Company Registration No. 08271384

ANNINGTON LIMITED

Half-Year

Condensed Consolidated Financial Statements

For the six months ended 30 September 2021

ANNINGTON LIMITED

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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NOTE ON FORWARD-LOOKING STATEMENTS

This Financial 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 undertake 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.

HALF-YEAR REPORT
For the six months ended 30 September 2021

FINANCIAL HIGHLIGHTS

- The carrying value of the Group's investment properties was £8.4 billion (31 March 2021: £8.1 billion).
- Rental income was £101.8 million (30 September 2020: £100.5 million).
- Profit after taxation was £385.5 million (30 September 2020 restated: £33.1 million).
- Adjusted EBITDA was £92.1 million (30 September 2020 restated: £90.7 million).
- The Group sold 224 (30 September 2020: 81) investment properties and recognised total sales proceeds of £52.6 million (30 September 2020: £21.7 million).
- In October 2021, the Group successfully issued £800.0 million of new bonds under its £4.0 billion Euro Medium Term Note Programme.

Portfolio Summary

As at 30 September 2021 (unless otherwise noted), the Group's portfolio consisted of:

	MQE Portfolio	Non-MQE Portfolio
Activity	The core business of the Group, being the provision of Service Family Accommodation	• Refurbishment and sale or rent of properties released by the MoD • Residential investment portfolio, with properties rented on market terms, both individually and in bulk • Redevelopment capability
Properties	38,114 (31 March 2021: 38,140) homes leased to the MoD and related assets	2,082 (31 March 2021: 2,248) homes owned and rented to the general public, the MoD and local authorities, including homes released from the MQE Estate. A further six (31 March 2021: 39) new units under development, either for sale or for rental
Lease length	200 year leases – 175 years unexpired	Assured Shorthold Tenancies and flexible leases
Lease type	Repairs and maintenance paid by tenant	Repairs and maintenance paid by tenant or landlord
Book value	At 30 September 2021: £7,974.4million (31 March 2021: £7,641.2million)	At 30 September 2021: £454.3million (31 March 2021: £482.1million)

In addition to the above, at 30 September 2021, the Group managed 26 (31 March 2021: 27) properties on bulk or Assured Shorthold Tenancies.

HALF-YEAR REPORT
For the six months ended 30 September 2021

Introduction

Annington is one of the largest providers of privately rented housing in the UK, owning over 40,000 homes with an asset value of £8.4 billion. The portfolio is unique in that over 94% of our properties are rented to the Ministry of Defence ('MoD') under a 200 year lease. As the MoD releases surplus properties back to the Group they are either sold or rented in the open market. To date the Group has helped over 17,000 people purchase their own home, many of whom were first time buyers, service personnel or key workers. We have also let thousands of homes to private individuals.

Market Environment

The UK housing market continued to grow in the first half of the financial year. The desire to obtain more space and the extension of the Government's Stamp Duty Land Tax ('SDLT') holiday to 30 June 2021 initially boosted demand, with the rush to complete sales before the deadline resulting in record setting transactional volumes for June. Despite the phasing out of the SDLT holiday, house price growth has continued its upward trajectory. Average house prices hit a new record high in September, with the ONS reporting annual headline growth of 11.8%, raising the price of an average house in the UK to £270,000.

Strong rental demand and lack of stock continued to drive up rents everywhere outside London, as London renters seek the opportunity to find more space further afield. Rightmove reported that average rents (excluding London) hit a new record high of £1,047 per calendar month in September, 8.6% higher than last year and 6.7% up on March 2021.

Operational Update

The first six months of the 2022 financial year has seen the Group perform well, with Government backed rents continuing to form 94% of the Group's income. The Group's private rentals and refurbishment operations were unaffected by the UK's Third National Lockdown between January and June 2021 and occupancy has remained at c.98% during the reporting period.

Operationally, all areas of the business are operating at pre-pandemic levels. This review covers the key areas of the business and updates performance subsequent to our last annual report.

Site Review

As separately announced, Annington and the MoD have reached a settlement of the Site Review process relating to the rent payable by the MoD in relation to the Married Quarters Estate (MQE). This settlement applies the awards given by the arbitral panel chaired by Lord Neuberger PC to date across the MQE as a whole. Reaching this settlement now avoids the need to complete the remaining site review/arbitration process, which was expected to run into the middle of 2023, and results in a material saving in both time and cost for both parties.

Under the settlement, the MoD will continue to pay rent at the current prevailing downward adjustment of 58.0% from open market rental levels until the dates on which the new rents become payable, which fall between 2021 and 2024. Upon these dates the MoD will pay rent with a downward adjustment of 49.6% from open market rental levels until the next Site Review. This downward adjustment will be applied equally to all sites in the MQE.

