

**ANNINGTON LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 March 2025**

# ANNINGTON LIMITED

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### **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.

# **ANNINGTON LIMITED**

## **STRATEGIC REPORT**

### **HIGHLIGHTS FINANCIAL YEAR 2025**

The Annington Group ('Annington' or the 'Group'), headed by Annington Limited (the 'Company'), presents its consolidated financial statements for the year ended 31 March 2025.

- Gross Rental income was £198.5 million (2024: £242.0 million).
- Adjusted EBITDA was £162.3 million (2024: £214.9 million).
- Loss after taxation was £646.4 million (2024: loss of £103.4 million).
- At 31 March 2025, the Group held 1,570 residential property Units (2024: 38,497 Units, 36,720 MQE).
- The carrying value of the Group's investment properties is £330.8 million (2024: £7.4 billion).
- The Group's cash and cash equivalents balance at 31 March 2025 was £1.4 billion, with cash being held to fund potential acquisitions, capital payments, committed refurbishment spend of over £87 million and the working capital requirements of the Group.
- 9 January 2025, Annington completed the sale of its interests in the Married Quarters Estate (MQE) to the Ministry of Defence (MoD), under which Annington surrendered its 999-year lease over 36,344 Units to the MoD, and in return, the MoD paid Annington £5,994.5 million as a surrender premium. As further consideration for the sale, the MoD also continued to pay rent until, and paid a further top-up payment at, completion, and agreed to transfer additional property with an aggregate value of £55 million, such property to be identified within 12 months of the completion date. In connection with the sale of the MQE, all actual or potential claims between Annington and the MoD in connection with the MQE have been settled including the existing proceedings in relation to the MoD's attempts to enfranchise the MQE.
- In addition to the sale of 36,344 MQE Units, outlined above, the Group sold 496 (2024: 1,045) investment properties and recognised £132.4 million (2024: £268.6 million) in gross sales proceeds.
- During the year, the Group fully redeemed its 2024, 2025 and 2033 bonds for £152.0 million, £169.3 million and £400.0 million, respectively. The remaining five bonds, maturing in 2029, 2032, 2034, 2047 and 2051, were tendered, resulting in £2.1 billion being settled for cash payments of £1.8 billion.
- The Group fully redeemed its £400 million term loan and cancelled its undrawn £100 million revolving credit facility.
- The Group paid dividends totalling £1,930.0 million.

Please refer to Appendices for a glossary of key terms and definitions.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### STRATEGY AND BUSINESS REVIEW

#### Overview

On 9 January 2025, the Group successfully completed the sale of the MQE, surrendering its 999-year lease over 36,344 Units to the MoD. The sale releases cash, enabling the Group to reshape its capital structure, and to continue to build on its long-term track record as a provider of affordable residential housing in the UK, by growing and investing in its existing portfolio, through a combination of acquisitions (focusing on the highly attractive and growing UK rentals market), infill development and organic growth.

The elements of the Group's strategy to achieve this and the business activity during the year are described below.

#### The Group's strategies and implementation during the year

##### *Operate a high performing rentals portfolio*

*The Group will continue letting on the open market to maximise returns through proactively managing the Group's portfolio, occupancy, and rental levels.*

As of 31 March 2025, the portfolio consisted of 1,570 (31 March 2024: 1,690 excluding MQE) Units. Additionally, the Group holds a number of sites which present infill and redevelopment opportunities, including at Brize Norton, which was released from the MQE in a prior year and originally comprised of 87 Units, which were demolished by the MoD prior to release. Planning permission has been obtained in the current year to rebuild 82 Units at this site, as discussed further in the section titled 'Undertaking planning and development initiatives where appropriate' below.

Of the Units which were available to let at year end, over 95% were rented, to a combination of the general public, the MoD and local authorities. Those Units not available for let, are either undergoing refurbishment projects or have been made available for sale on the open market. During the year, the Group recorded average rental uplifts of 10% on the AST portfolio, which compares favourably to the ONS market average of 7.7% outlined in the market section review.

The portfolios' proactive capital investment programmes are implemented across the portfolios to ensure Annington continues to deliver high quality rental stock and meets or exceeds both internal and external ESG targets as well as delivering strong financial performance.

The diversity of property types and locations protects the business against volatility in specific markets, while the volume of stock in locational 'hubs' allows for efficiency of management and economies of scale as well as meaning that the business benefits from in-depth knowledge of the local markets in which it operates.

Annington actively manages expenditure to secure the best possible rents with the lowest possible ongoing operating cost profile. The business will continue to draw on over 20 years operating as a residential landlord and as the portfolio grows, will benefit from increasing economies of scale and efficiencies both on the procurement side as well as the operational side.

##### *Active asset management*

*The Group appraises its property portfolio on a regular basis to optimise the Group's returns on investment and to examine all potential options on a Site-specific basis. In keeping with previous years, the potential opportunities that the Group actively seeks to identify include reletting the Units within the Portfolio, refurbishing the Units and selling the Units to third party purchasers.*

In line with the Group's continuing commitment to maximise value, during the year, the Group spent £19.2 million (2024: £19.8 million) on refurbishment projects, including £7.2 million (2024: £4.2 million) on utilities projects to ensure that homes can be reconnected to public utilities infrastructure. Refurbishment works were completed on 20 projects within the year with works varying greatly in nature, depending on the specific circumstances of the Units in question.

Notable projects include Devizes Marlborough which focused on redesigning residential Units for a sustainable future, in a way that incorporates innovative technology, energy-efficiency, and smarter living into traditional family homes. Previously unoccupied for four years, these homes underwent extensive improvements taking the EPC levels from an E up to an A rating. At Brize Norton, a major refurbishment project was carried out on a site designed for private rental homes. All Units benefitted from a full thermal external enhancement and internally, all homes were fully refurbished including brand new kitchens with integrated appliances, modern bathrooms, new central heating systems and new flooring throughout. Another significant refurbishment project has been completed at Swanton Morley, leading to very strong uptake for affordable residential properties to rent in an idyllic rural location set on the outskirts of the village of Swanton Morley offering good transport links to local amenities.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### STRATEGY AND BUSINESS REVIEW (CONTINUED)

#### **The Group's strategies and implementation during the year (continued)**

##### ***Active asset management (continued)***

Looking forward, the Group is well placed to continue carrying out asset management projects and development works across multiple different sites. As at the date of signing of the accounts, the Group has spent since year-end or is committed to spend, over £87 million on refurbishment and utilities projects. As part of the consideration for the sale of the MQE, the MoD agreed to transfer additional property with an aggregate value of £55 million. These properties will be identified within 12 months of the completion date of the sale and be added into our extensive existing portfolio once subsequently transferred. Conversations with the MoD are ongoing to manage this process and the Group will examine all potential options on a Site-specific basis. In keeping with the Group's past experience of appraising options for Units released by the MoD, once these properties are in the portfolio, they will be subject to existing appraisal processes to identify whether they should be sold or relet.

In addition to the MQE sale, throughout the financial year the Group sold 496 further Units which didn't align with the Group's strategic plans. Please refer to the property disposals section of the Finance Review for further details.

##### ***Undertaking planning and development initiatives where appropriate***

*As and when opportunities arise within the Portfolio, the Group will continue to undertake planning and development initiatives.*

During the year, the Group made significant steps forward in actively shaping its future development pipeline. The Group has received planning for 29 residential homes in Windsor, Twickenham and Abingdon with a Gross Development Value ('GDV') of circa £16 million.

Subsequent to the year end, the Group received planning permission for 82 homes in Brize Norton, with a GDV in excess of £26 million and has successfully secured planning for 27 homes in Bushey with a GDV of circa £14 million.

Demonstrating proactive engagement in shaping future opportunities within the wider region, the Group has also put forward two strategic sites for allocation in response to calls for sites by separate local authorities, representing a potential further 24 homes. In addition, the Group is appraising a number of other development opportunities with the capacity to deliver over 200 new homes, subject to planning and viability assessments.

The combination of the £87 million spent or committed to be spent on refurbishment projects, the potential refurbishment of the £55 million of properties to be transferred by the MoD, and the planning and development projects outlined above, provide the Group with a substantial organic pipeline funded from proceeds held on the balance sheet.

##### ***Identifying new investment opportunities***

The Group continues to actively examine all potential options for the use of any proceeds it receives from the sale of its Units. The sale of the MQE unlocks opportunities for the Group to capitalise on its experience and grow its real estate portfolio through acquisitions. The Group's focus is to acquire stable quality UK residential assets with a focus on single family homes.

The Group has reviewed and is reviewing various investment opportunities and is pursuing suitable investments which provide a stable quality asset with an attractive yield. Given the Group's cash and cash equivalents balance at 31 March 2025 of £1.4 billion, it is well placed to take advantage of opportunities. Since January, Annington has conducted due diligence on a range of significant portfolios and, on 1 August 2025, Annington entered into an exclusivity agreement in respect of the acquisition of circa 300 single family homes and is targeting completion of that acquisition in September 2025.

##### ***Environmental, Social and Governance***

*The Group believes that the successful implementation of its strategy is dependent on robust, transparent governance. This is driven by the board and helps to uphold the Group's approach and new core values which are to be Principled, Adaptable, Collaborative and Innovative.*

Please refer to the Environmental, Social and Governance section later on within this report for detail of the Group's activity in the year.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### STRATEGY AND BUSINESS REVIEW (CONTINUED)

#### Other Matters of Note

##### *MQE Portfolio and Notices of Enfranchisement*

For the majority of the year, the Group held the MQE portfolio, consisting of over 36,000 residential property Units, which were leased to the MoD. While the MoD was solely responsible for the condition, management and maintenance of the MQE, the Group worked closely with the MoD to ensure effective day-to-day running of the estate.

As previously reported, between December 2021 and early 2022, Annington received enfranchisement notices from the MoD on a total of eight Units which form part of the Married Quarters Estate. Annington filed proceedings against the MoD in March 2022 in the Chancery Division and the Administrative Court and, following a joint hearing in February 2023, the Court held that the MoD enfranchisement notices on the eight properties were valid and dismissed each of the judicial review and private law claims. Annington subsequently applied for, and was granted, permission to appeal the judgment. The hearing of the appeal was scheduled to take place between 23 and 25 July 2024. On 15 July 2024, the Group and the MoD jointly applied for the July hearing to be vacated in order that the parties had time to explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024, the Court of Appeal agreed to vacate the hearing until the first available date (accounting for Court and Counsel availability) after 1 November 2024.

On 16 December 2024, Annington exchanged contracts for the sale of its interests in the MQE to the MoD and this agreement subsequently completed on 9 January 2025 (the completion date). Annington surrendered its 999-year lease to the MoD, and in return, the MoD paid Annington £5,994.5 million as a surrender premium, rent payments until completion and a further top-up payment on the completion date. The MoD will also transfer to Annington additional property with an aggregate value of £55 million, such property to be identified within 12 months of the completion date. In addition, of the 159 Units which had already been identified under prior agreements, all have now been handed back to Annington.

The settlement also brought to an end the costly and time-consuming legal proceedings between Annington and the MoD. Following completion of the sale of Annington's interest in the MQE to the MoD, all actual or potential claims between the parties in connection with the MQE have been settled, including the existing proceedings in relation to the MoD's attempts to enfranchise the MQE.

##### *The UK Housing Market*

In the 12 months to March 2025, the UK rental market continued to endure significant pressure due to the persistent imbalance of high tenant demand and low availability of housing stock. This has been compounded by a decline in volume of new landlord instructions, as reported by the Royal Institution of Chartered Surveyors ('RICS'). Upcoming regulation such as the Renters' Right Bill, which will increase landlord costs, may encourage landlords to leave the sector, further limiting supply.

This ongoing supply-demand imbalance has continued to cause high rental inflation, although there are signs of stabilisation towards the end of the period. The Office of National Statistics ('ONS') Price Index of Private Rents ('PIPR') reported an annual increase in UK monthly private rents of 7.7% in the 12 months to March 2025. This continued to fall to 7.4% by April 2025 and is down from the record-high annual increase of 9.2% in March 2024.

The cuts in the Bank of England's base rate to 4.5% in March 2025 and to 4.25% on 8 May 2025, along with further market expected decreases to 3.5% by mid-2026 and strong wage growth of 5.6% year-on-year (ONS reported wage growth, based on year-on-year three-month averages for January to March 2025), may ease tenant affordability. Rising construction costs and rental stock levels, which have remained static at around 5.5 million Units since 2016, will keep constraints on supply and upward pressure on rents. Savills forecasts UK rental growth of 4% in 2025 and 17.6% in 5 years to 2029, whilst CBRE forecasts UK rents to increase by 3% in 2025.

Selling prices for UK houses have grown steadily in the 12 months to March 2025, rising by 6.4% across the period to an average of £271,000. However, this likely reflects some distortion caused by a reversion to normal, higher, Stamp Duty Land Tax thresholds, seeing sales volumes double in March 2025, before the tax increase.

Regionally, London saw the lowest annual growth of 0.8% in the 12 months to March 2025, reflecting affordability challenges. However, the RICS Residential Market Survey for February 2025 noted positive sentiment with steady buyer demand through late 2024, and new buyer enquiries rising steadily by February 2025. There were 195,358 mortgage approvals in Q1 2025, 10% higher than last year.

Falling interest rates and improving mortgage affordability is expected to support demand, though supply constraints, particularly in high-demand areas such as London, will sustain price pressure. CBRE expects mortgage rates to continue falling which will be positive for house prices, with a forecasted increase in house prices of 3.4% in 2025.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### 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	2025 £ millions	2024 £ millions	Management commentary
Gross rental income	<b>198.5</b>	242.0	Gross rental income has decreased by £43.5 million in 2025, primarily due to the sale of Units during this and the last financial year.
Net rental income margin	<b>95.1%</b>	96.2%	Net rental income margin measures the profitability of the Group's rental operations, expressing net rent as a percentage of gross rental income. Costs have increased slightly, due to the timing of the release of Units from the MQE, as set out below, this measure has decreased marginally.
Adjusted EBITDA	<b>162.3</b>	214.9	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 decreased broadly in line with the decrease in gross rental income discussed above.
Adjusted EBITDA margin	<b>81.8%</b>	88.8%	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 measure has decreased marginally due to the inter-relationship between costs and reduced rental income.
Free cash flow	<b>6,123.7</b>	311.0	This measure is used to assess the cash generated to be utilised on discretionary purchases, debt repayments or dividends. Free cash flow has increased by £5,812.7 million, primarily due to receipts of sale proceeds received in cash.
Net rental yield	<b>3.4%</b>	3.2%	<p>This measure is used to assess rental yields on investment property carrying values.</p> <p>Note that a weighted average investment property carrying value has been used to assess net rental yield in the year due to the decrease in investment property value in January, following the sale of the MQE.</p> <p>Net rental yield has increased from 3.2% to 3.4% reflecting the change in profile of the portfolio post MQE sale.</p>



# ANNINGTON LIMITED

## STRATEGIC REPORT

### FINANCIAL REVIEW

#### Gross Rental Income

Total rental income for the Group decreased by 18.0% from £242.0 million to £198.5 million.

The MQE Portfolio generated rental income of £186.3 million in the year to March 2025 (2024: £221.9 million) – a decrease of £35.6 million reflective of the sale of the MQE Portfolio to the MoD on 9 January 2025, the date up to which the last rental payment was received.

