	The acquisition of the portfolio of residential property units from the Ministry of Defence of the United Kingdom on 5 November 1996
Adjusted EBITDA	A measure of normalised earnings by removing exceptional items of profit and loss, as defined in the Alternative Performance Measures, Appendix 3
Adjusted EBITDA Margin	A measure of the Adjusted EBITDA as a percentage of gross rental income, as defined in Appendix 3
AFP	Annington Funding plc, a subsidiary of the Group
AHGL	Annington Holdings (Guernsey) Limited, the immediate parent of the Group
Annington	The Annington Group, being Annington Limited and its subsidiaries
APL	Annington Property Limited, a subsidiary of the Group
Arbitration Agreement	The 7 March 2019 agreement with the MoD to expedite the process to complete the 2021-2024 Site Review rounds
AST	Assured Shorthold Tenancy
B/S	Balance Sheet
Base Dependency	Reliance of utility supply on, or connection to, the MoD supply of utilities.
Base Dependent Site	Site with a Base Dependency
Beacon Units	Certain Units located on each Site which have been specified in the related Under-leases as being broadly representative of all of the Units on that particular Site
BREEAM	Building Research Establishment Environmental Assessment Method
C/F	Cash Flow Statement
CBRE	CBRE Limited
Company	Annington Limited

APPENDIX I: GLOSSARY

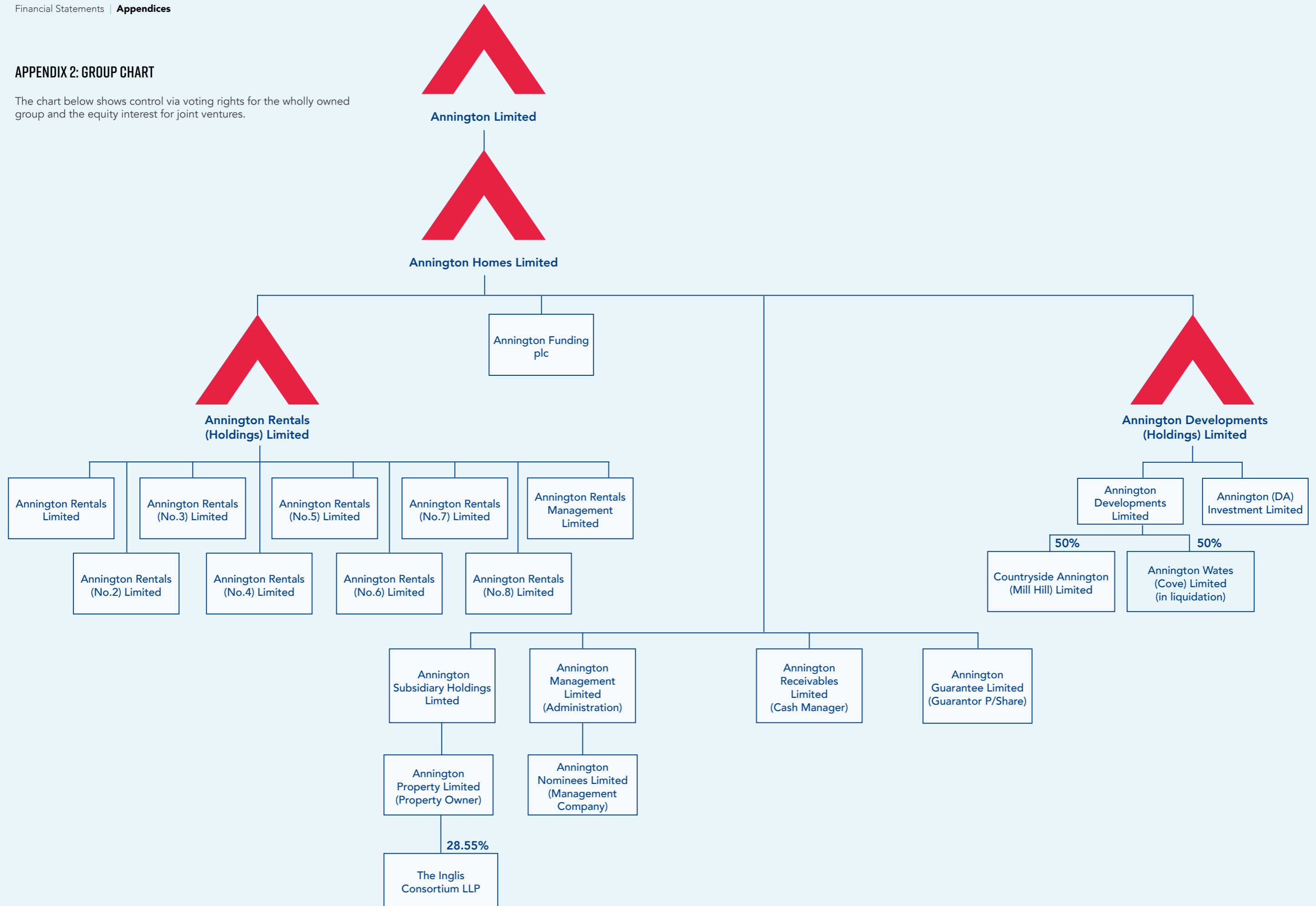
Term	Definition
Consolidated EBITDA	The consolidated operating profit (before all finance items and taxation) of the Group (including the results from discontinued operations), adjusted for the following items as they relate to members of the Group and in each case only to the extent that they are already included in calculating such consolidated operating profit: <ul style="list-style-type: none"> (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.
COVID-19	The outbreak of the novel coronavirus, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020
CRT	The Group's Corporate Responsibility Task Force
Dilapidations and Handback Agreement	The agreement between APL and the MoD, pursuant to which the MoD agreed to release a minimum of 500 Units per annum (subject to a rolling two-year average) and APL agreed to waive up to £7,000 per Unit of dilapidations and subject to an annual cap of £3.5 million (if the MoD complies with the agreed release profile)
DIO	The Defence Infrastructure Organisation
EMTN	Euro Medium Term Note
Enfranchisement	Enfranchisement is a statutory right that allows certain qualifying individual tenants of houses, or groups of tenants living in a block of flats, to buy the freeholds of those properties from their landlords. Ordinarily, for a tenant to qualify they must have a lease of at least 21 years of a house or of a flat within a block of flats. There is a strict statutory process that must be followed in order to enfranchise, which starts with the service of a notice by the tenant on its landlord (and any other people having a superior interest in the building). The purchase price for the enfranchisement is determined by reference to valuation criteria set out in the legislation.
Enfranchisement Proceedings	The legal proceedings commenced by the Group in the Chancery Division of the High Court and the Administrative Court, a specialist court within the Queen's Bench Division of the High Court of Justice, contesting the MoD's right to enfranchise.
EPC	Energy Performance Certificates
ESG	Environmental, social and governance
EV	Electric vehicle
Facilities Agreement	An unsecured £500 million facilities agreement