Annington and the MoD have also agreed that at the next Site Review in 15 years, the same agreed downward adjustment of 49.6% will be applied. This will avoid the need for a full Site Review at that time, and means that the next full Site Review will take place between 2051 and 2054. This provides both sides with greater certainty and allows the parties to avoid a further costly and lengthy process in 15 years' time.

In addition, Annington and the MoD have agreed to a number of other terms, principally relating to the releases of units. Under the 2019 Arbitration Agreement the minimum release of units was a two year rolling average of 500 properties per annum. This has been reduced to a rolling average of 375 units, subject to a minimum of 250 properties per annum. The £7,000 per unit dilapidations waiver will also now only apply to 375 units released in a year. In addition to this, Annington have agreed to the handback by the MoD of certain properties with a waiver of all associated dilapidations.

MoD Property Releases

In the six months to 30 September 2021, the MoD handed over 24 units, with termination notices received for a further 695 units to be released before the end of the financial year, taking the forecast number of releases to 719 for the 2021-22 financial year. The Group is currently conducting site visits as part of our process of determining the optimal strategy for each site being released.

Disposals

Property disposals	30 September 2021		30 September 2020	
	Units	Sales (£m)	Units	Sales (£m)
Non-MQE Portfolio – Surplus Estate	138	29.3	63	9.5
Non-MQE Portfolio – Rentals Portfolio	86	23.3	18	12.2
Total investment properties	**224**	**52.6**	**81**	**21.7**
Inventory units	1	0.6	2	1.1
Total properties	**225**	**53.2**	**83**	**22.8**

The Group sold 225 properties during the first half of the year compared to 83 units in the prior comparative period. Total sales proceeds were £53.2million with an average sales price per unit of c.£236,000. Of these, 224 were sold from investment properties with the majority relating to properties released from the MQE portfolio and the remainder from the Non-MQE – Rentals Portfolio. New build properties, developed with the intention of a sale by the group are separately accounted for as inventory, with the unit sold during the current period being part of the Group's new build project at Allington, Wiltshire.

October 2021 Fund Raising

On 4 October 2021, the Group, through its subsidiary Annington Finance plc, issued two tranches of fixed rate notes of £400.0 million each under its £4 billion Euro Medium Term Note Programme. The notes mature in 2032 and 2051 and carry coupon rates of 2.308% and 2.924% respectively. Subsequently, Annington Limited completed a partial return of capital by way of a £793.6 million special dividend to its immediate parent, Annington Holdings (Guernsey) Limited.

ESG

The Group is committed to having a positive social and environmental impact and has recently completed an externally administered ESG maturity assessment. The process of reviewing and implementing the recommendations resulting from the assessment is underway and particular attention is being given to aligning strategy against sustainability frameworks and standards including SASB, TCFD and the United Nations Sustainable Development Goals ('SDG'). Further detail of Annington's progress in embedding sustainability at all levels of the Group will be provided in subsequent Annual Reports.

Outlook

With a stronger than expected rebound in the housing market after the initial nationwide lockdown, and record growth over the summer, short-term forecasts are now trending towards more moderate growth rates in the near future. Savills predicts 3.5% house price growth for the UK in 2022, after an exceptionally strong year in 2021. It expects a 5-year growth rate to 2026 of 13.1%.

Against the backdrop of the lifting of COVID-19 restrictions, 2021 saw renters returning to cities and rents increasing again as tenant demand rose. However, it is too soon to assess and comment upon the impact of potential measures to combat the Omicron variant of COVID-19.

With the expectation of a further 695 units to be released in the second half of the financial year, the Group anticipates a busy second half of the year. Preparations are already underway to determine the best strategies for these releases and we look forward to making more housing stock available to the public, be it in the form of lettings or homes available for purchase.

With the Site Review now settled, the Group is able to plan for the future with greater certainty. The group will return its focus to refurbishing released units and returning them to the national housing stock, with the 719 units notified for termination from the MQE representing the highest number of units released since 2003.

As always, we will continue to focus on actively managing the Group's current operations and developments. We will continue to manage tenancies and rental levels, and assess potential options to enhance value, including refurbishment, redevelopment and disposal.

Key performance indicators

The Group measures Key Performance Indicators ('KPI's) based on the controllable variable drivers of its activities.

Financial KPI	30 September 2021 £ millions	30 September 2020 Restated* £ millions	Management commentary
Gross rental income	101.8	100.5	Gross rental income has increased by £1.3 million or 1.3% in the six months ended 30 September 2021 and is mainly due to rent increases arising from the 2020 Beacon Unit Rent Review and partially offset by unit sales and releases.
Net rental income margin	97.5%	97.4%	Net rental income margin measures the profitability of the Group's rental operations, expressing net rent as a percentage of gross rental income. The margin is consistent period on period due to minimal variability in property operating expenses.
Adjusted EBITDA	92.1	90.7	Adjusted EBITDA is used to measure the normalised earnings of the business by removing exceptional and irregular items of profit and loss and aims to make comparisons more meaningful across different periods. Adjusted EBITDA has increased slightly due to the increase in gross rental income.
Adjusted EBITDA margin	90.5%	90.3%	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. The margin has increased due to the above-mentioned reasons.
Free cash flow	70.3	35.3	This measure is used to assess the cash generated to be utilised on discretionary purchases or dividends. Free cash flow has increased by £35.0 million, driven by higher proceeds from sale of investment properties.

* Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

HALF-YEAR REPORT
For the six months ended 30 September 2021

Financial Performance

Gross rental income

Gross rental income for the six months ended 30 September 2021 has increased by 1.3% or £1.3m, from £100.5 million for the six months ended 30 September 2020 to £101.8 million for the six months ended 30 September 2021. The 2020 Beacon Unit Rent Review was finalised subsequent to the period end. MQE rent has increased by £0.8 million as a result of the 2020 Rent Review uplift partially offset by units being released from the MQE. Non-MQE rent also increased (up by £0.5 million), mainly because of the addition of units released from the MQE portfolio to the Rental portfolio.

Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 September was £92.1 million, a slight increase of 1.6% over the same period last year. The increase reflects the changes in gross rental income discussed above with property operating expenses remaining largely unchanged from the restated comparative period.

Property operating expenses comprise the direct operating expenses incurred in connection with the conduct and operation of the business. Refurbishment costs that are deemed capital items are capitalised in line with the Group's accounting policy. Comparatives have been adjusted to align with the application of this policy as shown in the table below. These costs have remained roughly in line with the comparative period at £2.5 million (30 September 2020: £2.6 million).

	30 September 2021 £'000	As previously presented 30 September 2020 £'000	Restated 30 September 2020 £'000
Property operating expenses	(2,548)	(9,586)	(2,627)
Other operating income	19	20	1,390
Profit on disposal of investment properties	3,481	4,226	3,126

Refer to Note 16 of the condensed consolidated financial statements for further details on the restatement of comparative figures.

Administrative costs for the six months ended 30 September 2021 were £7.3 million, in line with the prior period.

Site review

Site review costs for the first half of the year ended at £4.7 million compared to £8.9 million in the comparative period. This reflects the timing of hearings and preparations, with the hearings occurring during the summer of 2020. No hearings took place in the six months to September 2021 with site review costs reflecting ongoing preparatory costs prior to the settlement noted above.

Free cash flow

Free cash flow for the six months ended 30 September was £70.3 million (30 September 2020: £35.3 million). The increase in free cash flow reflects the increase in Adjusted EBITDA together with the higher number of property disposals in the current period.

The Group is committed to a sustainable cash flow based dividend policy subject to debt covenant restrictions and our policy to maintain BBB equivalent rating. No dividend was paid in relation to the prior (2020) year end and during the period, the Group paid a dividend of £170.0 million representing free cash flow generated in 2020 and 2021.

Investment properties
As previously mentioned in this report, the Group sold 224 investment properties during the period with total proceeds of £52.6m. The Group realised a profit on the disposal of investment properties of £3.5 million, compared to £3.1 million for the six months ended 30 September 2020 (restated).

The Group's policy is to complete an external valuation of the portfolio as part of the year end and does not normally undertake an interim valuation for the half-year results. As part of the debt raising process, the Group engaged CBRE Limited ('CBRE') to undertake an updated valuation as at 31 July 2021 and this valuation has been incorporated into the half-year results. The book value as at 30 September 2021 is £8.4 billion, which reflects the July valuation adjusted for acquisitions and disposals to the end of September. The unrealised property revaluation gain of £344.0 million arising from the July revaluation reflects a removal of risk following the finalisation of the second batch of the Site Review. No interim valuation was carried out in the comparative period and hence no valuation gain or loss was recognised for the equivalent period last year.

CBRE also updated the Special Assumption of Vacant Possession Value ('SAVPV') at the same date. At 31 July 2021, the SAVPV of the Group's MQE portfolio was estimated at £10.1 billion (31 March 2021: £9.7 billion).

Principal risks and uncertainties
There are a number of principal risks and uncertainties faced by the Group which could have a material impact on the Group, causing actual results to differ from expected and historical. The principal risks and uncertainties have been reviewed and remain unchanged from those set out in detail within the Strategic Report of the Annual Report and Accounts 2021. Further, detailed risks were provided in the subsequent Offering Circular issued by Annington Funding plc on 27 September 2021, which have also been reviewed and remain unchanged. Both documents are available at www.annington.co.uk.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2021