Other than this, rent from the Group's Portfolio decreased from £20.1 million in 2024 to £12.2 million in 2025. The decrease in income is mainly a result of the disposal of 777 previously rented properties from the portfolio since April 2023 (c.£7.5 million) and bulk lease rental arrears and refunds collected in the year ended March 2024 that related to previous financial years (£1.5 million). Offsetting this decrease, the renting of released Units from the MQE portfolio over the two last years have contributed an additional £0.4 million of rental income in the year, and there has been a 11.9% increase in like-for-like rental income, contributing to a £0.7 million uplift.

Occupancy within the Portfolio outside the MQE averaged 96.6% (2024: 98%) for the year, when normalised to exclude Units which were not available to be let.

#### Property Operating Expenses and Dilapidation Income

Property operating expenses are largely driven by the volume of releases from the MQE in the previous 12 months, which give rise to survey and investigation costs which are not capitalised. During the year, 374 Units were handed back and property operating expenses totalled £9.8 million, up from the prior year, which saw 380 releases and expenses of £9.2 million. This is due to a higher volume of releases occurring in March 2024 and the associated survey and investigation costs not being incurred until the current year.

Similar to the above, the majority of the Group's other income, being dilapidation income, is predominantly dependent upon the volume of releases. Other factors such as the location of the Units and their state of repair when they are released can also impact the variability in income from year to year. Following the MQE settlement, all dilapidation claims for releases in the year and all outstanding prior period claims were settled, resulting in income of £9.3 million, compared to £3.5 million last year.

#### Administrative Expenses

Administrative expenses (including depreciation) increased by £8.7 million to £26.5 million (2024: £17.8 million). This increase is mainly due to staff costs, including payments of LTIP schemes which matured during the year, which are presented in more detail in Note 6.

#### Adjusted EBITDA

Adjusted EBITDA measures the business's normalised performance, reflecting the underlying operations of the Group. Adjusted EBITDA for the year ended 31 March 2025 was £162.3 million (2024: £214.9 million) – a decrease of £52.6 million or 24.5% with an Adjusted EBITDA margin of 81.7% (2024: 88.8%). The decrease in Adjusted EBITDA in the year is the result of a combination of the factors discussed above but predominantly driven by the decrease in gross rental income following the MQE sale. For further information on the calculation of this measure, refer to the section on Alternative Performance Measures, Appendix 3.

#### Property Disposals

In addition to the sale of 36,344 MQE Units, outlined above, the Group sold 496 (2024: 1,045) investment properties and recognised £132.4 million (2024: £268.6 million) in gross sales proceeds.

Losses on disposal of investment properties amounted to £791.3 million in the year (2024: £18.2 million profit). The loss on investment property disposals is reflective of the agreed sales value for the MQE below the book value determined with reference to fair value determined by CBRE at March 2024.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### FINANCIAL REVIEW (CONTINUED)

#### **Exceptional Items**

During the year, the Group incurred a further £4.7 million (2024: £3.2 million) of costs in relation to the legal proceedings which arose as a result of the MoD's attempts to enfranchise properties within the MQE. Due to the unusual circumstances surrounding this case and it being outside the scope of normal operations, and the substantial amounts being spent to defend the Group's position, these costs have been shown separately on the face of the income statement. Please refer to the MQE portfolio and notice of Enfranchisement discussion with the Strategy and Business Review section of the Strategic Report, which details the circumstances leading to a conclusion of these legal proceedings and associated costs.

#### **Cash Flows**

The Group ended the year with cash of £1,448.9 million, an increase of £1,252.4 million from £196.4 million at 31 March 2024.

The Group generated £14.4 million of cash from operating activities after tax payments, a decrease of £195.8 million from the prior year (2024: £210.2 million). The decrease is primarily due to nearly two full quarters of MQE rent, approximately £113.5 million, not being received as a result of the MQE settlement and corporation tax payments increasing by £29.2 million as a result of the gain made on the buyback of bonds, refer to the financing section for further details.

Net cash received from investing activities totalled £6,252.9 million for the year (2024: £258.7 million) – £5,994.2 million higher than last year. This is due to cash proceeds received from the MQE settlement. Surplus proceeds from the settlement were invested in term deposits and government securities, increasing interest income by £16.2 million.

Cash flows from financing activities primarily relate to a repayment of borrowings and dividends paid, resulting in a net cash outflow of £5,014.9 million (2024: £459.2 million). Using settlement proceeds, the Group made payments of £2,936.0 million, inclusive of tender/settlement costs, to repay a significant portion of its external debt. As a result, debt service costs were £143.0 million, down from the £157.5 million paid in the prior year. Dividends of £1,930.0 million were declared and paid in the year, largely from the surplus settlement proceeds.

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 £6,123.7 million (2024: £311.0 million), the increase is reflective of the MQE settlement proceeds discussed above.

#### **Property Valuation**

The investment property portfolio has been valued using a range of approaches, including discounted cash flows, income capitalisation techniques and discount to vacant possession. The carrying value of the Group's investment property portfolio has decreased from £7,367.3 million at 31 March 2024 to £330.8 million at 31 March 2025, with £24.0 million being recognised as an unrealised loss on revaluation in the income statement (2024: loss of £212.3 million). The revaluation movement is predominantly reflective of revisions to the quantum and timing of capital works, ascertained to be higher than previously allowed once Units were handed back from the MQE.

The Group uses SAVPV (defined in more detail in the Glossary) to measure the change in value of the portfolio's underlying assets. The SAVPV for the portfolio was valued by CBRE at £356.5 million (2024: £404.6 million excluding MQE).

#### **Financing**

The Group has used consideration received from the MQE sale to fully redeem £569.3 million of bonds. The remaining five bonds were tendered, providing noteholders with an opportunity to reassess their exposure to Annington and opt for an early realisation of their holdings. The pricing offered was selected to provide to holders of the Tender Offer Notes an attractive and immediate option to receive cash for their holdings at a significant premium to their respective trading prices prior to the announcement of the Transaction. The tender resulted in £2.1 billion being settled for cash payments of £1.8 billion. The Group also fully redeemed its £400 million term loan and cancelled its undrawn £100 million revolving credit facility. In addition, in July 2024, the Group paid £152 million from cash reserves, to settle the 2024 Euro bond and close out the associate cross currency swaps. The Group's debt at 31 March 2025, was therefore £730.5 million (£3.9 billion at March 2025).

# ANNINGTON LIMITED

## STRATEGIC REPORT

### FINANCIAL REVIEW (CONTINUED)

#### *Financing (continued)*

At the year-end, the Group held £1.4 billion in cash balances and had the following bonds in issue.

Principal Amount	Currency	Final Maturity	Coupon
1.5m	GBP (£)	12-Jul-29	3.184%
178.2m	GBP (£)	06-Oct-32	2.308%
1.4m	GBP (£)	12-Jul-34	3.685%
194.9m	GBP (£)	12-Jul-47	3.935%
354.5m	GBP (£)	06-Oct-51	2.924%

The Group's covenants attaching to the bonds are set out below. These ratios incorporate the effect of the repurchase referred to above, and remain well below covenant thresholds.

Covenant	Test	Limit for Bonds	Limit for Loans	31 March 2025	31 March 2024
Limitation on Debt	Total debt / Total assets	<65%	<65%	*	49.7%
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)	1.87x	1.47x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	*	198.8%

\*Due to the surplus of cash at 31 March 2025, the Group is not in a net indebtedness position.

At 31 March 2025, the Group's weighted average cost of debt was 3.05% (2024: 3.75%) with a weighted average life of 20.7 years (2024: 12.1 years).

The Group's interest income increased in the year to £28.4 million (2024: £11.3 million). This is the result of maintaining higher cash balances during the year which were invested in term deposits and government securities to maximise returns, whilst managing counterparty risk.

#### **Taxation**

A deferred tax asset of £3.5 million (2024: £79.6 million) has been recognised in respect of unutilised tax losses available for offset against expected future profits, leaving £233.4 million of unrecognised deferred tax assets (2024: £190.8 million). Deferred tax assets have been recognised based on the Group's reasonable expectation that their utilisation is probable based on internal forecasts where evidence exists to support the generation of future taxable profits.

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. Whilst the Group holds proceeds from the MQE sale to re-invest, the Group ceases to be property rich (i.e. 75% of value derived from UK property) and does not meet this condition for the exemption election. The Group has a temporary period, commencing of 9 months where the election remains valid, ending in October 2025. However, should the Group not invest in properties before the expiry of 9 months, disposals in that period would be subject to tax. Such taxation, on a net basis, is understood to be immaterial at the balance sheet date. 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 is that the Group does not recognise deferred tax liabilities relating to these capital gains. Were the exemption not to remain in place, deferred tax liabilities, equating to £31 million at 31 March would be recognised, part of which would be offset by recognition of additional deferred tax assets.

#### **Dividends**

The Group's policy is to distribute free cash flow subject to complying with financial policies and suitable cash reserves to ensure the Group's operational needs can be met. The Group operates an unsecured debt strategy. On 26 November 2024, the Group paid a dividend of £30.0 million. A further dividend of £1.9 billion was paid on 10 February 2025 (2024: £Nil). At 31 March 2025, the group held £1.4 billion of cash and cash equivalents, available for acquisitions, capital payments, committed refurbishment spend of over £87 million and the working capital requirements of the Group.

## STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

The table below outlines the principal risks and uncertainties:

Area of potential uncertainty	<b>The UK housing market and rental market may be significantly affected by changes in general and local economic conditions.</b>
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 and resulting mortgage costs, underlying inflation and the effects of geopolitical uncertainty.</p> <p>High or rising inflation may adversely affect the Group's business by further increasing the cost of the raw materials and labour the Group uses in refurbishing properties. The Group actively reviews the sales prices of released properties and would seek to reflect any increase in costs in the sales prices of released properties in order to maintain margins. However, any oversupply of housing relative to demand in the local housing market, including due to bulk releases of properties in remote areas, may make any such increase difficult or impossible to achieve. In addition, interest rates have remained high in the year as a policy response to elevated inflation. This has been reflected in the rates offered on mortgages and impacted on mortgage availability causing flow-on consequences in the housing market. This could result in a slowdown or decrease in the number of sales transactions that the Group is able to achieve or increase the time to sale of larger or higher capital value properties. 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>Ongoing international and geopolitical uncertainty, notably the continuing Russian military action against Ukraine, geopolitical tensions in the Middle East and continuing uncertainty regarding tariffs imposed by the USA, continues to affect the financial markets, supply chain and commodities prices to a certain extent, any or all of which could adversely affect the Group's business, results of operations and financial condition.</p> <p>Similarly, the Group's financial stability depends, in part, on the strength of the rental market. Weak rental markets could have an adverse effect on the Group's revenue generated by its private rental sector property portfolio. While the 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 portfolio, or if the corporate organisations, including housing associations and local authorities, to which the Group may bulk lease properties forming part of the portfolio, shift away from rentals.</p>
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. 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 in some of its bulk arrangements where long term leases have been negotiated with five yearly rent reviews.</p>

## STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>Legal Claims and Health &amp; Safety Breaches</b>
Description of risk	<p>From time to time, the Group may be exposed to litigation, arbitration proceedings and other claims. Due to the uncertainty inherent in litigation, there can be no assurance that the outcome will not result in substantial damages against the Group, including one beyond its financial resource.</p> <p>There may be a serious health and safety incident at an Annington Site, arising from a breach in health and safety regulations including fire safety. This could potentially lead to serious injury, reputational damage and/or possible fines or penalties. The Group may be unable to insure against or secure adequate coverage to mitigate the effects and the risks could lead to an increased cost of compliance with health and safety or fire safety regulations, costs of remediation, delay to income.</p>
Mitigating strategies	<p>The Group has a Health and Safety Committee in place which meets every alternative month to consider issues affecting the Group and its staff. This work on identifying possible issues ensures appropriate training can be put in place for all staff, dependent on their role.</p> <p>A robust risk review process is undertaken for all new projects or newly identified areas of concern. The Group operates an outsourced contracting model which requires contractors to enforce and monitor health and safety. Furthermore, the Group also uses third party health and safety inspectors to monitor compliance across all sites for ongoing projects. In addition, an appropriate level of insurance is maintained or sought where specific circumstances require it.</p> <p>The Group also retains proper external legal representation for day-to-day and recurring matters, managed by the internal legal team. Other specialist legal support is sought where necessary. Board oversight is in place for existing or anticipated legal activity beyond the day-to-day.</p>

Area of potential uncertainty	<b>The Group's business is subject to complex and evolving legislation and regulations, including rules governing the ownership, leasing or occupation of land, climate change risk and the use of hazardous materials.</b>
Description of risk	<p>The Group is subject to laws and regulations concerning, among other things, landowners' (freehold and leasehold) rights, planning, building development, land use, sales, rentals, the provision of mortgage financing, fire and building safety, health and safety, the environment, climate change 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 or otherwise have an impact on the Group's financial condition. More stringent requirements are expected to be imposed on property owners, landlords and developers in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause an increase in the Group's costs or a reduction in the Group's revenues, or cause significant operational delays, for example in the sale of Released Units, which could have a material adverse effect on the Group's business, results of operations and financial condition.</p> <p>Further, the Group could incur substantial costs, fines, penalties and other sanctions and damages from third party claims as a result of the Group's failure to comply with, or liabilities under laws and regulations, all of which could adversely affect the Group's business, results of operations and financial condition.</p>
Mitigating strategies	<p>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.</p>

# ANNINGTON LIMITED

## STRATEGIC REPORT

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>Outstanding obligations relating to MoD relationship.</b>
Description of risk	<p>The Utilities Agreement, which was entered into by the MoD and the Group in 1996 at the time that the Group acquired the MQE Portfolio in order to address sites where the MoD was providing utility services to a released property (a 'Base Dependent Utilities Supply'), has now expired and the Group is required to re-provide connections to the public utilities network for any Units with a Base Dependent Utilities Supply. This will incur costs, which could be significant. Furthermore, any delays in the implementation of utilities separation schemes could delay the rental or sale of such Units which could have an adverse impact on the Group's business, results of operations and financial condition.</p> <p>The Group also cannot influence the type or location of the £55 million of Units to be handed back by the MoD under the Surrender Agreement. This lack of control could impact on the level of resource and expenditure required and/or income generated.</p>
Mitigating strategies	<p>The recent changes to the Utilities Agreement provide supply for an additional 3 years from the date of contract exchange (16 December 2024), with a potential to extend for a further 5 years in certain limited circumstances. Also, since the 1996 Acquisition Date, the Group has, as of 31 March 2025, successfully completed 73 utility separation projects on 60 Sites with a Base Dependent Utilities Supply. 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 Site with a Base Dependent Utilities Supply and develop a programme to minimise the costs and time associated with such utility separation projects. A financial provision is also made within the accounts to allow for expenditure where commitments have been made to disconnect.</p> <p>The Surrender Agreement puts parameters in place around value and timing of handback of Units. In addition, the Group operates an outsourcing model which keeps the cost base low, whilst allowing for rapid mobilisation/demobilisation of resources based on need and market condition. Furthermore, for Units handed back under the Surrender Agreement, there are further restrictions around the release of Units with a Base Dependent Utilities Supply, and any need to base separate utilities will be taken into account in the valuation.</p>

## STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>The Group is subject to a number of financial risks relating to its financing arrangements.</b>
Description of risk	<p>The Group currently has £730.5 million of notes outstanding under the Euro Medium Term Note ('EMTN') Programme. A 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, for example, if its lack of a credit rating makes the cost of accessing the public and/or private debt markets prohibitive.</p> <p>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 Middle East, 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. 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 group's financing facilities include a number of obligations upon the issuer and guarantors to the debt. Not meeting these obligations may result in a range of outcomes, including the debt becoming repayable at its early redemption amount. 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, including cash balances in excess of outstanding debt, and has processes and procedures in place to forecast and monitor covenant compliance, unexpected changes in financial performance or asset values 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	<p>The length of tenor of the Group's debt 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. The Group also closely monitors the distribution of its cash deposits to ensure excess funds are not held with any one financial institution to mitigate risk.</p>

## STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>Property valuation is inherently subjective and uncertain.</b>
Description of risk	<p>For the purposes of both the Group's Annual Financial Statements and Unaudited Interim Financial Statements, valuations of its property portfolio were undertaken internally by the Group and externally by third-party professional valuers in accordance with the latest version of the RICS Global Valuation Standards (incorporating the International Valuation Standards) and the UK national supplement current as of the valuation date. The purpose of each valuation was expressly limited therein, namely for the preparation of the Group's Annual Financial Statements and Unaudited Interim Financial Statements, and each valuation was 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 valuation to valuation. 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. The Valuers will rely on information provided by the Group and will also take into account the general market environment, including estimated market rental values, market-based yields and expected future rental revenues from the properties as well as interest rates and inflation which will influence the discount rates used by the Valuers in calculating the Fair Value of the Group's property portfolio. 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. A sustained period of elevated interest rates exposes the Group to a risk of a further downward adjustment in the Fair Value of its property portfolio which could have an adverse impact on the financial condition of the Group.</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.</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.



## STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>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 its systems.</b>
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, including: conducting risk assessments to identify threats, vulnerabilities and risks; developing a comprehensive Cybersecurity strategy; implementing robust security measures (firewalls, endpoint security controls, email threat detection, vendor and third party risk management, privileged access management, patching, strong authentication controls); regularly backing-up data and utilising recovery systems to replicate IT systems and data to another location; training employees on Cybersecurity best practices at least annually; engaging third-party security experts to run its Security Operations Centre (SOC); providing a Managed Detection and Response (MDR) Service and a virtual CISO; developing and maintaining Incident Response, Disaster Recovery and Business Continuity Plans; and internal and third party monitoring of the evolving cybersecurity landscape to keep the Group informed about new threats and vulnerabilities.

Area of potential uncertainty	<b>The Group's operational and financial performance could be affected by failures within or by a key third party supplier or service provider.</b>
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.

Area of potential uncertainty	<b>Retention, development and recruitment of the right people is critical to the Group's success.</b>
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 (in respect of outstanding obligations relating to the MoD relationship), 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>

# ANNINGTON LIMITED

## STRATEGIC REPORT

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	<b>The Group might cease to be exempt from UK tax on direct and indirect disposals of UK land, and might as a result have both to pay UK tax on such disposals in future and (whether or not the Group makes such disposals) to recognise deferred tax liabilities in respect of its UK property investments in its consolidated accounts.</b>
Description of risk	<p>Annington Limited is a wholly owned subsidiary of Annington Holdings (Guernsey) Limited (AHGL). In 2020 and 2021, AHGL qualified as an offshore, UK property rich collective investment vehicle for the purposes of the UK legislation which charges non-UK residents to UK corporation tax and capital gains tax on gains arising from direct and indirect disposals of UK land held as an investment. Pursuant to that legislation, AHGL made an election for exemption (for itself and the Group) from UK tax on such disposals, which became effective from 27 May 2020. In broad terms, the effect of the election is that those disposals are exempt from UK tax, and instead UK tax is chargeable at the level of the investors in AHGL when those investors receive from AHGL distributions of the proceeds of such disposals (as well as upon disposal by those investors of their interests in AHGL). As a result, the election prevents tax charges from arising within the Group or at the level of AHGL (where they would economically be borne by all investors) and instead imposes tax on the investors themselves (who may then be able to benefit from any tax exemptions to which they are entitled in their own right).</p> <p>There are a number of circumstances in which AHGL's exemption election might cease to have effect, including because AHGL itself or (in certain circumstances) HM Revenue &amp; Customs might revoke the election, or because AHGL might cease to meet certain conditions for the election to remain effective. These include conditions relating to the nature and tax treatment of AHGL's investors, which might cease to be met if AHGL's investors (or their tax treatment) were to change. If AHGL's exemption election were to cease to have effect, then the Group may become subject to UK tax on subsequent direct and indirect disposals of UK land. In general, where the election ceases to have effect AHGL and the Group will benefit from a step-up in their tax basis in the relevant assets to the market value of those assets as at the time the election's effect ceases, such that UK tax will only be charged on increases in value after that time. However, if the election were to cease to have effect within 5 years of 27 May 2020 (the date on which AHGL's exemption election became effective), or if AHGL were to have its election revoked at any time by HM Revenue &amp; Customs as a result of failures by AHGL to comply with certain conditions for the election to apply or in order to safeguard the public revenue, then AHGL and the Group would not benefit from that step-up in their tax basis, and as a result the gain on any disposal made by the Group would be computed for UK tax purposes by reference to the Group's historic tax basis in the relevant assets, and the Group would likely be required to recognise net deferred tax liabilities in respect of its UK property investments. Any deferred tax liabilities would be recognised by reference to the value of those investments in the Group's accounts at the time.</p> <p>AHGL ceased to be property rich on 9 January 2025 and has nine months to re-meet the requirement to be UK property rich. If this is not achieved, additional taxation balances would need to be recognised within the Group accounts.</p>
Mitigating strategies	AHGL closely monitors its obligations to ensure compliance with HMRC obligations. The Group ensures that the conditions have continue been met. If the conditions were to no longer be met, the Group would record the appropriate tax balances within its accounts, at the point the exemption were no longer available.

# **ANNINGTON LIMITED**

## **STRATEGIC REPORT**

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')**

#### **Sustainability Strategy**

Annington believes that being a good corporate citizen and being commercially successful go hand in hand. The Group's commitment to sustainability 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.

Annington understands that the successful implementation of its strategy is dependent on robust, transparent governance. Having clear accountability drives its sustainability ambition to create high quality, sustainable family homes and communities where people want to live. Therefore, its strategy focuses on long-term sustainability of the homes it refurbishes, the places it operates and how it improves its outcomes for people.

The Group's sustainability strategy is overseen by the ESG Taskforce. The Taskforce is led by the Group's CEO who has Board level responsibility for sustainability. Standing members of the taskforce include representatives from each part of the business where sustainability issues form part of their role. The Taskforce meets throughout the year, and sustainability is a standing agenda item at quarterly Board meetings.

In the reporting period, the Group continued to develop its Sustainability Strategy and its two overarching Objectives – Climate Resilience, and People and Communities. The Group published its third ESG Report which included the Group's Sustainability Objectives and targets against which progress will be measured. For further details of the Group's progress against the Task Force on Climate Related Disclosure's ('TCFD') recommendations see Appendix 4. The sections below provide an overview of the Group's Sustainability Objectives. Full details of progress made during the year can be found in Annington's ESG Performance Report available at [www.annington.co.uk/sustainability/overview/](http://www.annington.co.uk/sustainability/overview/).

#### **Climate Resilience**

##### **Reporting Framework and Oversight**

The Group and the Board of Directors recognise and understand that the nature of the business has environmental 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.

In the reporting period, the Group continued to focus on two priority topics – carbon emissions and energy efficiency, and clean energy. The Group continued to consider how to contribute to the UK's stated aim to be Net Zero by 2050 and during the reporting period, commissioned its fourth carbon footprinting exercise. Using the internationally accepted standard, the Greenhouse Gas Protocol, the exercise determined the emissions and activities that fell within the Group's operational and organisational control. Emphasis was once again given to reporting relevant Scope 3 emissions categories – Use of Sold Products, Capital Goods, Transportation and Distribution, Fuel and Energy Related Activities, Employee Commuting and Homeworking, Waste Produced in Operations, Purchased Goods and Services and Business Travel. The insights gained into emissions hotspots continued to be key in informing the Group's planned carbon reduction strategy. Work continued to best incorporate low-carbon sources of heating and other energy efficiency measures into the Group's refurbishment projects to future-proof these homes for the next generation of occupants. In line with UN Sustainable Development Goal ('SDG') 7 (Access to affordable, reliable, sustainable, and modern energy for all), the Group has utilised renewable energy sources in past new builds, including ground source heat pumps and PV panels.

The Group welcomes the recommendations of the 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. The Group continues to use the TCFD recommendations as a reference point as they are considered to be a good entry point for moving towards the further guidance provided by IFRS S1 and S2. The Group plans to further progress its climate disclosures in line with best practice.

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

# ANNINGTON LIMITED

## STRATEGIC REPORT

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') (continued)

#### On-site Activity

The Group has policies in place governing the supply of materials and development practices; its Sustainable Procurement Policy outlines that materials and products are to be ethically sourced and have a low environmental impact while also maintaining its 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. It incorporates sustainable design principles in all its projects 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. Given the nature of materials found across former MQE properties, the Group has standardized requirements regarding specialist waste disposal and where possible seeks to reuse materials on site.

Within the Group, APL has an obligation to report carbon usage under the Streamlined Energy & Carbon Reporting ('SECR') regulations. The wider Group also 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 are 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 (and related emissions) 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 28 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.	A physical climate risk assessment has been completed, and the Group will integrate climate risk in its future decision-making process. Specialist advice and recommendations will continue to be sought to further understand how climate change could potentially impact the portfolio in the short, medium and long-term.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') (continued)

#### 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 its offices, electricity used in the common parts of the properties in its portfolio and fuel used in its vehicles.

The below figures detail the Group's total emissions by activity and scope in the financial years:

	2025		2024	
	Energy (kWh)	tCO <sub>2</sub> e	Energy (kWh)	tCO <sub>2</sub> e
<b>Direct Emissions (Scope 1)</b>				
Natural gas	2,528,462	462.5	1,474,846	269.8
Owned vehicles	284,391	62.7	420,891	94.1
	<b>2,812,853</b>	<b>525.2</b>	<b>1,895,737</b>	<b>363.9</b>
<b>Indirect Emissions (Scope 2)</b>				
Electricity	1,486,247	307.7	585,721	121.3
<b>Other Indirect Emissions (Scope 3)</b>				
Electricity T&D <sup>1</sup>	-	27.2	-	10.5
Grey Fleet <sup>2</sup>	88,140	20.3	27,672	11.0
<b>Total emissions</b>	<b>4,387,240</b>	<b>880.4</b>	<b>2,509,130</b>	<b>506.7</b>

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

<sup>2</sup>Grey 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 emissions overall increased from 506.7 tCO<sub>2</sub>e in 2023/24 to 880.4 tCO<sub>2</sub>e in 2024/25. This increase of 74% can be attributed to the significant increase in natural gas and electricity consumption mostly from unoccupied and controlled properties. There was a 31% increase in APL void floor space, including a significant proportion of rental Units tactically held void during the year. 84% of Annington's total emissions during the reporting period were associated with its unoccupied property portfolio under direct control.

The proportion of scope 1 vs scope 2 is highly dependent on the type of properties released to the Group and whether they are connected to gas or electricity supplies and the timing of subsequent rentals or sales. During the reporting period, 374 properties were returned to Annington. Overall, there was a 33% decrease in emissions from company owned vehicles which is reflective of the disposal of over 25% of the company car fleet. The increase in Grey Fleet emission reflects more reclaimed mileage for private cars following disposal of company cars.

Methodology: In order to calculate emissions, the requirements of the Greenhouse Gas Protocol: Corporate Standard (2004:2015) have been used along with the UK Government GHG Conversion Factors for Company Reporting 2023. 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 the estimated floor space of Annington's controlled and unoccupied properties (ft<sup>2</sup>) as this reflects the operational boundary of Annington's emissions reporting. Annington's SECR scope emissions for 2024/25 is 2.03 tCO<sub>2</sub>e per 1,000 ft<sup>2</sup> of unoccupied and controlled properties. The previous year's figure (2023/24) was 1.53 tCO<sub>2</sub> per 1,000 ft<sup>2</sup>. This shows a year-on-year increase of 33%. Despite a 74% increase in absolute emissions, the floor space of the properties released to the group was 31% more than the previous reporting period therefore contributing to the overall increase in emissions intensity.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') (continued)

*Energy efficiency actions/undertakings:* In the reporting period, revision of the company vehicle scheme to EVs reduced energy associated with company fuel cards by 33%. In the previous reporting period, the Group moved its head office from James Street to Hays Galleria. Part of the rationale for choosing the new office was the significant improvement in energy performance, as indicated by its EPC rating. This move has resulted in a reduction of 52% in electricity per day.

#### People and Communities

In the reporting period, the Group concentrated on three priority topics.

- Health, safety, and wellbeing (employees and contractors) - Ensuring high-quality health and safety and wellbeing throughout its operations and promoting good wellbeing through across its workforce.
- Health and safety (customers) Creating healthy homes by upholding high-quality health and safety standards its
- Equality, diversity and inclusion - Ensuring equal treatment for all, supporting diverse talent, and promoting an inclusive culture across its workforce and industry.

The Group is closely aligned to UN SDG 8 (Decent Work and Economic Growth) and requires suppliers and contractors to share its commitment to quality, health and safety and environmental issues. Annington 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. It 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. 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](http://www.annington.co.uk).

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

	2025	2024
Contractor Incidents	4	4
Incidents reportable under RIDDOR	Nil	Nil
Employee work incidents	1	1

Annington values its employees' commitment, professional development, and health and wellbeing and, in doing so, is aligned with the overall purpose of UN 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. The Group continued to operate a hybrid working model and Cycle to Work scheme. The Group understands the benefits of life-long learning and as such is aligned to UN SDG 4. In the reporting period, 90% of training was completed by staff. Additional continuing professional development courses, more tailored to their roles, were also undertaken by staff. In the financial year, the Group invested an average of £896 per employee (2024: £1,320).

Annington's refurbish, repurpose, and revive ethos presents a unique opportunity to reinvigorate communities that have been neglected and, in some cases, abandoned, and in doing so, is aligned to UN 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.

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

#### *Diversity & Inclusion*

Management is committed to supporting and achieving a working environment where equality and diversity are recognised, encouraged, and valued.