Term	Definition
Fair Value	Under IFRS 13, this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
GHG	Greenhouse Gas
Government	UK Government
Greater South	Geographical area of England, comprising the ONS regions of the East of England, Greater London, the South East and the South West.
Group	The Annington Group, being Annington Limited and its subsidiaries
HPI	House Price Index
I/S	Income Statement
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
Joint Working Board	Representatives from the Annington Group and DIO
Judicial Review	Judicial review is a type of court proceeding in which a judge reviews the lawfulness of a decision or action made by the Government or a public body.
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
MoD	The Ministry of Defence of the United Kingdom
MQE	The Married Quarters Estate – residential property units acquired under the 1996 Acquisition and leased to the MoD
New Adjustment Factor	49.6% adjustment by way of discount to open market rent on the MQE Portfolio
Non-MQE Portfolio	The Non-MQE: Surplus Estate together with the Non-MQE: Rentals Portfolio and Units under development either for sale or for rental
Non-MQE: Rentals Portfolio	Units owned by subsidiaries other than APL and let on bulk or AST leases
Non-MQE: Surplus Estate	Units transferred from the MQE Portfolio upon release by the MoD and which remain in APL
OCI	Other comprehensive income
ONS	The Office of National Statistics
Original Adjustment Factor	58% adjustment by way of discount to open market rent on the MQE Portfolio
PV panels	Photovoltaic panels
Released Units	Units which are released out of the MQE to Annington by the MoD
Rent Review	Review of rent payable on the Beacon Units within the MQE against open market rent. The MQE at the time of the 1996 Acquisition was split into four broadly homogenous tranches for the purposes of Rent Reviews, which 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.
RICS	The Royal Institution of Chartered Surveyors