	Note	Six months ended 30 September 2021 (unaudited) £'000	Restated* 30 September 2020 (unaudited) £'000
Property rental income	2	**101,805**	100,458
Property operating expenses	2	**(2,548)**	(2,627)
Net rental income		**99,257**	97,831
Other operating income	3	**19**	1,390
Administrative expenses		**(7,301)**	(7,259)
Other operating expenses		**(341)**	(372)
Site review costs	3	**(4,678)**	(8,890)
Profit on disposal of investment properties	4	**3,481**	3,126
Unrealised property revaluation gains	7, 11	**343,989**	-
Profit on disposal of inventory		**91**	46
Share of results of joint ventures after taxation	8	**112**	(291)
Operating profit	3	**434,629**	85,581
Finance income	5	**9**	40
Finance costs	5	**(54,906)**	(54,699)
Profit before taxation		**379,732**	30,922
Taxation	6	**5,809**	2,164
Profit for the period after taxation		**385,541**	33,086
Profit attributable to shareholder		**385,541**	33,086

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2021

	Note	Six months ended 30 September 2021 (unaudited) £'000	Restated* 30 September 2020 (unaudited) £'000
Profit for the period		**385,541**	33,086
Items that may subsequently be recycled through the income statement			
Fair value gains on cash flow hedge	12	**8,922**	7,100
Reclassification of fair value gains included in profit and loss		**(4,752)**	(13,947)
Total other comprehensive income/(loss)		**4,170**	(6,847)
Total comprehensive income for the period		**389,711**	26,239
Total comprehensive income attributable to shareholder		**389,711**	26,239

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

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

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2021

	Note	30 September 2021 (unaudited) £'000	31 March 2021 (audited) £'000
Non-current assets			
Investment properties	7	**8,390,390**	8,087,751
Plant and equipment		**310**	285
Right-of-use assets		**1,435**	1,688
Investment in joint ventures	8	**2,374**	2,262
Deferred tax assets		**54,593**	44,276
		8,449,102	8,136,262
Current assets			
Inventory		**9,102**	9,235
Trade and other receivables		**5,416**	8,080
Cash and cash equivalents		**97,030**	197,509
		111,548	214,824
Investment properties held for sale	7	**38,310**	35,531
Total assets		**8,598,960**	8,386,617
Current liabilities			
Trade and other payables		**(32,043)**	(36,450)
Rental income received in advance		**(41,835)**	(41,072)
Lease liabilities	10	**(776)**	(749)
Provisions	11	**(10,677)**	(11,732)
		(85,331)	(90,003)
Non-current liabilities			
Other payables		**(273)**	(273)
Loans and borrowings	9	**(3,373,680)**	(3,367,854)
Lease liabilities	10	**(498)**	(735)
Deferred tax liabilities		**(39)**	(39)
Provisions	11	**(10,278)**	(9,641)
Derivative financial instruments	12	**(9,707)**	(18,629)
		(3,394,475)	(3,397,171)
Total liabilities		**(3,479,806)**	(3,487,174)
Net assets		**5,119,154**	4,899,443
Capital and reserves			
Share capital		**84,756**	84,756
Share premium		**480,401**	480,401
Merger reserve		**(10,000)**	(10,000)
Hedging reserve		**(2,804)**	(6,974)
Retained earnings		**4,566,801**	4,351,260
Total equity		**5,119,154**	4,899,443

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2020	84,756	480,401	(10,000)	(3,231)	3,791,793	4,343,719
Total comprehensive (loss)/income for the period (restated*)	-	-	-	(6,847)	33,086	26,239
At 30 September 2020 (unaudited)	84,756	480,401	(10,000)	(10,078)	3,824,879	4,369,958
At 1 April 2021	**84,756**	**480,401**	**(10,000)**	**(6,974)**	**4,351,260**	**4,899,443**
Total comprehensive income for the period	**-**	**-**	**-**	**4,170**	**385,541**	**389,711**
Dividends paid	**-**	**-**	**-**	**-**	**(170,000)**	**(170,000)**
At 30 September 2021 (unaudited)	**84,756**	**480,401**	**(10,000)**	**(2,804)**	**4,566,801**	**5,119,154**

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2021

	Note	Six months ended 30 September 2021 (unaudited) £'000	Restated* 30 September 2020 (unaudited) £'000
Cash generated from operations	14	**85,224**	78,808
Tax paid		**(4,600)**	(1,600)
Net cash inflow from operating activities		**80,624**	77,208
Investing activities			
Proceeds from sale of investment properties		**51,356**	21,019
Development and acquisition of investment properties	7	**(696)**	(3,785)
Refurbishment expenditure on investment properties	7	**(8,524)**	(8,329)
Purchase of plant and equipment		**(72)**	(16)
Distributions from joint ventures	8	**-**	1,409
Interest received		**9**	40
Net cash inflow from investing activities		**42,073**	10,338
Financing activities			
Debt issuance costs		**-**	(2,112)
Dividends paid		**(170,000)**	-
Interest and other financing costs		**(52,709)**	(53,556)
Interest payments on lease obligations		**(12)**	(28)
Principal payments on lease obligations		**(384)**	(372)
Net cash outflow from financing activities		**(223,105)**	(56,068)
Net (decrease)/increase in cash and cash equivalents		**(100,408)**	31,478
Cash and cash equivalents at the beginning of the period		**197,509**	103,695
Exchange differences on cash and cash equivalents		**(71)**	54
Cash and cash equivalents at the end of the period		**97,030**	135,227

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the United Kingdom and the accounting policies, significant judgements and key estimates, as set out in the Group's Annual Report and Accounts 2021, except for new standards and amendments adopted below. The Group's Annual Report and Accounts 2021 can be found on the Group's website www.annington.co.uk. The half-year condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom.