# ANNINGTON LIMITED

## STRATEGIC REPORT

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') (continued)

At 31 March 2025, there were 55 employees (2024: 61) with employee turnover at 17.6% (2024: 8.2%). The overall gender, age and ethnicity split of the workforce is as follows:

<b>Equal opportunities reporting:</b>		
Age Range:	Under 30	7
	30-50	30
	Over 50	18
Average Age:		43
Gender Split:		50.9% Male (28); 49.1% Female (27)
Ethnicity:		74.55% White; 18.18% Asian/Black/Mixed; 7.27% Other or not disclosed
Number of reported incidents of harassment and/or discrimination in the workplace:		Zero

	Male	Female	Total
Annington Limited Board	5	1	6
Senior executive team (excl. board members)	1	2	3
All employees	28	27	55

#### *Investing in Communities*

The Group is passionate about helping the wider military community and since 2018 has been a signatory to the Armed Forces Covenant. In the reporting period the Group supported a range of charitable organisations and groups working with the Armed Forces community demonstrating its commitment to its Covenant pledges. During the year, the Group made monetary donations of £0.6 million (2024: £0.6 million), to charitable organisations and groups supporting military families, military youngsters and veterans. 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 the following:

- continue to support Service personnel and their families living in Services' communities and ex-service personnel in the community;
- provide 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;
- provide support for activities and organisations with a connection to the Armed Forces; and
- maintain a close relationship with the Services by engaging representatives from the Forces' Federations.

All charity partners and projects are assessed against four key principles and are assessed against four key principles and are aligned with the Group's corporate identity and values. 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, ensuring fair and equitable treatment;
- Create a sense of community amongst military families and veterans; and
- Create opportunities for beneficiaries aimed at improving their lives.

In addition to its work with the military community, the Group also supports communities local to its developments. The Group also allows each employee to take up to three days paid leave to undertake volunteering work.

For details on the charities that Annington has worked with during the year please refer to the Sustainability-Social section of Annington's website, found at [www.annington.co.uk/sustainability/social/](http://www.annington.co.uk/sustainability/social/).

# ANNINGTON LIMITED

## STRATEGIC REPORT

### *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	<p>For individual customers, the Group maintains regular engagement with solicitors and agents and makes available a customer helpline to facilitate feedback.</p> <p>For a large part of the year, the Group's largest customer was the MoD. The Group worked closely with the MoD to manage the day-to day running of the estate and continues to maintain a close relationship to ensure a smooth completion of the final stages of the MQE sale process.</p>	<p>See the People and Communities section under Environmental, Social and Governance ('ESG').</p> <p>See the MQE Portfolio and Notices of Enfranchisement section of the Strategy and Business Review section of this report for details of interaction with this Customer.</p>
Shareholders and Bondholders	<p>The Board comprises 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.</p> <p>The directors believe that maintaining effective communication with the bondholders is essential to the successful running of the Group and so strives to ensure transparent reporting and provision of information. Beyond regular financial reporting, the Group provides update conference calls on at least an annual basis.</p>	<p>See the Directors' Report disclosures on Board and committee composition and Ownership Structure.</p> <p>See the MQE Portfolio and Notices of Enfranchisement section of the Strategy and Business Review section which provides details of the Group's sale in interests in the MQE.</p> <p>See the Financing section of the Financial Review section which provides details of how the Group used consideration received from the MQE sale to reshape its capital structure.</p>



# ANNINGTON LIMITED

## STRATEGIC REPORT

### *Stakeholders - Statement on s172 of the Companies Act 2006 (continued)*

Stakeholder:	How the Board consults and considers stakeholder interests	More information
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, regular communication with suppliers and paying suppliers promptly.	See the People and Communities section under Environmental, Social and Governance ('ESG').
Employees	The Group has a small number of employees and ensures the welfare and concerns of staff are taken into account when making decisions impacting them. The Group communicates with employees through a weekly update of the intranet detailing all relevant business, market and staff news. Executive Directors meet weekly with key members of operational management and regular feedback is passed through senior managers' meetings. Staff Forums are held where all staff are invited to attend and participate, at least annually. Employees are anonymously surveyed on an annual basis to gauge attitudes and sentiments to a range of factors, issues, and concerns.	See the People and Communities section under Corporate Responsibility.
The community	The Group makes efforts to support the communities in which its portfolio is located.  The Group committed to the Armed Forces Covenant in 2018, providing a number of benefits to service personnel.	See the People and Communities section under Environmental, Social and Governance ('ESG').
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 continued to work on implementing recommendations resulting from the Group's ESG maturity assessment. Annington plans to further develop its ESG strategy to meet additional TCFD recommendations and consider how to contribute to the UK's net zero aims.	See the section on Climate Resilience and On-site Activity section under Environmental, Social and Governance ('ESG').

# **ANNINGTON LIMITED**

## **STRATEGIC 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 Strategy and Business Review and Financial Review as well as in this section.

The Group is proud of what it achieved over the 28 years in which it owned the MQE. The successful sale of the MQE during the financial year has enabled the Group to reshape its capital structure and the Group is now ideally placed to play a significant part in addressing the current housing shortage in the UK housing market, drawing on over 20 years' experience of refurbishing, developing and managing residential real estate at scale. The Group is excited about what the future holds, it has long-term, low-cost debt in place and intends to hold it to maturity, and as such is perfectly positioned to evaluate and act on opportunities at pace.

At 31 March 2025, the Group, through Annington Funding Plc ('AFP'), had £0.7 billion of outstanding unsecured corporate bonds in five tranches. The Group also held £1.4 billion of cash and cash equivalents at year end. These funds are being held while the Group reviews investment opportunities, assessing the market for suitable investments which provide a stable quality asset with an attractive yield. Until suitable investment opportunities are identified and acquired, the Group will continue to invest this cash in interest bearing deposits and short-term government instruments to maximise returns, whilst managing counterparty credit risk, maintaining the Group's position of financial strength and therefore helping to support its future strategy of growing its investment property portfolio.

In addition to the significant cash reserves at year end and the associated finance income prior to the funds being deployed in future acquisitions, the Group continues to meet its day-to-day working capital requirements primarily from rental income. This rental income is supplemented by property sales on Units which are not considered to be a strategic fit with the wider portfolio. The Group forecasts that these income sources, alongside the cash on hand at year end, provide significant funding for the Group's operations, including capital investments, working capital requirements and interest payments for the foreseeable future. These forecasts also consider the covenants which are attached to the Group's debt and future principal payments owing. The covenants are set out in the Financial Review section and the Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Furthermore, the next debt principal maturity of £1.5 million is not until July 2029.

The Board has taken into account the effects of current market conditions, including inflation and interest rates, geopolitical tensions in the Middle East, the war in Ukraine and continuing uncertainty regarding tariffs imposed by the USA. Possible downside effects considered included falling house prices, falling rental values and increased arrears from tenants. In all circumstances, cash reserves were shown to be sufficient to fund the continued operation of the Group within the next 12-18 months.

After making enquiries, the directors have assessed that the Group has and will continue to hold sufficient cash and generate sufficient cash flows to settle their obligations as and when they fall due. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of these financial statements. Accordingly, they 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  
4 August 2025

**REGISTERED OFFICE**  
Hays Lane House  
1 Hays Lane  
London  
United Kingdom  
SE1 2HB

## ANNINGTON LIMITED

### 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 2025.

#### 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:

<b>Baroness Helen Liddell</b> <b>(Chairman)</b> <i>Independent Non-Executive Director</i> 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. 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.
<b>Jonathan Short</b> <b>(Deputy Chairman)</b> <i>Independent Non-Executive Director</i> 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, now known as Principal Real Estate Investors, an investment manager operating a broad range of real estate investment solutions. Jonathan has recently established a new business, IREMIS, a specialist pan-European real estate investment manager, whose first Fund is focussed on hotels.
<b>Ian Rylatt</b> <i>Chief Executive Officer</i> 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.
<b>Stephen Leung</b> <i>Chief Financial Officer</i> 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.
<b>Christopher Severson</b> <i>Non-Executive Director</i> Appointed 31 October 2023	Christopher Severson is Operating Managing Director at Terra Firma and has over 20 years' experience in senior management roles for companies across several industries, including FMCG and construction. Christopher holds MBAs from Columbia Business School and London Business School.
<b>Ishan Bharadwaj</b> <i>Non-Executive Director</i> Appointed 30 April 2024	Ishan Bharadwaj is a Principal at Terra Firma, primarily focused on new deal opportunities and has over 13 years experience in private equity. Ishan was previously a director at H.I.G Capital.

David Tudor-Morgan ceased to be a Director on 25 March 2025.

Vivek Ahuja ceased to be a Non-Executive Director on 27 April 2024.

# ANNINGTON LIMITED

## DIRECTORS' REPORT

### 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, develops and implements 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 committee attendance

The number of board and committee meetings attended by each Director during their directorship within the 2025 financial year was as follows:

	Board	Audit Committee	Nomination and Remuneration Committee	Overall Attendance
<b>Total number of meetings</b>	<b>6</b>	<b>2</b>	<b>2</b>	
Baroness Helen L Liddell	6	2	2	100%
Jonathan Short	6	2	2	100%
Christopher Severson	5	2	2	90%
Ishan Bharadwaj	6	2	2	100%
Ian Rylatt	6	2*	2*	100%
Stephen Leung	6	2*	2*	100%
David Tudor Morgan	6	2*	1*	90%

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

Vivek Ahuja was not a Director for 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.

# ANNINGTON LIMITED

## DIRECTORS' REPORT

### 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 process. 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 Chairman, Deputy Chairman 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 at least two Non-Executive Directors and up to two Non-Executive Directors employed by Terra Firma Capital Partners Limited and two Executive Directors. The Committee meets as required to consider appraised project strategies above the Investment Committee's approval threshold along with financing strategy. Any major projects or significant investments are referred to the Board for approval. No meetings were necessary during the year.

### Investment Committee

During the year, the Investment Committee has included the Executive Directors and 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.

### Risk Committee

The Risk Committee includes the Executive Directors and senior executives. It meets not less than six monthly to review and discuss the departmental and Group level risk registers.

### Operational Review Meetings

The Executive Directors, along with key members of operational management, meet every Monday morning 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 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 2025 is set out in the tables below:

#### *Board composition*

Independent Non-Executive Chairman and Director	1
Independent Non-Executive Director	1
Non-Executive Director	2
Executive Director	2
<b>Total number of Directors</b>	<b>6</b>

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

Under 3 years	2
3 – 8 years	2

#### *Gender diversity (including the Chairman)*

Female	1
Male	5
<b>Total</b>	<b>6</b>

# **ANNINGTON LIMITED**

## **DIRECTORS' REPORT**

### 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 further developed during the year to include interim appraisals which allows staff to revisit and refocus on objectives set, and 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 Outlook and Going Concern section of the Strategic Report.

### **Charitable and political donations**

During the year the Group made charitable donations of £0.6 million (2024: £0.6 million), principally to local charities serving the communities in which the Group operates. The Group made no political donations during the year (2024: none).

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 21.

# **ANNINGTON LIMITED**

## **DIRECTORS' REPORT**

### **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**

On 26 November 2024, the Group paid a dividend of £30 million. A further dividend of £1.9 billion was paid on 10 February 2025 (2024: £Nil). The Group does not plan to make a further distribution at this time, with cash instead being held to make further property investments and fund the working capital requirements of the Group.

### **Subsequent events**

Annington has conducted due diligence on a range of significant portfolios and, on 1 August 2025, Annington entered into an exclusivity agreement in respect of the acquisition of circa 300 single family homes and is targeting completion of that acquisition in September 2025.

### **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

4 August 2025

### **REGISTERED OFFICE**

Hays Lane House  
1 Hays Lane  
London  
United Kingdom  
SE1 2HB

## **ANNINGTON LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, 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 of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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



## **ANNINGTON LIMITED**

### **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 2025 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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; and
- the related notes 1 to 34 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.

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

## ANNINGTON LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON LIMITED

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](http://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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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 and 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. These included health and safety laws, data protection laws, anti-bribery, environmental and sustainability regulations, planning regulations and landlord and tenant legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, real estate valuations, financial instruments, and IT specialists 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 procedures performed to address it are described below:

The area identified as having the greatest potential for fraud was the valuation of investment property, specifically the net initial yield assumption used in valuing the Group's portfolio of let properties. This area involves significant judgement due to the use of assumptions and estimates in deriving the valuation.

To address this risk, we engaged our real estate valuation specialists to challenge key assumptions by benchmarking them to available market data and assessing the appropriateness of the rationale and evidence provided, ensuring the assumptions were within an acceptable range.

## **ANNINGTON LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON LIMITED**

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 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 and reviewing correspondence with HMRC.

#### **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  
4 August 2025

# ANNINGTON LIMITED

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Property rental income	4	198,466	241,958
Property operating expenses		(9,816)	(9,224)
<b>Net rental income</b>	4	<b>188,650</b>	232,734
Other operating income	5	9,319	3,525
Administrative expenses		(26,547)	(17,820)
Other operating expenses		(605)	(797)
Enfranchisement Proceedings costs	5	(4,709)	(3,190)
(Loss)/profit on disposal of investment properties	7	(791,293)	18,186
(Loss)/profit on disposal of inventory		(21)	3
Unrealised property revaluation losses	10	(24,002)	(212,282)
Share of results of joint ventures after taxation	13	(215)	(414)
Impairment of joint ventures	13	-	(815)
<b>Operating (loss)/profit</b>	5	<b>(649,423)</b>	19,130
Finance income	8	28,411	11,285
Finance costs	8	(124,265)	(159,422)
Gain on bond refinancing	8	208,148	10,583
<b>Loss before taxation</b>		<b>(537,129)</b>	(118,424)
Taxation (charge)/credit	9	(109,290)	15,042
<b>Loss for the year after taxation</b>		<b>(646,419)</b>	(103,382)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Loss for the year		(646,419)	(103,382)
<b>Items that may subsequently be recycled through the income statement</b>			
Cash flow hedge:			
Fair value losses on cash flow hedge	20	(1,396)	(4,200)
Losses arising on cash flow hedge reclassified to income statement	8	1,723	4,159
Recycling of hedge reserve on termination of swaps		33	-
<b>Total other comprehensive income/(loss)</b>		<b>360</b>	(41)
<b>Total comprehensive loss for the year</b>		<b>(646,059)</b>	(103,423)
<b>Total comprehensive loss attributable to shareholder</b>		<b>(646,059)</b>	(103,423)

The accompanying Notes (1 to 34) should be read in conjunction with these financial statements.

# ANNINGTON LIMITED

## CONSOLIDATED BALANCE SHEET At 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Non-current assets</b>			
Investment properties	10	312,410	7,324,864
Plant and equipment	11	691	751
Right-of-use assets	12	3,654	3,927
Investment in joint ventures	13	694	909
Deferred tax assets	9	3,503	79,645
		<u>320,952</u>	<u>7,410,096</u>
<b>Current assets</b>			
Trade and other receivables	14	68,909	12,813
Cash and cash equivalents	15	1,448,868	196,435
		<u>1,517,777</u>	<u>209,248</u>
Investment properties held for sale	10	18,375	42,433
<b>Total assets</b>		<u>1,857,104</u>	<u>7,661,777</u>
<b>Current liabilities</b>			
Trade and other payables	16	(19,094)	(41,576)
Rental income received in advance		-	(52,811)
Lease liabilities	18	(544)	(459)
Loans and borrowings	17	-	(148,177)
Provisions	19	(10,367)	(16,646)
		<u>(30,005)</u>	<u>(259,669)</u>
<b>Non-current liabilities</b>			
Trade and other payables	16	(606)	(4,481)
Loans and borrowings	17	(720,516)	(3,716,130)
Lease liabilities	18	(3,115)	(3,396)
Deferred tax liabilities	9	(164)	(177)
Provisions	19	(15,195)	(10,637)
Derivative financial instruments	20	-	(3,725)
		<u>(739,596)</u>	<u>(3,738,546)</u>
<b>Total liabilities</b>		<u>(769,601)</u>	<u>(3,998,215)</u>
<b>Net assets</b>		<u>1,087,503</u>	<u>3,663,562</u>
<b>Capital and reserves</b>			
Share capital	22	-	84,756
Share premium	23	-	480,401
Merger reserve	24	(10,000)	(10,000)
Hedging reserve	25	-	(360)
Retained earnings	26	1,097,503	3,108,765
<b>Total equity</b>		<u>1,087,503</u>	<u>3,663,562</u>

The accompanying Notes (1 to 34) 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 4 August 2025.