Term	Definition
SAVPV (MQE)	Special Assumption of Vacant Possession Value for the MQE is used by the Group to mean the aggregate of the Fair Value of the individual Units on the Special Assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual Units. In addition, the figure does not take into account any base separation costs associated with Sites in the MQE that are dependent on the MoD for utilities. Similarly, the figure does not take into account the potential upside that could be achieved from major renovations and/or infill developments.
SAVPV (Non-MQE)	Special Assumption of Vacant Possession Value for the Rentals Portfolio and SAVPV for the Surplus Estate are estimated by the Group based on the hypothetical assumption that each property is vacant, sold on an individual basis, with no allowance for time or money costs on disposal and no account taken of any discount or premium if all or any part of the relevant portfolio were to be marketed simultaneously. For units held for sale within the Non-MQE Surplus Estate, SAVPV has been derived using an expected future selling price, less an allowance for anticipated refurbishment costs to achieve that selling price.
SDG	United Nations Sustainable Development Goals
SDLT	Stamp Duty Land Tax
SECR	Streamlined Energy and Carbon Reporting
Service Families	Armed forces service personnel and their families in the UK
Settlement Agreement	The agreement reached between APL and the MoD to settle the Site Review process established in the Arbitration Agreement.
SFA	Service Family Accommodation, MoD's subsidised accommodation
Site Review	Under the terms of each Underlease, the rent in respect of each Site (and specifically the Original Adjustment Factor) would be reviewed periodically. The purpose of the Site Review is to determine the amount that a willing lessee would pay, by way of rent, for each of the Sites, were each Site offered to the market on terms identical to the Underlease. The new Site rent determined for each Site is then to be compared with the aggregate open market rental value of all Units on each Site to determine a New Adjustment Factor, which would apply to that Site for the 15 years from the date of the relevant Site Review in place of the Original Adjustment Factor.
Site(s)	Site(s) upon which one or more Units were located
SONIA	Sterling Overnight Index Average
Subsidiary	A subsidiary within the meaning of Section 1159 of the Companies Act 2006
TCFD	Task Force on Climate Related Financial Disclosure
Terra Firma	Terra Firma Capital Partners Limited, Terra Firma Investments (Special Opportunities Fund I) Limited or Terra Firma Investments (Special Opportunities Fund II)
TFSOFI	Terra Firma Special Opportunities Fund I
TFSOFII	Terra Firma Special Opportunities Fund II
UK	The United Kingdom
Underlease	The 200 year lease that APL has granted to the MoD following acquisition of the MQE Portfolio
Units	Residential property units
Utilities Agreement	An agreement whereby the MoD is contracted to supply some utility services on a Base Dependent Site, until at least 75% of the properties located on a given Site have been released

APPENDIX 2: GROUP CHART

The chart below shows control via voting rights for the wholly owned group and the equity interest for joint ventures.



APPENDIX 3: ALTERNATIVE PERFORMANCE MEASURES – DEFINITIONS AND CALCULATION

Alternative Performance Measures

The Group employs a number of measures to monitor performance against its objectives. These are set out within the KPI section of this report. Certain of these measures are not defined within the applicable financial reporting framework and are therefore defined below.

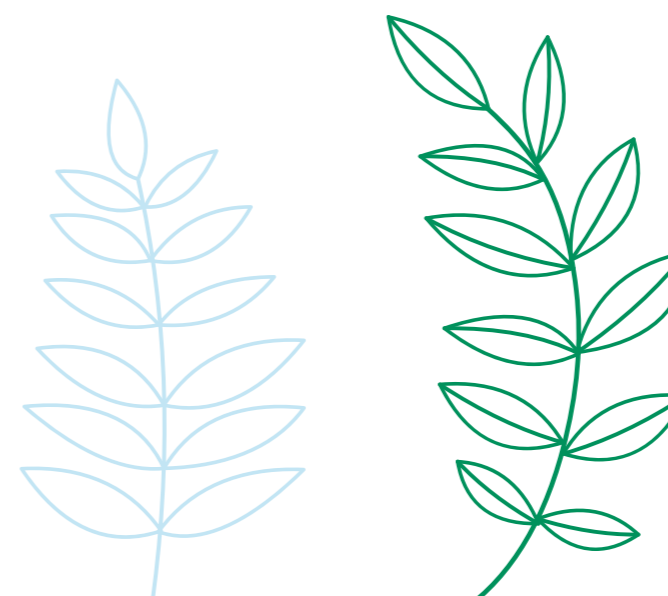
	Reference	2022 £'000	2021 £'000
Gross rental income			
Gross rental income is derived from rentals earned on investment properties and is presented on the face of the income statement.	I/S	205,495	201,345
Net rental income margin			
Gross rental income as presented on the face of the income statement	I/S	205,495	201,345
Property operating expenses as presented on the face of the income statement.	I/S	(6,779)	(5,799)
Net rental income		198,716	195,546
Divided by Gross rental income		205,495	201,345
Expressed as a percentage		96.7%	97.1%