The condensed consolidated financial statements have not been audited. The financial information included in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the Group's audited statutory accounts for the year ended 31 March 2021 has been released/delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed financial statements are presented in pound sterling, which is the functional currency of the Company. All values are rounded to the nearest thousand (£'000), except where otherwise indicated.

New Standards adopted as at 1 April 2021

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

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

Phase 2 amendments address any issues that arise once the existing Interest Rate Benchmarks have been replaced with an alternative rate. The Group has adopted the amendments relating to the IBOR reform from 1 April 2021, and any changes will be reflected in the Group's consolidated financial statements for the year ended 31 March 2022. The Group, and its loan issuers, transitioned from GBP LIBOR to SONIA (Sterling Overnight Index Average) effective from 4 January 2022, the first interest payment date following the cessation of GBP LIBOR on 31 December 2021, using the available practical expedients within the Phase 2 amendments. As a result, the Group does not expect any changes to its accounting policies or any material impact on the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and interpretations issued but not yet effective

A number of new standards and amendments have been issued and adopted by the UKEB but are not yet effective:

New and Amended Standards		**Effective date (annual periods beginning on or after)**
IFRS Improvements	2018-2020 Annual Improvements Cycle	1 January 2022
IAS 37 Amendments	Amendments to Costs of Fulfilling a Contract	1 January 2022
IAS 1 and IFRS Practice Statement 2	Amendments to Disclosure of Accounting Policies	1 January 2023
IAS 1 Amendments	Amendments to the Classification of Liabilities as Current or Non-current	1 January 2023
IAS 8 Amendments	Amendments to Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Amendments to Deferred Tax from Single Transactions	1 January 2023

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

Going concern

Having made appropriate enquiries, the Directors have a reasonable expectation the Group has adequate resources to continue for a period of not less than 12 months from the date of this report and, for this reason, have continued to adopt the going concern basis in preparing the condensed consolidated financial statements.

Seasonality

The Group's business is not deemed to be highly seasonal. It is therefore not necessary to disclose the consolidated income statement for the full year ended 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

2. PROPERTY AND NET RENTAL INCOME

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.

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000
Property rental income	**101,805**	100,458

Net rental income

Net rental income comprises property rental income less property operating expenses. Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants is charged to the income statement.

Property rental expenses:	Six months ended 30 September 2021 (unaudited) £'000	Six months ended Restated* 30 September 2020 (unaudited) £'000
Letting and management costs	**2,244**	2,475
Other repairs and maintenance	**304**	152
	2,548	2,627

The Group generates substantially all of its net rental income, profits before taxation and net assets from residential property investment in England and Wales.

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

3. OPERATING PROFIT

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

	Six months ended 30 September 2021 (unaudited) £'000	Restated* 30 September 2020 (unaudited) £'000
Depreciation of plant and equipment	**46**	35
Depreciation of right-of-use assets	**424**	413
Loss on disposal of right-of-use assets	**2**	1
Other operating income		
Dilapidation income	**-**	1,370
Net profit from property management	**19**	17
Sundry income	**-**	3
Total other operating income	**19**	1,390

Refer to Note 16 for further details on the restated comparative figures.

Site Review costs

Included in operating profit are costs relating to the Site Review, which are considered exceptional in nature, due to the size and infrequent occurrence of Site Reviews. Site Reviews are intended to reset rent on the MQE to the relevant open market rate. The first applies in four annual tranches starting in December 2021, marking the 25th anniversary of the initial sale and leaseback agreement of the MQE. The 1996 Acquisition Agreement envisioned that the Site Review would take place every 15 years thereafter for the remainder of the lease back to the MoD.

In March 2019 an agreement ("Arbitration Agreement") was reached with the MoD that set out a two year process for reaching an agreement on the future discount to be applied to Sites following the 2021-2024 Site Review adjustments. Having entered into this agreement and confirming the mechanisms to be applied in determining the uplifts, Annington determined that a significant sum would need to be spent in this round of negotiations, as precedents would need to be developed between the parties as to the way in which a Site Review will operate. The Group estimates that the costs associated with this are of such a material nature as to require separate disclosure on the face of the consolidated income statement. The £4.7 million of site review costs incurred in the six months to 31 September 2021 have been disclosed separately in the income statement (30 September 2020: £8.9 million).

In December 2021, a further agreement was reached with the MoD which has the effect of curtailing the Site Review process and allowing the parties to avoid further costs on the current and next Site Review. For further information, please see the half-year report that precedes these condensed, consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

4. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

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.