Signed on behalf of the Board of Directors

S Leung  
Director

# ANNINGTON LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2023</b>	84,756	480,401	(10,000)	(319)	3,212,147	3,766,985
Loss for the year	-	-	-	-	(103,382)	(103,382)
Other comprehensive loss	-	-	-	(41)	-	(41)
<b>Balance at 31 March 2024</b>	<u>84,756</u>	<u>480,401</u>	<u>(10,000)</u>	<u>(360)</u>	<u>3,108,765</u>	<u>3,663,562</u>
Loss for the year	-	-	-	-	(646,419)	(646,419)
Other comprehensive income	-	-	-	360	-	360
Capital reduction – transfer to retained earnings	(84,756)	(480,401)	-	-	565,157	-
Dividends paid	-	-	-	-	(1,930,000)	(1,930,000)
<b>Balance at 31 March 2025</b>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>1,097,503</u>	<u>1,087,503</u>

The accompanying Notes (1 to 34) should be read in conjunction with these financial statements.

# ANNINGTON LIMITED

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Net cash from operating activities</b>	27	<b>48,540</b>	215,179
Tax paid		(34,150)	(4,972)
<b>Net cash inflow from operating activities</b>		<b>14,390</b>	210,207
<b>Investing activities</b>			
Proceeds from sale of investment properties		6,237,258	263,953
Development and acquisition of investment properties	10	(182)	(126)
Refurbishment expenditure on investment properties	10	(11,521)	(15,612)
Purchase of plant and equipment	11	(60)	(785)
Interest received		27,451	11,285
<b>Net cash inflow from investing activities</b>		<b>6,252,946</b>	258,715
<b>Financing activities</b>			
Interest and other financing costs		(143,044)	(157,541)
Dividends paid		(1,930,000)	-
Repayments made on borrowings		(2,904,013)	(300,589)
Debt issuance costs and redemption fees		(31,975)	(563)
Payments made on settlement of swaps		(5,121)	-
Interest payments on lease obligations		(229)	(25)
Principal payments on lease obligations		(544)	(485)
<b>Net cash outflow from financing activities</b>		<b>(5,014,926)</b>	(459,203)
<b>Net increase in cash and cash equivalents</b>		<b>1,252,410</b>	9,719
Cash and cash equivalents at the beginning of the year		196,435	186,718
Exchange differences on cash and cash equivalents		23	(2)
<b>Cash and cash equivalents at the end of the year</b>	15	<b>1,448,868</b>	196,435

The accompanying Notes (1 to 34) should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025**

**1. 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 Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB. Information on the Group's ultimate parent is presented in Note 33.

**2. MATERIAL ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards, comprising International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations). 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 investment properties, 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**

At 31 March 2025, the Group, through Annington Funding Plc ('AFP'), had £0.7 billion of outstanding unsecured corporate bonds in five tranches. The Group also held £1.4 billion of cash and cash equivalents at year end. These funds are being held while the Group reviews investment opportunities, assessing the market for suitable investments which provide a stable quality asset with an attractive yield. Until suitable investment opportunities are identified and acquired, the Group will continue to invest this cash in interest bearing deposits and short-term government instruments to maximise returns, whilst managing counterparty credit risk, maintaining the Group's position of financial strength and therefore helping to support its future strategy of growing its investment property portfolio.

In addition to the significant cash reserves at year end and the associated finance income prior to the funds being deployed in future acquisitions, the Group continues to meet its day-to-day working capital requirements primarily from rental income. This rental income is supplemented by property sales on Units which are not considered to be a strategic fit with the wider portfolio. The Group forecasts that these income sources, alongside the cash on hand at year end, provide significant funding for the Group's operations, including capital investments, working capital requirements and interest payments for the foreseeable future. These forecasts also consider the covenants which are attached to the Group's debt and future principal payments owing. The covenants are set out in the Financial Review section and the Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Furthermore, the next debt principal maturity of £1.5 million is not until July 2029.

The Board has taken into account the effects of current market conditions, including inflation and interest rates, geopolitical tensions in the Middle East, the war in Ukraine and continuing uncertainty regarding tariffs imposed by the USA. Possible downside effects considered included falling house prices, falling rental values and increased arrears from tenants. In all circumstances, cash reserves were shown to be sufficient to fund the continued operation of the Group within the next 12-18 months.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025**

**2. MATERIAL ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

After making enquiries, the directors have assessed that the Group has and will continue to hold sufficient cash and generate sufficient cash flows to settle their obligations as and when they fall due. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of these financial statements. Accordingly, they adopt the going concern basis in preparing the Annual Report and Financial Statements.

**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 21.

**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. 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 19 (with respect to the provision for utilities).

In the directors' opinion, there are no critical accounting judgements made in the application of accounting policies.

**New Standards, interpretations and amendments effective from 1 April 2024**

The Group has adopted all new accounting standards, interpretations and amendments, which have become effective for the year ended 31 March 2025. The application of these has had no material impact on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 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)
SASB Standards Amendments	Amendments to enhance international applicability	1 January 2025
IFRS 9 and IFRS 7 Amendments	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual IFRS Improvements	Amendments to IFRS 9 to ensure internal consistency with IFRS 15 <i>Revenue from Contracts with Customers</i> and improve clarity around lease liability derecognition for a lessee.	1 January 2026
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027

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.

	2025 £'000	2024 £'000
Property rental income	<u>198,466</u>	<u>241,958</u>

##### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**5. OPERATING (LOSS)/PROFIT**

**ACCOUNTING POLICY**

Operating profit is stated after other operating income, charging depreciation, and auditor remuneration, and before finance income and finance costs.

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other operating income</b>		
Dilapidation income	<b>9,290</b>	3,512
Net profit from property management	-	5
Sundry income	<b>29</b>	8
	<hr/>	<hr/>
Total other operating income	<b>9,319</b>	3,525
	<hr/> <hr/>	<hr/> <hr/>

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of plant and equipment	<b>119</b>	114
Depreciation of right-of-use assets	<b>619</b>	677
Loss on disposal of plant and equipment	-	80
Loss on disposal of right-of-use assets	<b>2</b>	1
	<hr/>	<hr/>

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for the audit of the Company	<b>75</b>	69
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	<b>375</b>	381
	<hr/>	<hr/>
Total audit fee	<b>450</b>	450
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-audit remuneration</b>		
Other assurance services	<b>235</b>	12
	<hr/>	<hr/>
Total non-audit fee	<b>235</b>	12
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 5. OPERATING (LOSS)/PROFIT (continued)

##### Enfranchisement Proceedings Costs

The Group has incurred costs to legally challenge the MoD's attempt to enfranchise eight Units forming part of the MQE. Following a joint hearing in the Administrative Court and Chancery Division, a judgment was handed down in May 2023 in which Annington's claims were dismissed. Annington subsequently applied for, and was granted, permission to appeal the judgment. The hearing of the appeal was scheduled to take place between 23 and 25 July 2024. On 15 July 2024, the Group and the MoD jointly applied for the July hearing to be vacated in order that the parties had time to explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024, the Court of Appeal agreed to vacate the hearing until the first available date (accounting for Court and Counsel availability) after 1 November 2024.

The costs relating to the Enfranchisement Proceedings are outside the normal scope of the Group's operations and are material. Legal costs of £4.7 million (2024: £3.2 million) have been incurred in the year and have been disclosed separately in the income statement due to their exceptional nature.

As outlined in the Strategic report, the settlement process has brought an end to all ongoing legal proceedings between Annington and the MoD. The contingent liability, as reported at 31 March 2024, in relation to the payment of counterparty Enfranchisement Proceeding costs, has now been extinguished.

#### 6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

##### ACCOUNTING POLICY

##### Employee benefits

The Group provides a range of benefits to employees, including annual bonuses, long-term incentives, paid holiday arrangements and defined contribution plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is rendered. Long-term benefits are recognised in the income statement as and when vesting occurs over the period of the incentive scheme. 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.

	2025 £'000	2024 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments representing short-term employee benefits	10,261	1,846

No retirement benefits are accruing to Directors. Emoluments, for the highest paid Director amounted to £4.2 million (2024: £0.7 million). No Directors' emoluments were paid to those Directors who are employed by Terra Firma Capital Partners Limited.

	2025 Number	2024 Number
<b>Average monthly number of persons employed (including Directors)</b>		
Administrative	36	34
Operations	29	26
	65	60

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Employment expenses are included within administrative expenses and are comprised of:

	2025 £'000	2024 £'000
<b>Staff costs incurred during the year</b>		
Wages and salaries including Directors' emoluments	16,062	8,705
Social security costs	2,392	1,134
Other pension costs	626	355
	<u>19,080</u>	<u>10,194</u>

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.

Wages and salaries include Long Term Incentive Plans (LTIPs) payments of £12.0 million which matured during the year, and an accrual for future LTIPs. The amounts which are being accrued for future LTIP payments are payable across two tranches in April 2028 and April 2029, being the end of the period of the incentive scheme. These LTIPs are issued to both directors and certain employees. Where applicable, these are included in directors' remuneration when paid or upon becoming receivable.

#### 7. (LOSS)/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.

	2025 £'000	2024 £'000
Sales proceeds	6,240,568	268,599
Selling costs	(3,310)	(4,603)
Net disposal proceeds	<u>6,237,258</u>	<u>263,996</u>
Carrying value of properties disposed	(7,025,890)	(244,939)
Late costs incurred on Units sold	(2,661)	(871)
	<u>(791,293)</u>	<u>18,186</u>

During the year, disposals of 36,840 properties (2024: 1,045 properties) were completed.

Late costs relate mainly to the change in the estimated obligation to provide utility adoption services on base dependent Units that have been have sold in previous years (refer to Note 19).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 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.

Gains or losses on the settlement of debt are recognised in the profit or loss at the date of derecognition, measured as the difference between the carrying amount of the liability and the consideration paid. Costs associated with securing favourable repurchasing pricing, which are not designated as hedging instruments, are recognised in the profit or loss when incurred.

	2025 £'000	2024 £'000
<b>Finance income</b>		
Interest receivable	27,801	11,285
Capital gains on Government bonds	610	-
	<u>28,411</u>	<u>11,285</u>
Total finance income	<u>28,411</u>	<u>11,285</u>

	2025 £'000	2024 £'000
<b>Finance costs</b>		
Interest payable on unsecured fixed rate notes	97,470	127,848
Amortisation of issue costs	1,628	2,504
Interest payable on bank loans	21,491	27,381
Foreign exchange gain on financing	(1,271)	(4,157)
Losses arising on designated hedging instruments in cash flow hedges reclassified from equity to income statement	1,723	4,159
Unwinding of discount on provisions	1,683	1,210
Effect of change in discount rate on utilities provision	(132)	(502)
Other finance expenses	1,444	795
Finance costs on lease transactions	229	184
	<u>124,265</u>	<u>159,422</u>
Total finance costs	<u>124,265</u>	<u>159,422</u>

	2025 £'000	2024 £'000
Gain on bond redemption	236,018	10,583
Bond repurchase price lock costs	(27,870)	-
	<u>208,148</u>	<u>10,583</u>
<b>Total gain on bond refinancing</b>	<u>208,148</u>	<u>10,583</u>

During the year, the Group recognised gains on the refinancing of bonds, arising from the repurchase and early settlement of a number of its outstanding bonds (Note 17) at amounts lower than their carrying value.

In addition, the Group incurred bond repurchase price lock costs which were incurred to secure favourable pricing in advance of the buyback. These instruments were not designated as hedging instruments for accounting purposes and have been recognised immediately within the profit or loss.

The comparative amount has been represented to reflect the classification of the prior year's gain on bond refinancing separately on the consolidated income statement, consistent with the current year's presentation. This amount was previously presented within Finance income.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 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 where:

- 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.

##### *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.

	2025 £'000	2024 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 25% (2024: 25%)	(33,161)	(8,064)
<b>Deferred tax recognised in income statement</b>		
Deferred taxation: origination and reversal of temporary differences	(76,129)	23,106
<b>Total taxation for the year recognised in income statement</b>	<b>(109,290)</b>	<b>15,042</b>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25% (2024: 25%). The rate of tax for the current and preceding year differs from the standard tax rates for the reasons set out in the following reconciliation:

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**9. TAXATION (continued)**

	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
Loss before taxation	<u>(537,129)</u>	<u>(118,424)</u>
Tax credit at the standard rate	<b>134,282</b>	29,606
Factors affecting current tax for the year:		
Expenses not deductible for tax purposes	<b>(197,348)</b>	(10,218)
Non-taxable income	<b>1,903</b>	6,143
Revaluation of investment properties	<b>(6,001)</b>	(43,170)
Utilisation of tax losses	<b>34,003</b>	9,575
Deferred tax release	<u><b>(76,129)</b></u>	<u>23,106</u>
<b>Taxation for the year recognised in income statement</b>	<u><b>(109,290)</b></u>	<u><b>15,042</b></u>

The March 2025 calculation of current and deferred tax use the 25% rate (2024: 25%).

**Deferred tax**

The movement in deferred tax is as set out below:

	<b>Accelerated tax depreciation £'000</b>	<b>Tax losses £'000</b>	<b>Total £'000</b>
<b>At 1 April 2023</b>	(63)	56,425	56,362
(Charge)/credit to income statement	<u>(114)</u>	<u>23,220</u>	<u>23,106</u>
<b>At 31 March 2024</b>	<u>(177)</u>	<u>79,645</u>	<u>79,468</u>
<b>Credit/(charge) to income statement</b>	<u><b>13</b></u>	<u><b>(76,142)</b></u>	<u><b>(76,129)</b></u>
<b>At 31 March 2025</b>	<u><b>(164)</b></u>	<u><b>3,503</b></u>	<u><b>3,339</b></u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**9. TAXATION (continued)**

At the balance sheet date, the Group has unused tax losses of £947.7 million (2024: £1,081.9 million) available for offset against future profits. A deferred tax asset of £3.5 million has been recognised in respect of these losses (2024: £79.6 million), leaving £233.4 million of unrecognised deferred tax assets (2024: £190.8 million). Deferred tax assets have been recognised based on the Group's reasonable expectation that their utilisation is probable based on internal forecasts where evidence exists to support the generation of future taxable profits. The forecast beyond the first year includes significant income from acquisitions, which creates an uncertainty around the level of future taxable profits. As a consequence, due to the lack of evidence available to support the forecast earnings from acquisitions, the recognised deferred tax asset at March 2025 represents the forecast utilisation of deferred tax assets for the next (2024: five) financial year.