	Reference	2022 £'000	2021 £'000
Adjusted EBITDA Margin			
Adjusted EBITDA is calculated as:			
Operating profit before financing and tax as presented on the face of the income statement, adjusted for:	I/S	671,625	648,645
Amortisation, depreciation or impairment (including other non-cash write downs) of assets	Note 5	950	909
Revaluation gains on investment properties*	I/S	(490,274)	(478,091)
(Profits), losses or impairment items attributable to joint ventures	I/S	209	462
Dilapidation income*	Note 5	(2,590)	(3,105)
Profit on disposal of investment properties	I/S	(7,367)	(12,644)
(Profit)/loss on disposal of inventory	I/S	(258)	659
One-off items (Site Review & Enfranchisement Proceedings costs shown in the income statement)	I/S	11,527	24,416
		183,822	181,251

	Reference	2022 £'000	2021 £'000
Adjusted EBITDA Margin			
Adjusted EBITDA margin is calculated as:			
Adjusted EBITDA as calculated above	Above	183,822	181,251
Divided by gross rental income as presented on the face of the income statement	I/S	205,495	201,345
Expressed as a percentage		89.5%	90.0%

		2022 £'000	2021 £'000
Free cash flow			
Free cash flow is calculated as:			
Net (decrease)/increase in cash and cash equivalents, adjusted for:	C/F	(15,638)	93,759
Purchase of investment properties, as shown in the Investing cash flows	C/F	999	6,818
Increase in borrowings net of debt issuance costs, as shown in the Financing cash flows	C/F	(793,586)	-
Dividends paid	C/F	963,600	-
		155,375	100,577

		2022 £'000	2021 £'000
Net rental yield			
Net rental yield is calculated as:			
Net rental income, as calculated above	Above	198,716	195,546
Divided by carrying value of investment properties	B/S	8,533,364	8,123,282
Expressed as a percentage		2.3%	2.4%



APPENDIX 4: SUMMARY OF THE GROUP'S PROGRESS AGAINST THE TCFD RECOMMENDATIONS

Governance

Describe the Board's oversight of climate-related risks and opportunities.

The Group's Chief Executive has ultimate responsibility for sustainability, including climate change, and chairs the CRT. As the Group begins to consider the implications of climate-related risks and opportunities, the terms of reference, including the relationship with the Board, operating structure, frequency of meetings and outputs of the CRT will be reviewed to ensure ESG matters have an appropriate level of governance and are integrated within the business.

Describe management's role in assessing and managing climate-related risks and opportunities.

The Group's new Design & Technical Manager (who reports, through the Head of Project Management, to the Property Director) will be responsible for embedding environmental considerations throughout the Group's design and build process. The CSR Manager is also responsible for communicating and implementing the CSR strategy within the Group, which includes climate related considerations and mitigating activities. If required, additional specialist resource will be utilised to ensure climate-related issues, including current and potential future policy, are identified and the implications for the Group are clearly understood.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term.

Regulatory and financial related climate-change risk has been identified by the Group as a principal risk. Further information can be found in the Principal Risks and Uncertainties section of this report. The Group is at the start of a process to better understand climate-related risks to its business over the short, medium and long-term.

A review identified the following potential impacts relevant to the Group's business from physical climate change risks associated with changing weather patterns and increased frequency of extreme weather events that lead to increased risks of flooding and overheating:

- Disruption on site;
- Disruption to the Group's supply chain; and
- Impact on comfort levels in the homes the Group builds and refurbishes.

Flood risk assessments are conducted for any new developments. The Group is also alert to the forthcoming changes to building regulations in regard to mitigating against overheating and is planning accordingly.