	Six months ended	
		Restated*
	30 September 2021 (unaudited) £'000	**30 September 2020 (unaudited) £'000**
Sales income	**52,596**	21,732
Selling costs	**(1,324)**	(557)
Net income from disposals	**51,272**	21,175
Carrying value of properties disposed	**(47,791)**	(18,024)
Other direct disposal costs	**-**	(25)
Profit on disposal of investment properties	**3,481**	3,126

During the year, disposals of 224 properties (30 September 2020: 81 properties) were completed. Refer to Note 16 for further details on the restated comparative figures.

5. FINANCE INCOME AND COSTS

	Six months ended	
	30 September 2021 (unaudited) £'000	**30 September 2020 (unaudited) £'000**
Finance income		
Interest receivable	**9**	40
Total finance income	**9**	40
Finance costs		
Interest payable on unsecured fixed rate notes	**48,826**	48,676
Amortisation of discount and issue costs and finance expenses	**1,258**	1,201
Interest payable on bank loans	**3,370**	3,934
Foreign exchange losses on financing	**4,824**	13,893
Transfer from equity for cash flow hedge	**(4,752)**	(13,947)
Unwinding of discount on provisions	**756**	719
Gain on debt modification	**-**	(130)
Other finance expenses	**612**	325
Finance costs on lease transactions	**12**	28
Total finance costs	**54,906**	54,699

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

6. TAXATION

The Group has estimated the effective annual tax rate in each jurisdiction in which it is taxed. The effective tax rate for the interim period is calculated with reference to the anticipated operations and result of the Group for the full tax year. Any known adjustments to the opening figure, based on additional work performed on the closing tax losses reported in the preceding annual report and accounts, are also reflected in the movement for the period.

The Group's effective tax rate has been assessed as 1.19% due to the effect of the interim property valuation, resulting in a tax charge of £4.5million (30 September 2020: 6.60% or £2.0million). Offsetting this, an adjustment of £10.3 million has been recorded relating to deferred tax assets as a result of the change in the UK corporation tax rate from 19% to 25% from 1 April 2023.

7. INVESTMENT PROPERTIES

The Group's standard accounting policy is to fair value these assets annually at the financial year end, 31 March. However, as part of the process to raise new debt, the Group had its investment properties valued in July 2021 (Note 18). Therefore, the carrying value of its investment properties at 30 September 2021 reflect the fair value determined in July 2021 adjusted for any subsequent acquisitions and disposals.

30 September 2021 (unaudited)	**Investment properties £'000**	**Investment properties held for sale £'000**	**Total £'000**
Valuation			
Carrying value at 1 April 2021	**8,087,751**	**35,531**	**8,123,282**
Additions – development and acquisitions	**696**	**-**	**696**
Additions - refurbishment expenditure	**8,524**	**-**	**8,524**
Disposals	**(16,547)**	**(31,244)**	**(47,791)**
Transfer to investment properties held for sale	**(34,661)**	**34,661**	**-**
Unrealised property revaluation gains	**344,627**	**(638)**	**343,989**
Total carrying value at 30 September 2021	**8,390,390**	**38,310**	**8,428,700**

31 March 2021 (audited)	**Investment properties £'000**	**Investment properties held for sale £'000**	**Total £'000**
Valuation			
Carrying value at 1 April 2020	7,659,407	15,742	7,675,149
Additions – development and acquisitions	6,818	-	6,818
Additions - refurbishment expenditure	16,485	-	16,485
Disposals	(40,080)	(15,742)	(55,822)
Change in utilities obligation	2,561	-	2,561
Transfer to investment properties held for sale	(26,969)	26,969	-
Unrealised property revaluation gains	469,529	8,562	478,091
Total carrying value at 31 March 2021	8,087,751	35,531	8,123,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

7. INVESTMENT PROPERTIES (continued)

Properties would have been included on an historical cost basis at £1,450.2 million (31 March 2021: £1,468.8 million).

As at 30 September 2021 there were 235 (31 March 2021: 202) investment properties classified as held for sale, with disposal expected within the next 12 months.

The Group's freehold and long leasehold interests in its investment properties were valued as at 31 July 2021 by an external valuer, Rupert Driver BSc MRICS of CBRE Limited ('CBRE'). The valuation was prepared in line with the approach set out in note 10 of the 31 March 2021 Annual Report and Accounts, and was consistent in the application of the valuation techniques and inputs, with the latter being adjusted for any changes in market conditions or rent review outcomes.

The fair value measurement hierarchy level for all investment properties as at 31 July 2021 and 31 March 2021 was Level 3 significant unobservable inputs. There were no transfers between the levels of the fair value hierarchy since 31 March 2021.

Investment property valuations are inherently subjective, depending on many factors, including property location, expected future net rental value, market yields and comparable market transactions. As such, actual results may differ from estimates.