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. Whilst the Group holds proceeds from the MQE sale to re-invest, the Group ceases to be property rich (i.e. 75% of value derived from UK property) and does not meet this condition for the exemption election. The Group has a temporary period of 9 months where the election remains valid, ending in October 2025. However, should the Group not invest in properties before the expiry of 9 months, the disposals would be subject to tax. Such taxation, on a net basis, is not immaterial at the balance sheet date. 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 is that the Group does not recognise deferred tax liabilities relating to these capital gains. Were the exemption not to remain in place, deferred tax liabilities, equating to £31 million at 31 March would be recognised, part of which would be offset by recognition of additional deferred tax assets.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 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.

	Investment properties £'000	Investment properties held for sale £'000	Total £'000
<b>2025</b>			
<b>Valuation</b>			
Carrying value at 1 April	7,324,864	42,433	7,367,297
Additions – development and acquisitions	182	-	182
Additions – refurbishment expenditure	11,838	-	11,838
Disposals	(6,983,457)	(42,433)	(7,025,890)
Change in utilities obligation	1,360	-	1,360
Transfer to investment properties held for sale	(17,008)	17,008	-
Unrealised property revaluation (losses)/gains	(25,369)	1,367	(24,002)
<b>Total carrying value at 31 March</b>	<b>312,410</b>	<b>18,375</b>	<b>330,785</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**10. INVESTMENT PROPERTIES (continued)**

<b>2024</b>	<b>Investment properties £'000</b>	<b>Investment properties held for sale £'000</b>	<b>Total £'000</b>
<b>Valuation</b>			
Carrying value at 1 April	7,738,244	67,068	7,805,312
Additions – development and acquisitions	126	-	126
Additions – refurbishment expenditure	15,612	-	15,612
Disposals	(177,871)	(67,068)	(244,939)
Change in utilities obligation	3,468	-	3,468
Transfer to investment properties held for sale	(49,276)	49,276	-
Unrealised property revaluation losses	(205,439)	(6,843)	(212,282)
Total carrying value at 31 March	<u>7,324,864</u>	<u>42,433</u>	<u>7,367,297</u>

Properties would have been included on an historical cost basis at £140.9 million (2024: £1,239.8 million).

As at 31 March 2025, there were 72 (2024: 272) investment properties classified as held for sale, with disposal expected within the next 12 months.

	<b>2025 £'000</b>	<b>2024 £'000</b>
<b>The carrying value of investment properties and investment properties held for sale comprises:</b>		
Freehold	<b>302,119</b>	335,807
Long leaseholds	<b>28,666</b>	34,780
Very long leaseholds (over 900 years)	-	6,996,710
	<u><b>330,785</b></u>	<u>7,367,297</u>
	<b>2025 £'000</b>	<b>2024 £'000</b>
<b>Reconciliation of fair value to carrying value:</b>		
Fair value as estimated by the external valuer	<b>320,797</b>	7,354,080
Add: amounts included in utilities provision	<b>9,988</b>	13,217
Carrying value for financial reporting purposes	<u><b>330,785</b></u>	<u>7,367,297</u>

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 19) relating to properties still held by the Group.

Future minimum rents receivable under non-cancellable operating leases are disclosed in Note 29.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 10. INVESTMENT PROPERTIES (continued)

The Group's freehold and long leasehold interests in its investment properties were valued as at 31 March 2025 by an external valuer, CBRE Limited. The valuation, which was prepared on a portfolio basis, including the application of transfer taxes, was subject to the existing leases, underleases and tenancies as advised but otherwise with vacant possession.

The valuer's opinion was derived primarily using a discounted cash flow approach, supplemented by comparable recent market transactions on arm's length terms. The valuation was undertaken in accordance with the requirements of IFRS 13, Fair Value Measurement and the RICS Valuation - Global Standards 2022, 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's fourth year conducting the annual valuation. CBRE has 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 information provided to the valuers, the assumptions and valuation models used by the valuers and the resulting fair value movements over the year, are reviewed by Senior Management and other relevant people within the business. The valuers meet with the external auditor and also present directly to the Audit Committee at the year-end review of results.

The fair value measurement hierarchy level for all investment properties as at 31 March 2025 was Level 3 significant unobservable inputs (2024: 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:

	Fair value £'000	Unobservable inputs	Input
		Net yield on Units held for rent (%)	4.30 – 5.65%
		Costs included in valuation calculations	Cost estimates
Fair value at 31 March 2025	320,797	Profit & finance costs for significant refurbishment projects (%)	18%

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Investment Property portfolio as at 31 March 2025:

	Fair value £'000	Impact on Valuation £'000		Impact on Valuation £'000		Impact on Valuation £'000	
		Net Yield		Costs included in Valuation		Profit & Finance costs on significant refurbishment projects	
		+0.2%	-0.2%	+5.0%	-5.0%	+5.0%	-5.0%
Fair Value at 31 March 2025	320,797	(10,882)	11,803	(4,310)	4,310	(1,035)	1,035

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

There are other interrelationships (changes in gross rent and estimated future rent increases) 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.

#### 10. INVESTMENT PROPERTIES (continued)

2024	Fair value	Unobservable inputs	Input
MQE	£'000		
Fair value	6,996,710		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	239,714
		Estimated future rent increase (20 year average (%)	3.61% p.a.
		Long-term House Price Inflation (%)	3.00% p.a.
		Discount rates (%)	6.30 – 7.30%
		Discount to SAPV (%)	17.50%
Non-MQE -Surplus Estate			
Fair value	169,345		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Net yield on rented Units (%)	4.50 – 5.50%
		Discount to SAVPV (%)	13.80%
Non-MQE – Rentals Portfolio			
Fair value	188,025		
Valuation technique		Vacant possession market comparison	
		Net yield (%)	4.60 – 5.50%
		Discount to SAVPV (%)	8.10 – 17.60%
<b>Fair value at 31 March 2024</b>	<b>7,354,080</b>		

At 31 March 2024, a reduction of £366.9 million, or approximately 5% of the fair value of the MQE Portfolio, was applied to that portfolio to account for the risk associated with the liquidity and marketability of the MQE during the Enfranchisement Proceedings.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**11. PLANT AND EQUIPMENT**

**ACCOUNTING POLICY**

Plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is 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 (2024: 2-10 years).

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 April	<b>1,281</b>	1,845
Additions	<b>60</b>	642
Disposals	<b>(9)</b>	(1,206)
	<hr/>	<hr/>
At 31 March	<b>1,332</b>	1,281
	<hr/>	<hr/>
<b>Accumulated depreciation</b>		
At 1 April	<b>530</b>	1,537
Depreciation charge for the year	<b>119</b>	114
Disposals	<b>(8)</b>	(1,121)
	<hr/>	<hr/>
At 31 March	<b>641</b>	530
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 March	<b>691</b>	751
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 12. RIGHT-OF-USE ASSETS

##### ACCOUNTING POLICY

The Group recognises right-of-use assets and corresponding lease liabilities with respect to lessee lease arrangements. Right-of-use assets are initially measured at cost, which comprises the amount equal to the initial lease liability measurement, adjusted for prepaid or accrued lease payments, lease incentives and any initial direct costs incurred. Right-of-use assets are subsequently depreciated over the shorter period of the lease term and useful life of the underlying asset. The average lease life on computer equipment is 5 years, buildings are 10 years and the motor vehicles are 3 years. For further information on the lease liabilities, refer to Note 18.

<b>2025</b>	<b>Computer equipment £'000</b>	<b>Buildings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April	220	4,490	583	5,293
Additions	-	-	370	370
Disposals	-	-	(357)	(357)
<b>At 31 March</b>	<b>220</b>	<b>4,490</b>	<b>596</b>	<b>5,306</b>
<b>Accumulated depreciation</b>				
At 1 April	220	739	407	1,366
Depreciation charge for the year	-	411	208	619
Disposals	-	-	(333)	(333)
<b>At 31 March</b>	<b>220</b>	<b>1,150</b>	<b>282</b>	<b>1,652</b>
<b>Net book value At 31 March</b>	<b>-</b>	<b>3,340</b>	<b>314</b>	<b>3,654</b>
<b>2024</b>	<b>Computer equipment £'000</b>	<b>Buildings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April	220	3,186	607	4,013
Additions	-	3,297	167	3,464
Disposals	-	(1,993)	(191)	(2,184)
<b>At 31 March</b>	<b>220</b>	<b>4,490</b>	<b>583</b>	<b>5,293</b>
<b>Accumulated depreciation</b>				
At 1 April	185	2,297	369	2,851
Depreciation charge for the year	35	435	207	677
Disposals	-	(1,993)	(169)	(2,162)
<b>At 31 March</b>	<b>220</b>	<b>739</b>	<b>407</b>	<b>1,366</b>
<b>Net book value At 31 March</b>	<b>-</b>	<b>3,751</b>	<b>176</b>	<b>3,927</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 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 2025 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
Countryside Annington (Mill Hill) Limited	Property development	50.00%	8 December 2006

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
<b>At 1 April 2023</b>	1,138	1,000	2,138
Distributions	(414)	-	(414)
Share of loss for the year	(815)	-	(815)
<b>At 31 March 2024</b>	(91)	1,000	909
<b>Share of loss for the year</b>	(215)	-	(215)
<b>At 31 March 2025</b>	(306)	1,000	694

The Group's share of losses from joint ventures represents those from continued operations. 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 loss.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 14. 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.

	2025 £'000	2024 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	156	1,635
Accrued income	988	8,000
Prepayments	1,137	758
Other receivables	64,721	1,521
Corporation tax	1,896	880
Other taxes	11	19
	<u>68,909</u>	<u>12,813</u>

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

Other receivables relates to the additional property to be received as consideration for the MQE sale and agreed dilapidations claims.

Trade receivables are stated after provisions for impairment of £130,926 (2024: £126,793).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 15. 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.

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

	2025 £'000	2024 £'000
Cash on hand and at bank	293,111	19,350
Short-term deposits and Treasury bills	1,155,757	177,085
Cash and cash equivalents	<u>1,448,868</u>	<u>196,435</u>

#### 16. 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.

	2025 £'000	2024 £'000
<b>Amounts falling due within one year</b>		
Trade payables	1,528	1,930
Accruals	8,576	7,017
Accrued interest	8,736	32,328
Social security and other taxes	254	281
Retention creditors	-	20
	<u>19,094</u>	<u>41,576</u>
<b>Amounts falling due after one year</b>		
Accruals	<u>606</u>	<u>4,481</u>
<b>Total trade and other payables</b>	<u>19,700</u>	<u>46,057</u>

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

Accruals falling due after one year relates to the long-term incentive plan for certain employees. At 31 March 2025, this accrual represents an LTIP payable in two tranches in April 2028 and April 2029. See also Note 6.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 17. 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.

	2025 £'000	2024 £'000
<b>Amounts falling due within one year</b>		
Unsecured notes	-	148,177
<b>Total current loans and borrowings</b>	-	148,177
<b>Amounts falling due between one and five years</b>		
Unsecured notes	1,496	169,163
Unsecured bank loans	-	399,162
	1,496	568,325
<b>Amounts falling due after five years</b>		
Unsecured notes	719,020	3,147,805
<b>Total non-current loans and borrowings</b>	720,516	3,716,130
<b>Total loans and borrowings</b>	720,516	3,864,307

The Group holds five tranches of corporate, unsecured bonds, totalling c.£720.5million.

On 12 July 2024, the Group paid £152.0 million, from cash reserves, to settle the 2024 Euro bond.

On 14 January, the Group used £2.4 billion of the sales proceeds from the MQE settlement to purchase certain unsecured bonds with a nominal value of £2.6 billion. On the same date, the Company repaid the £400 million unsecured term loan and cancelled the undrawn revolving credit facility.

On 5 February, the Group paid £11.2 million to redeem bonds with a nominal value of £12.3 million.

Following the repurchase of the Group's term loans and bonds, the weighted average maturity of the Group's debt increased to 20.7 years (from 12.1 years at 31 March 2024) with a weighted average cost of 3.05% (31 March 2024: 3.75%). The bonds were repurchased at a discount to par value and a profit, net of refinancing costs, of £236.0 million has been recorded in the finance income as a result.

A reconciliation of debt movement is provided in Note 28.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 18. 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.

	2025 £'000	2024 £'000
<b>Maturity analysis</b>		
Amounts falling due within one year	751	680
Amounts falling due between one and five years	2,129	2,605
Amounts falling due after five years	1,697	1,691
	<hr/>	<hr/>
Minimum lease payments	4,577	4,976
Less: future finance charges	(918)	(1,121)
	<hr/>	<hr/>
<b>Present value of lease obligations</b>	<b>3,659</b>	<b>3,855</b>
	<hr/>	<hr/>
Current	544	459
Non-current	3,115	3,396
	<hr/>	<hr/>
<b>Total lease liabilities</b>	<b>3,659</b>	<b>3,855</b>
	<hr/>	<hr/>

A reconciliation of the lease liability movement is provided in Note 28.

#### 19. 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 £0.1 million/increase by £0.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 19. PROVISIONS (continued)

##### *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
<b>2025</b>				
At 1 April	114	711	26,458	27,283
Unwinding of discount	-	34	1,569	1,603
Effect of change in discount rate	-	-	(132)	(132)
Change in estimated obligation				
- through profit and loss	-	-	2,660	2,660
- through investment properties	-	-	1,360	1,360
Utilised	(62)	-	(7,150)	(7,212)
At 31 March	52	745	24,765	25,562
Current provision	52	-	10,315	10,367
Non-current provision	-	745	14,450	15,195
	52	745	24,765	25,562
<b>2024</b>				
At 1 April	87	491	25,687	26,265
Unwinding of discount	-	29	1,181	1,210
Effect of change in discount rate	-	-	(502)	(502)
Change in estimated obligation				
- through profit and loss	47	-	781	828
- through investment properties	-	-	3,468	3,468
- through right-of-use assets	-	191	-	191
Utilised	(20)	-	(4,157)	(4,177)
At 31 March	114	711	26,458	27,283
Current provision	84	-	16,562	16,646
Non-current provision	30	711	9,896	10,637
	114	711	26,458	27,283

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 19. PROVISIONS (continued)

##### *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 had 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. As part of the MQE settlement, the Group must complete the separation of all Units handed back to the Group, which have utilities supplied by the MoD, within 3 years of the date of exchange (16 December 2024); subject to an extension of more than 5 years. 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.

##### *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 in accordance with UK legislation. The Group's exposure is mitigated by contractors' guarantees and insurance policies.

##### *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 their lease terms in 2032. A provision is still in place for the leased properties that came to an end in 2023 due to prolonged negotiations on the make good works. These amounts are not expected to be paid for 12 – 18 months.

#### 20. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 20. 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.

	2025 £'000	2024 £'000
<b>Financial liabilities carried at fair value through OCI</b>		
Cross currency swaps that are in designated hedge accounting relationships	-	(3,725)

##### Reconciliation of movements in derivative financial asset/(liability):

	2025 £'000	Repurchased £'000	Revaluation adjustment £'000	2024 £'000
Cross currency swaps	-	5,121	(1,396)	(3,725)
<b>Total derivative financial liabilities</b>	-	5,121	(1,396)	(3,725)

In July 2024, the Group paid £152 million from cash reserves, to settle the 2024 Euro bond and redeemed the associated cross currency swaps in full.