In addition, noting the MoD's responsibility for maintenance of the MQE, the Group nevertheless considers that there is a high level of transition risk as the UK moves to a low-carbon economy. This includes risks that arise from:

- Policy changes resulting in new legislative requirements. For example, the impact of the Future Homes Standard and associated updates of the Building Regulations will require house building and renovations to result in increasing levels of energy efficiency and a move towards renewable energy for heating by 2025;
- Carbon taxes and resulting increasing energy and material costs; and
- Consumer preferences and expectations.

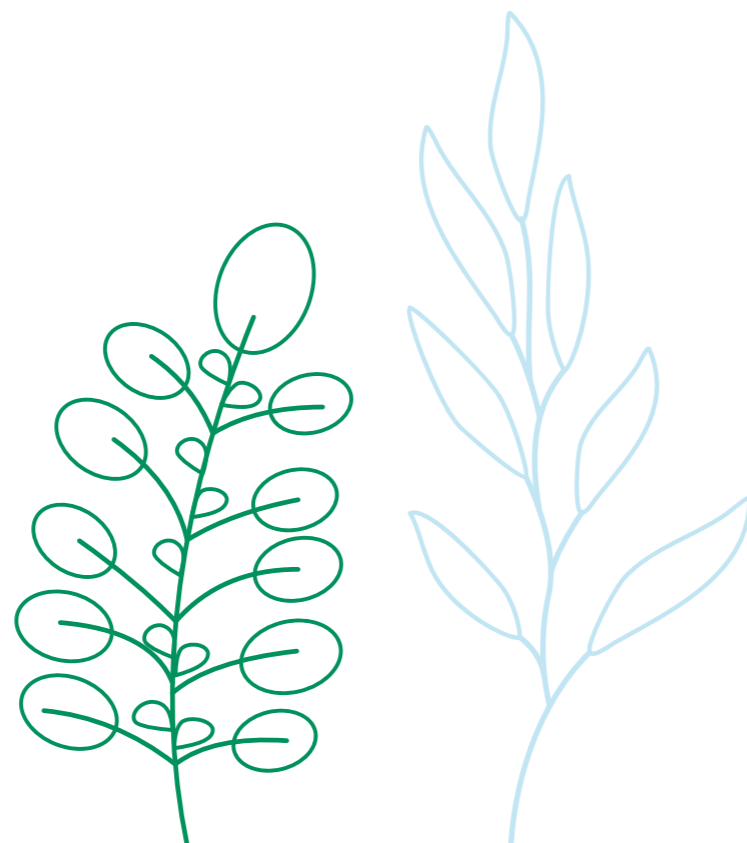
The Group will be engaging with its supply chain partners and relevant expert bodies to improve its understanding of the financial risks to the business.

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Going forward, the Group will undertake a climate-related risk and opportunity assessment, which will identify the impacts on the business strategy and financial planning.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

As part of the climate-related risk and opportunity assessment, the business will identify appropriate future climate scenarios to assess against.



APPENDIX 4: SUMMARY OF THE GROUP'S PROGRESS AGAINST THE TCFD RECOMMENDATIONS (CONTINUED)

Risk management

Describe the organisation's processes for identifying and assessing climate related risks.	A full ESG review has been completed and the resulting recommendations related to climate related risk will be integrated into the Group-wide risk management framework and assessment to ensure robust management measures are in place.
Describe the organisation's processes for managing climate-related risks.	As the Group begins to fully understand its climate-related risks and opportunities, these will be fed into the annual ESG risk assessment which will form part of its integrated risk management process.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Group maintains a risk register which is updated and reviewed by the Board. The Audit Committee has specific responsibility for monitoring financial reporting, external audit programmes and providing assurance to the Board on financial, operational and compliance controls. The senior leadership team is responsible for implementing Group policies, tracking risk management performance, identifying principal risks and allocating resources for effective risk management and mitigation.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	Once the climate-related risk and opportunities assessment has been completed for the Group, appropriate metrics will be identified to assess the risks and opportunities going forward.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	<p>The Group measures Scope 1 and Scope 2 GHG emissions and these are reported in its Annual Report & Accounts as part of the annual SECR disclosure. Scope 3 emissions pertaining to business travel via employee-owned vehicles are included in this measurement and reported in the SECR disclosure.</p> <p>A carbon footprinting exercise is planned which will help the Group understand its operational and organisational boundaries and its significant carbon hot-spots. Further Scope 3 GHG emissions disclosures will be reported if appropriate to do so.</p>
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The planned carbon footprinting exercise described above will allow the Group to consider the introduction of targets to reduce location-based Scope 1 and Scope 2 emissions.





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