8. INVESTMENT IN JOINT VENTURES

The Group's joint venture undertakings as at 30 September 2021 are shown below:

Name of joint venture	**Principal activity**	**Holding**
Annington Wates (Cove) Limited	Property development	50.00%
Countryside Annington (Mill Hill) Limited	Property development	50.00%
The Inglis Consortium LLP	Property development	28.55%

Each of these entities operates within the United Kingdom. On 30 March 2021, Annington Wates (Cove) Limited passed a resolution to begin voluntarily winding up the Company.

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

	Share of net assets £'000	**Loans £'000**	**Total £'000**
At 1 April 2020	1,722	1,000	2,722
Additions	1,411	-	1,411
Distributions	(1,409)	-	(1,409)
Share of loss for the year	(462)	-	(462)
At 31 March 2021 (audited)	1,262	1,000	2,262
Share of profit for the period	**112**	**-**	**112**
At 30 September 2021 (unaudited)	**1,374**	**1,000**	**2,374**

The Group's share of profits from joint ventures represents profits from continued operations. The joint ventures have not recorded any other comprehensive income and the share of profits disclosed in the above table represents the Group's share of total comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

9. LOANS AND BORROWINGS

	30 September 2021 (unaudited) £'000	31 March 2021 (audited) £'000
Amounts falling due between one and five years		
Unsecured notes	**1,137,144**	1,132,065
Unsecured bank loans	**396,850**	396,414
	1,533,994	1,528,479
Amounts falling due after five years		
Unsecured notes	**1,839,686**	1,839,375
Total non-current loans and borrowings	**3,373,680**	3,367,854
Total loans and borrowings	**3,373,680**	3,367,854

At 30 September 2021, the Group held five tranches of corporate, unsecured bonds totalling c.£3.0 billion and a term loan of £400.0 million, also unsecured. On 4 October 2021, the Group successfully raised £800.0 million in new bonds split equally into two tranches expiring in 2032 and 2051, respectively. A revolving credit facility of £100.0 million is also available to the Group, which has never been drawn against.

The Group must comply with a number of covenants attaching to the debt under both the bonds and loan facility as set out in the annual report. The Group's forecasts do not indicate any of the covenants will be breached in the foreseeable future.

10. LEASE LIABILITIES

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.

	30 September 2021 (unaudited) £'000	31 March 2021 (audited) £'000
Maturity analysis		
Amounts falling due within one year	**799**	775
Amounts falling due between one and five years	**503**	747
Minimum lease payments	**1,302**	1,552
Less: future finance charges	**(28)**	(38)
Present value of lease obligations	**1,274**	1,484
Current	**776**	749
Non-current	**498**	735
Total lease liabilities	**1,274**	1,484

A reconciliation of the lease liability movement is provided in Note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

11. PROVISIONS

	Warranty Provision £'000	Make good provision £'000	Utilities provision £'000	Total £'000
At 1 April	153	451	20,769	21,373
Unwinding of discount	-	6	750	756
Amount expensed in income statement	-	-	-	-
Utilised	(5)	-	(1,169)	(1,174)
At 30 September 2021 (unaudited)	**148**	**457**	**20,350**	**20,955**
Current provision	73	-	10,604	10,677
Non-current provision	75	457	9,746	10,278
	148	**457**	**20,350**	**20,955**

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 undertook to supply utilities to those sites for the period they are rented to the MoD and for released units, until at least the 25th anniversary of the purchase. Where there have been releases of property that are currently base dependent or there is a constructive obligation to provide for the adoption of certain utilities on units which are not base dependent, a provision has been made to separate these units where the Group has a committed present obligation to separate these units. The provision has been discounted in accordance with the relevant borrowing costs of the Group.

There is a contingent liability in respect of base dependent units for their supply of water and sewage treatment and where it is possible that an obligation to separate these units may arise in the future. No obligation currently exists with respect to these properties as they have not been released by the MoD. Instead, there is a possible future obligation should releases occur and we become obligated to provide for the private utilities adoption. This amounts to £215.9 million (31 March 2021: £203.8 million). Upon technical completion of utilities adoption, the Group is eligible to a refund from the MOD for each utility. At the balance sheet date, the total potential value of these refunds amounted to £17.1 million (31 March 2021: £17.5 million).