Further details of derivative financial instruments are provided in Note 21.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 21. 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, lease liabilities, loans and borrowings and derivative financial instruments.

The Group has the following financial instruments:

	Note	2025 £'000	2024 £'000
<b>Financial assets</b>			
Cash and receivables at amortised cost:			
Trade and other receivables	14	14,222	11,156
Cash and cash equivalents	15	1,448,868	196,435
<b>Total financial assets</b>		<b>1,463,090</b>	<b>207,591</b>
<b>Financial liabilities</b>			
Liabilities measured at amortised cost:			
Trade and other payables	16	19,446	45,776
Loans and borrowings	17	720,516	3,864,307
Lease liabilities	18	3,659	3,855
Liabilities measured at fair value through OCI:			
Cross currency swaps	20	-	3,725
<b>Total financial liabilities</b>		<b>743,621</b>	<b>3,917,663</b>

Exposure to credit, liquidity, currency and interest rate risks arise in the normal course of the Group's business activities.

##### Credit risk

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

During the year, the Group had 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'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.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### Credit risk (continued)

Tenant receivables relate to properties let to third parties. Let properties include those released and returned from the MoD (where a rental strategy is being pursued), and properties that are rented to residential tenants. The Group employs a managing agent to actively pursue arrears and this policy has resulted in minimal bad debts to date.

Other than amounts due from the joint venture companies, disposal of the MQE 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 14.

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

##### Debt management

The Company holds five tranches of corporate, unsecured bonds, totalling c.£ 730.5 million.

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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt and equity. Net debt includes borrowings (Note 17) 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 22 - 26).

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 2025	31 March 2024
Limitation on Debt	Total debt / Total assets	<65%	<65%	*	49.7%
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)	1.87x	1.47x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	*	198.8%

\*Due to the surplus of cash at 31 March 2025, the Group is not in a net indebtedness position.

##### Currency risk

In 2017, the Group issued a 7 year unsecured euro bond of €600 million expiring July 2024. To hedge against fluctuations in the Euro to Pound Sterling exchange rate, the Company entered into a cross currency swap of €600 million, converting the nominal balance to £526.26 million. These swaps mitigated the volatility of foreign currency movements in future interest and capital payments.

In 2023, €426.7 million of the euro bonds were repurchased and a corresponding amount relating to the swaps were terminated at the same time to ensure that the remaining euro exposure was appropriately matched to the swaps in place.

In July 2024, the currency risk from the Euro bond was extinguished when the Group paid £152 million from cash reserves to settle the 2024 Euro bond and redeemed the associate cross currency swaps.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### Interest rate management

The Group significantly reduced its interest rate risk in the year by redeeming its £400 million term loan which had a floating interest rate (spread adjusted SONIA +1.85%). All the Company's borrowings are now at fixed interest rates, although it will be exposed to interest rate risk on the maturity of such borrowings.

##### 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.

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.

	2025			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
<b>Financial liabilities</b>				
Trade and other payables	19,446	18,840	606	-
Borrowings	1,216,542	22,247	90,462	1,103,833
Lease liabilities	4,577	751	2,129	1,697
<b>Total financial liabilities</b>	<b>1,240,565</b>	<b>41,838</b>	<b>93,197</b>	<b>1,105,530</b>
	2024			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
<b>Non-derivative financial liabilities</b>				
Trade and other payables	13,448	8,967	4,481	-
Loans and borrowings	5,663,322	295,140	1,102,261	4,265,921
Lease liabilities	4,976	680	2,605	1,691
<b>Total non-derivative financial liabilities</b>	<b>5,681,746</b>	<b>304,787</b>	<b>1,109,347</b>	<b>4,267,612</b>
<b>Derivative financial instruments</b>				
Cross currency swap	3,437	3,437	-	-
<b>Total financial liabilities</b>	<b>5,685,183</b>	<b>308,224</b>	<b>1,109,347</b>	<b>4,267,612</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### Fair values

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

	Par value of debt £'000	2025 Balance sheet value £'000	Fair value £'000
<b>Level 2</b>			
<b>Financial liabilities</b>			
Unsecured bonds	730,490	720,516	598,600

##### Unsecured bonds

The bonds are listed on the main market of the London Stock Exchange and were not actively traded at 31 March 2025. As there was no active market, the fair value of the bonds cannot be determined by a directly quoted price at 31 March 2025 and no IFRS 13 Level 1 valuation is available. The group has determined a fair value using a Level 2 input methodology, in accordance with IFRS13 para 82(b), being the quoted bid price of each instrument, at year end.

	Par value of debt £'000	2024 Balance sheet value £'000	Fair value £'000
<b>Level 2</b>			
<b>Non-derivative financial liabilities</b>			
Unsecured bonds	3,502,485	3,465,145	2,894,150
Unsecured term loan	400,000	399,162	400,000
	3,902,485	3,864,307	3,294,150
<b>Derivative financial liability</b>			
Cross currency swap	-	3,725	3,725
	3,902,485	3,868,032	3,297,875

##### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**22. SHARE CAPITAL**

	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
<b>Called up, allotted and fully paid</b>		
8,475,620,200 ordinary shares of £0.00000001 each	-	84,756
	<u>          </u>	<u>          </u>

On 7 January 2025, the Company, by way of a capital reduction resolution, reduced the nominal value of each ordinary share from £0.01 to £0.00000001, thereby reducing share capital by £84,756,117.

**23. SHARE PREMIUM**

	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
Share premium	-	480,401
	<u>          </u>	<u>          </u>

On 7 January 2025, the Company, by way of a capital reduction resolution, reduced the share premium account to nil.

**24. MERGER RESERVE**

	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
Merger reserve	<u>10,000</u>	<u>10,000</u>

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.

**25. HEDGING RESERVE**

	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
At 1 April	(360)	(319)
Fair value losses on cash flow hedge	(1,396)	(4,200)
Losses arising on cash flow hedge reclassified to income statement	1,723	4,159
Recycling of hedge reserve on termination of swaps	<u>33</u>	<u>-</u>
At 31 March	<u>-</u>	<u>(360)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**26. RETAINED EARNINGS**

	<b>Retained earnings £'000</b>
<b>At 1 April 2023</b>	3,212,147
Loss for the year	(103,382)
<b>Balance at 31 March 2024</b>	<u>3,108,765</u>
Loss for the year	<b>(646,419)</b>
Capital reduction – transfer to retained earnings	<b>565,157</b>
Dividends paid (Dividends per share: 22.77p)	<b>(1,930,000)</b>
<b>Balance at 31 March 2025</b>	<u><u>1,097,503</u></u>

**27. NOTE TO THE CASH FLOW STATEMENT**

	<b>2025 £'000</b>	<b>2024 £'000</b>
<b>Loss after taxation</b>	<b>(646,419)</b>	(103,382)
<i>Adjustment for:</i>		
Taxation charge/(credit)	<b>109,290</b>	(15,042)
Finance costs	<b>124,265</b>	159,422
Finance income	<b>(28,411)</b>	(11,285)
Gain on bond redemption	<b>(208,148)</b>	(10,583)
Share of results of joint ventures after taxation	<b>215</b>	414
Impairment of joint ventures	-	815
Loss/(profit) on disposal of investment properties	<b>791,293</b>	(18,186)
Loss on disposal of plant and equipment and right-of-use assets	-	81
Unrealised property revaluation losses	<b>24,002</b>	212,282
Depreciation expense	<b>738</b>	790
<i>Movements in working capital:</i>		
Increase in debtors	<b>(55,106)</b>	(945)
(Decrease)/increase in creditors	<b>(55,966)</b>	4,974
Decrease in provisions	<b>(7,213)</b>	(4,176)
<b>Net cash inflow from operating activities</b>	<u><u>48,540</u></u>	<u><u>215,179</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**28. ANALYSIS OF CHANGES IN NET CASH/(DEBT)**

	<b>2025 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash items</b>				<b>2024 £'000</b>
			<b>Profit/(loss) on refinancing £'000</b>	<b>Amortisation of bond issue costs and interest accrued £'000</b>	<b>Fair value adjustments and exchange movements £'000</b>	<b>Lease liability additions/ disposals £'000</b>	
Cash and cash equivalents	<b>1,448,868</b>	1,252,410	-	-	23	-	196,435
Unsecured notes	<b>(720,516)</b>	2,504,013	240,882	(1,548)	1,282	-	(3,465,145)
Unsecured term loan	-	400,000	(758)	(80)	-	-	(399,162)
Lease liabilities	<b>(3,659)</b>	772	-	(229)	-	(347)	(3,855)
<b>Total loans and borrowings</b>	<b>(724,175)</b>	2,904,785	240,124	(1,857)	1,282	(347)	(3,868,162)
<b>Net cash/(debt)</b>	<b>724,693</b>	4,157,195	240,124	(1,857)	1,305	(347)	(3,671,727)

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 29. 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 2025, the Group had contracted with tenants the following future minimum rentals receivable under non-cancellable operating leases:

	2025 £'000	2024 £'000
Within one year	2,940	122,927
In two to five years	12	276
	<b>2,952</b>	<b>123,203</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**30. 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**

As at the date of signing of the accounts, the Group has spent or is committed to spend, over £87 million on refurbishment and utilities projects. The Group had entered into contracts for a portion of this spend.

**Contingent liabilities**

*Utilities adoption*

As stated in Note 19, there was 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. Subsequent to the date of the MQE settlement, the contingent liability ceased in respect of future releases possibly being base dependent for their supply of water or sewage treatment. At 31 March 2024, this contingent liability was estimated to be £263.9 million. As part of the Surrender Agreement, the MoD is to hand back properties with an aggregate value £55 million, with such Units to be identified within 12 months of the completion date. A potential liability for utilities adoption could exist if any of these properties are base dependent. These properties have yet to be identified as at the date of signing of these accounts and until such time, the Group is unable to reliably estimate the cost of adopting any of these possibly base dependent properties.

*Performance bonds*

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.

**31. RELATED PARTY DISCLOSURES**

**ACCOUNTING POLICY**

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.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 32. 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 2025, 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 Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB unless otherwise noted.

Name of subsidiary undertakings	Principal activity
Annington Homes Limited <sup>a</sup>	Intermediate group holding company
Annington Subsidiary Holdings Limited	Intermediate group holding company
Annington Property Limited	Property investment
Annington Property (No.2) Limited	Property investment and management
Annington Management Limited	Management
Annington Receivables Limited	Income management
Annington Guarantee Limited	Dormant
Annington Nominees Limited <sup>b</sup>	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 <sup>c</sup>	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
St Andrew's Park Triangle (Uxbridge) Management Company Limited <sup>d</sup>	Management Company

<sup>a</sup> The ordinary shares in this undertaking are directly owned by the Company.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> The address of the registered office for St Andrew's Park Triangle (Uxbridge) Management Company Limited is Whitley House, 32-34 Hornchurch Road, Uxbridge, UB10 0WN.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### 32. SUBSIDIARIES AND RELATED UNDERTAKINGS (continued)

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 Davids) Residents Company Limited	10.53	Keith Park Road (Uxbridge) Residents Company Limited	0.60
Beaconside Residents Company Limited	1.75	Kirton (York Road) Residents Company Limited	5.56
Beavers Crescent (Hounslow) Residents Company Limited	2.04	Lancaster Square Residents Company Limited	1.75
Bell Davies Drive (Manston) Residents Company Limited	100.00	Linton Meadow Residents Company Limited	95.79
Biggin Hill Residents Company Limited	2.63	Marlborough Close (Devizes) Residents Company Limited	50.00
Bordon Residents Company Limited	6.19	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	76.00	Mostyn Road Bushey Residents Company Limited	3.33
Burgoyne Heights Residents Company Limited	0.75	North Luffenham Residents Company Limited	8.74
Butlers Meadow Residents Company Limited	1.01	Northwood Residents Company Limited	12.50
Canterbury Place Residents Company Limited	12.12	Nottingham Road Residents Company Limited	9.68
Cardiff Place Residents Company Limited	10.26	Petersfield (Kings Road) Residents Company Limited	10.00
Cavalry Crescent Residents Company Limited	100.00	Ringwood Crescent Residents Company Limited	11.11
Chatham Residents Company Limited	1.23	Riverside Rise (Allington) Residents Company Limited	30.77
Chester (Dale Camp) Residents Company Limited	8.00	Scampton Residents Company Limited	1.40
Chicksands Residents Company Limited	4.27	South Wigston Residents Company Limited	1.67
Chivenor Residents Company Limited	11.76	St Columb Minor Residents Company Limited	1.67
Cholswell Road (Abingdon) Residents Company Limited	2.22	St Eval Parc Residents Company Limited	0.34
Coningsby (West Drive) Residents Company Limited	4.05	Stanbridge Residents Company Limited	10.00
Cove Residents Company Limited	100.00	Stanmore Crescent Residents Company Limited	4.41
Cranwell Residents Company Limited	9.38	Stokesay Road Residents Company Limited	37.61
Dale Road Residents Company Limited	2.31	Strensall Residents Company Limited	1.47
Dishforth Residents Company Limited	9.68	Swanton Morley Residents Management Company Limited	100.00
Donnington (Richards Road) Residents Company Limited	1.59	Taranto Hill (Ilchester) Residents Company Limited	2.22
Donnington Residents Company Limited	1.25	Tedder Avenue (Henlow) Residents Company Limited	5.88
Driffield Ramsden Residents Company Limited	7.14	The Elstons Residents Management Association Limited	13.04
East Vale Residents Company Limited	0.31	Thirsk Residents Company Limited	60.00
Elm Road (Marham) Residents Company Limited	4.10	Uxbridge (Buchan) Residents Company Limited	80.39
Exmouth (York Close) Residents Company Limited	10.00	Waterbeach (Abbey Place) Residents Company Limited	100.00
Foulkes Terrace (Aldershot) Residents Company Limited	25.00	Watton Residents Company Limited	3.70
Gamlingay Residents Company Limited	14.29	West Vale Residents Company Limited	0.52
Garats Hay Residents Company Limited	7.69	Wexland Avenue (Netheravon) Residents Company Limited	20.00
Greenmill Residents Company Limited	3.13	Whetstone Milson Close Residents Company Limited	1.03
Henlow Residents Company Limited	1.19	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	0.80
Imber Road (Warminster) Residents Company Limited	100.00	Woodbridge West Residents Company Limited	2.44

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**32. SUBSIDIARIES AND RELATED UNDERTAKINGS (continued)**

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 an investment in:

<b>Name of subsidiary undertaking</b>	<b>Holding %</b>
Beaumont Place Management Limited	70.00

Beaumont Place Management Limited's registered office is Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN.

**33. ENTITY INFORMATION AND CONTROLLING PARTY**

The Company is incorporated in the United Kingdom and the address of its registered office is Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB

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 Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB.

**34. SUBSEQUENT EVENTS**

Annington has conducted due diligence on a range of significant portfolios and, on 1 August 2025, the Group entered into an exclusivity agreement in respect of the acquisition of circa 300 single family homes and is targeting completion of that acquisition in September 2025.

# ANNINGTON LIMITED

## COMPANY BALANCE SHEET At 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Non-current assets</b>			
Investment in subsidiary companies	c	<u>976,700</u>	<u>3,374,200</u>
<b>Total assets</b>		<u><b>976,700</b></u>	<u><b>3,374,200</b></u>
<b>Current liabilities</b>			
Payables	e	<u>(27)</u>	<u>(27)</u>
<b>Total liabilities</b>		<u><b>(27)</b></u>	<u><b>(27)</b></u>
<b>Net assets</b>		<u><b>976,673</b></u>	<u><b>3,374,173</b></u>
<b>Capital and reserves</b>			
Share capital	22	-	84,756
Share premium	23	-	480,401
Revaluation reserve		<b>411,443</b>	2,808,943
Retained earnings		<u><b>565,230</b></u>	<u>73</u>
<b>Total equity</b>		<u><b>976,673</b></u>	<u><b>3,374,173</b></u>

The accompanying Notes (a to j) 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 4 August 2025.

Signed on behalf of the Board of Directors

S Leung  
Director

# ANNINGTON LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2025

	Note	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2023</b>		84,756	480,401	2,820,843	73	3,386,073
Other comprehensive income		-	-	(11,900)	-	(11,900)
<b>Balance at 31 March 2024</b>		<u>84,756</u>	<u>480,401</u>	<u>2,808,943</u>	<u>73</u>	<u>3,374,173</u>
Profit attributable to shareholder		-	-	-	<b>1,930,000</b>	<b>1,930,000</b>
Other comprehensive loss	c	-	-	<b>(2,397,500)</b>	-	<b>(2,397,500)</b>
Capital reduction – transfer to retained earnings		<b>(84,756)</b>	<b>(480,401)</b>	-	<b>565,157</b>	-
Dividends paid		-	-	-	<b>(1,930,000)</b>	<b>(1,930,000)</b>
<b>Balance at 31 March 2025</b>		<u>-</u>	<u>-</u>	<u><b>411,443</b></u>	<u><b>565,230</b></u>	<u><b>976,673</b></u>

# ANNINGTON LIMITED

## COMPANY CASH FLOW STATEMENT For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Net cash from operating activities</b>	g	-	-
<b>Investing activities</b>			
Dividends received from subsidiary		1,930,000	-
<b>Net cash inflow from investing activities</b>		1,930,000	-
<b>Financing activities</b>			
Dividends paid		(1,930,000)	-
<b>Net cash outflow from financing activities</b>		(1,930,000)	-
<b>Net decrease in cash and cash equivalents</b>		-	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		-	-

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### For the year ended 31 March 2025

#### a. SIGNIFICANT ACCOUNTING POLICIES AND CORPORATE INFORMATION

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards, comprising International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations). They have also been prepared in accordance with the Companies Act 2006.

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.

	2025 £'000	2024 £'000
At 1 April	3,374,200	3,386,100
Decrease in fair value during the year	(2,397,500)	(11,900)
At 31 March	976,700	3,374,200

The historical cost of the investment in subsidiaries was £565,256,967 (2024: £565,256,967).

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**For the year ended 31 March 2025 (continued)**

**c. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

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 resulting 30% discount (2024: 18% discount) was applied to the adjusted net asset values of each of the Company's subsidiaries to arrive at fair value. Prior to applying the discount, the net asset values were adjusted to bring book values to fair values for classes of assets and liabilities carried at book value, and to exclude the net cash position (defined as cash and cash equivalents less debt at par value), which is not subject to valuation uncertainty. The net cash position is subsequently added back at face value to the discounted adjusted net asset value.

This discount arises from market-related factors and does not include an additional amount for control. Had the discount applied increased/decreased by 5%, the fair value of the investment in subsidiaries would have decreased by £18.5 million or increased by £18.5 million, respectively.

The fair value loss of £2,397.5 million (2024: loss of £11.9 million) was recognised through other comprehensive income.

Details of all subsidiaries as at 31 March 2025 are shown in Note 32 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.



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### For the year ended 31 March 2025 (continued)

#### d. TAXATION (continued)

	2025 £'000	2024 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 25% (2024: 25%)	-	-
<b>Deferred tax</b>		
Deferred taxation: origination and reversal of temporary differences	-	-
<b>Total taxation for the year</b>	-	-

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25% (2024: 25%). The tax for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2025 £'000	2024 £'000
Profit before taxation	1,930,000	-
Tax on profit at the standard rate	(482,500)	-
Factors affecting the current tax for the year:		
Income not assessable for tax purposes	482,500	-
<b>Taxation for the year</b>	-	-

The March 2025 calculation of current and deferred tax use the 25% rate.

#### Deferred tax

At the balance sheet date, the Company has unrecognised deferred tax liabilities relating to the investment in the subsidiary of £121.8 million (2024: £721.1 million).

#### e. PAYABLES

##### ACCOUNTING POLICY

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

	2025 £'000	2024 £'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.

## ACCOUNTING POLICY

The Company has the following financial instruments:

	Par value of debt £'000	2024 Balance sheet value £'000	Fair value £'000
<b>Level 2</b>			
<b>Non-derivative financial assets</b>			
Investment in subsidiaries	-	3,374,200	3,374,200

# ANNINGTON LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS For the year ended 31 March 2025 (continued)

### g. NOTE TO THE CASH FLOW STATEMENT

	2025 £'000	2024 £'000
<b>Profit after tax</b>	<b>1,930,000</b>	-
<i>Adjustment for:</i>		
Dividends received	(1,930,000)	-
	<u>-</u>	<u>-</u>
Net cash from operating activities	<u>-</u>	<u>-</u>

### h. RELATED PARTY DISCLOSURES

#### Amounts owed to related parties

	2025 £'000	2024 £'000
Annington Homes Limited	27	27

#### Information regarding key management personnel

Details of payments to key management personnel are disclosed in Note 6 to the Group financial statements. 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 2025 (2024: £nil).

### j. SUBSEQUENT EVENTS

Further details are set out in Note 34 to the Group financial statements.

# ANNINGTON LIMITED

## APPENDICES

For the year ended 31 March 2025

### Appendix 1: Glossary

<u>Term</u>	<u>Definition</u>
<b>1996 Acquisition</b>	The acquisition of the portfolio of residential property units from the Ministry of Defence of the United Kingdom on 5 November 1996
<b>Adjusted EBITDA</b>	A measure of normalised earnings by removing exceptional items of profit and loss, as defined in the Alternative Performance Measures, Appendix 3
<b>Adjusted EBITDA Margin</b>	A measure of the Adjusted EBITDA as a percentage of gross rental income, as defined in Appendix 3
<b>AFP</b>	Annington Funding plc, a subsidiary of the Group
<b>AHGL</b>	Annington Holdings (Guernsey) Limited, the immediate parent of the Group
<b>Annington</b>	The Annington Group, being Annington Limited and its subsidiaries
<b>APL</b>	Annington Property Limited, a subsidiary of the Group
<b>AST</b>	Assured Shorthold Tenancy
<b>B/S</b>	Balance Sheet
<b>Base Dependency</b>	Reliance of utility supply on, or connection to, the MoD supply of utilities.
<b>Base Dependent Site</b>	Site with a Base Dependency
<b>C/F</b>	Cash Flow Statement
<b>CBRE</b>	CBRE Limited
<b>Company</b>	Annington Limited
<b>Consolidated EBITDA</b>	<p>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:</p> <ul style="list-style-type: none"><li>(a) adding back costs expensed relating to amortisation, depreciation or impairment (including other non-cash write downs) of assets;</li><li>(b) adding back costs expensed relating to any refurbishment of any Real Property (or part thereof);</li><li>(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;</li><li>(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;</li><li>(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));</li><li>(f) deducting (or adding back) any profit (or loss) on disposal of any asset; and;</li><li>(g) before taking into account any Exceptional Items other than where they fall within paragraph (b) above,</li></ul> <p>in each case without double counting.</p>
<b>CRT</b>	The Group's Corporate Responsibility Task Force
<b>EMTN</b>	Euro Medium Term Note

# ANNINGTON LIMITED

## APPENDICES

For the year ended 31 March 2025

<b><u>Term</u></b>	<b><u>Definition</u></b>
<b>Enfranchisement</b>	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.
<b>Enfranchisement Proceedings</b>	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 and including any subsequent appeals.
<b>EPC</b>	Energy Performance Certificates
<b>ESG</b>	Environmental, social and governance
<b>EV</b>	Electric vehicle
<b>Fair Value</b>	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.
<b>GHG</b>	Greenhouse Gas
<b>Government</b>	UK Government
<b>Group</b>	The Annington Group, being Annington Limited and its subsidiaries
<b>I/S</b>	Income Statement
<b>IFRS</b>	International Financial Reporting Standards
<b>Judicial Review</b>	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.
<b>KPI</b>	Key Performance Indicator
<b>LRA 24</b>	Leasehold and Freehold Reform Act 2024
<b>MoD</b>	The Ministry of Defence of the United Kingdom
<b>MQE</b>	The Married Quarters Estate – residential property units acquired under the 1996 Acquisition and leased to the MoD
<b>Non-MQE Portfolio</b>	The Non-MQE: Surplus Estate together with the Non-MQE: Rentals Portfolio and Units under development either for sale or for rental
<b>Non-MQE: Rentals Portfolio</b>	Units owned by subsidiaries other than APL and let on bulk or AST leases
<b>Non-MQE: Surplus Estate</b>	Units transferred from the MQE Portfolio upon release by the MoD and which remain in APL
<b>OCI</b>	Other comprehensive income
<b>ONS</b>	The Office of National Statistics
<b>PV panels</b>	Photovoltaic panels
<b>Released Units</b>	Units which are released out of the MQE to Annington by the MoD
<b>Rent Review</b>	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.
<b>RICS</b>	The Royal Institution of Chartered Surveyors

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For the year ended 31 March 2025

<b><u>Term</u></b>	<b><u>Definition</u></b>
<b>SAVPV</b>	Special Assumption of Vacant Possession Value 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.
<b>SDG</b>	United Nations Sustainable Development Goals
<b>SECR</b>	Streamlined Energy and Carbon Reporting
<b>Site(s)</b>	Site(s) upon which one or more Units were located
<b>Subsidiary</b>	A subsidiary within the meaning of Section 1159 of the Companies Act 2006
<b>TCFD</b>	Task Force on Climate Related Financial Disclosure
<b>Terra Firma</b>	Terra Firma Capital Partners Limited, Terra Firma Investments (Special Opportunities Fund I) Limited or Terra Firma Investments (Special Opportunities Fund II)
<b>TFSOFI</b>	Terra Firma Special Opportunities Fund I
<b>TFSOFII</b>	Terra Firma Special Opportunities Fund II
<b>UK</b>	The United Kingdom
<b>Underlease</b>	The 200 year lease that APL granted to the MoD following acquisition of the MQE Portfolio on 5 November 1996
<b>Units</b>	Residential property units
<b>Utilities Agreement</b>	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



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## APPENDICES

For the year ended 31 March 2025

### 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	2025 £ 000	2024 £ 000
<b>Gross rental income</b>			
Gross rental income is derived from rentals earned on investment properties and is presented on the face of the income statement.	I/S	<u>198,466</u>	<u>241,958</u>
<b>Net rental income margin</b>			
Gross rental income as presented on the face of the income statement	I/S	198,466	241,958
Property operating expenses as presented on the face of the income statement.	I/S	<u>(9,816)</u>	<u>(9,224)</u>
Net rental income		<u>188,650</u>	<u>232,734</u>
Divided by Gross rental income		<u>198,466</u>	<u>241,958</u>
Expressed as a percentage		<u>95.1%</u>	<u>96.2%</u>
<b>Adjusted EBITDA</b>			
Adjusted EBITDA is calculated as:			
Operating profit/(loss) before financing and tax as presented on the face of the income statement, adjusted for:	I/S	(649,423)	19,130
Amortisation, depreciation, or impairment (including other non-cash write downs) of assets	Note 5	738	791
Revaluation losses on investment properties	I/S	24,002	212,282
(Profits), losses or impairment items attributable to joint ventures	I/S	215	1,229
Dilapidation income	Note 5	(9,290)	(3,512)
Loss/(profit) on disposal of investment properties	I/S	791,293	(18,186)
Loss/(profit) on disposal of inventory	I/S	21	(3)
One-off items (Enfranchisement Proceedings costs shown in the income statement)	I/S	4,709	3,190
		<u>162,265</u>	<u>214,921</u>



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## APPENDICES

For the year ended 31 March 2025

### Appendix 3: Alternative Performance Measures – Definitions and Calculation (continued)

	Reference	2025 £ 000	2024 £ 000
<b>Adjusted EBITDA Margin</b>			
Adjusted EBITDA margin is calculated as:			
Adjusted EBITDA as calculated above	Above	162,265	214,921
Divided by gross rental income as presented on the face of the income statement	I/S	198,466	241,958
		<u>81.8%</u>	<u>88.8%</u>
Expressed as a percentage			
 <b>Free cash flow</b>			
Free cash flow is calculated as:			
Net increase in cash and cash equivalents, adjusted for:	C/F	1,252,410	9,719
Purchase of investment properties, as shown in the investing cash flows	C/F	182	126
Repayment of borrowings as shown in the Financing cash flows	C/F	2,941,109	301,152
Dividends paid	C/F	1,930,000	-
		<u>6,123,701</u>	<u>310,997</u>
 <b>Net rental yield</b>			
Net rental yield is calculated as:			
Net rental income, as calculated above	Above	188,650	232,734
Divided by weighted average carrying value of investment properties		5,513,601	7,367,297
		<u>3.4%</u>	<u>3.2%</u>
Expressed as a percentage			

## APPENDICES

For the year ended 31 March 2025

## Appendix 4 - Summary of the Group's Progress Against the TCFD Recommendations

The Group continues to use the TCFD recommendations as a reference point as they are considered to be a good entry point for moving towards the further guidance provided by IFRS S1 and S2. The Group plans to further progress its climate disclosures in line with best practice.

<b>GOVERNANCE</b>	
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 Sustainability Taskforce (ST). 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 Property Strategy & Technical Manager (who reports, through the Head of Project Management, to the Chief Operating Officer) will be responsible for embedding environmental considerations throughout the Group's design and build process. The Sustainability Manager is also responsible for communicating and implementing the Sustainability 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.
<b>STRATEGY</b>	
Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term.	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Disruption on site;</li> <li>• Disruption to the Group's supply chain; and</li> <li>• Impact on comfort levels in the homes the Group builds and refurbishes.</li> </ul> <p>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.</p> <p>The Group 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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Carbon taxes and resulting increasing energy and material costs; and</li> <li>• Consumer preferences and expectations.</li> </ul>

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For the year ended 31 March 2025

	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.
<b>RISK MANAGEMENT</b>	
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 risk are being fully assessed with the input of outside consultants. Once completed, The Group plans to integrate the findings into a 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.
<b>METRICS AND TARGETS</b>	
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 &amp; 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>During the reporting period, the Group initiated its second carbon foot-print project aimed at helping the Group more fully understand its operational and organisational boundaries. Scope 3 categories were expanded to include Waste from Operations, Employee Commuting, Business Travel, Purchased Goods and Services, Capital Goods, Transport and Distribution and Use of Sold Products.</p>
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The results of the second carbon foot-printing project described above will be used to help the Group develop its ESG/Sustainability Strategy.

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