Warranty provision

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

Make good provision

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2021 (unaudited) £'000	31 March 2021 (audited) £'000
Financial liabilities carried at fair value through OCI		
Cross currency swaps that are designated in hedge accounting relationships	**(9,707)**	(18,629)

Reconciliation of movements

	30 September 2021 (unaudited) £'000	Revaluation adjustment £'000	31 March 2021 (audited) £'000
Cross currency swaps	**(9,707)**	8,922	(18,629)
Total derivative financial liabilities	**(9,707)**	8,922	(18,629)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has the following financial instruments:

	Note	30 September 2021 (unaudited) £'000	31 March 2021 (audited) £'000
Financial assets			
Cash and receivables:			
Trade and other receivables		**3,683**	7,508
Cash and cash equivalents		**97,030**	197,509
Total financial assets		**100,713**	205,017
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables		**31,579**	35,904
Loans and borrowings	9	**3,373,680**	3,367,854
Liabilities measured at fair value through OCI			
Cross currency swaps	12	**9,707**	18,629
Total financial liabilities		**3,414,966**	3,422,387

Fair values

There have been no transfers of assets or liabilities between levels of the fair value hierarchy. The fair values of the Group's borrowings and cross currency swaps are determined by a Level 2 valuation technique.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group held the following derivative and non-derivative financial assets and liabilities at 30 September 2021

	30 September 2021 (unaudited)		
	Par value of debt £'000	**Balance sheet value £'000**	**Fair value £'000**
Level 2			
Non-derivative financial liabilities			
Unsecured notes	**3,001,260**	**2,976,830**	**3,389,601**
Unsecured term loan	**400,000**	**396,850**	**400,000**
	3,401,260	**3,373,680**	**3,789,601**
Derivative financial liability			
Cross currency swaps	**-**	**9,707**	**9,707**
	3,401,260	**3,383,387**	**3,799,307**

	31 March 2021 (audited)		
	Par value of debt £'000	**Balance sheet value £'000**	**Fair value £'000**
Level 2			
Non-derivative financial liabilities			
Unsecured bonds	3,001,260	2,971,440	3,305,205
Unsecured term loan	400,000	396,414	400,000
	3,401,260	3,367,854	3,705,205
Derivative financial asset			
Cross currency swap	-	18,629	18,629
	3,401,260	3,386,483	3,723,834

Unsecured bonds

The bonds have been valued according to the last published trade price, adjusted for expected future cash flows. However, this is based on a small number of transactions and should be considered a Level 2 fair value measurement. Further details, including covenant information can be found in the Group's annual report.

The bonds issued subsequent to 30 September 2021 (Note 18), are unsecured and the two tranches of £400.0 million each, expire in 2032 and 2051, respectively. These bonds will follow a Level 2 fair value measurement similar to the pre-existing bonds.

Cross currency swaps

The fair value of derivative financial instruments is based on the present value of estimated future cash flows, which are discounted using the applicable yield curves derived from quoted interest rates as at 30 September 2021.

Unsecured term loan

This loan relates to a £400.0 million term unsecured bank loan, maturing in March 2025. Further details, including covenant information can be found in the Group's annual report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

14. NOTE TO THE CONDENSED CASH FLOW STATEMENT

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended Restated* 30 September 2020 (unaudited) £'000
Profit after taxation	**385,541**	33,086
Adjustment for:		
Taxation	**(5,809)**	(2,164)
Finance costs	**54,906**	54,699
Finance income	**(9)**	(40)
Share of results of joint ventures after taxation	**(112)**	291
Profit on disposal of property assets	**(3,481)**	(3,126)
Loss on disposal of right-of-use assets	**2**	1
Unrealised property revaluation (gains)/losses	**(343,989)**	-
Depreciation expense	**470**	448
Movements in working capital:		
Decrease/(increase) in inventory	**133**	(1,455)
(Increase)/decrease in debtors	**(349)**	1,295
Decrease in creditors	**(905)**	(3,204)
Decrease in provisions	**(1,174)**	(1,023)
Net cash inflow from operating activities	**85,224**	78,808

*Comparative information has been restated as a result of the reclassification of costs as described in Note 16.

15. ANALYSIS OF CHANGES IN NET DEBT

	30 September 2021 (unaudited) £'000	Cash flow £'000	Non-cash items: Amortisation of bond issue costs and interest accrued £'000	Non-cash items: Fair value adjustments and exchange movements £'000	Non-cash items: Finance lease liability additions £'000	31 March 2021 (audited) £'000
Cash and cash equivalents	**97,030**	(100,408)	-	(71)	-	197,509
Unsecured notes	**(2,976,830)**	-	(822)	(4,568)	-	(2,971,440)
Unsecured term loan	**(396,850)**	-	(436)	-	-	(396,414)
Lease liabilities	**(1,274)**	396	(12)	-	(174)	(1,484)
Total loans and borrowings	**(3,374,954)**	396	(1,270)	(4,568)	(174)	(3,369,338)
Net debt	**(3,277,924)**	(100,012)	(1,270)	(4,639)	(174)	(3,171,829)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

16. PRIOR PERIOD RESTATEMENT

Due to the Arbitration Agreement, the Group has received an increased volume of properties released from the MQE over the last two years. During the course of the financial year ended 31 March 2021, the cost of refurbishing properties released from the Married Quarters Estate became quantitatively material as a result of the increased volume of releases. As the number was material for the 31 March 2021 year end, a more detailed review of these costs was undertaken to ensure items that were capital in nature were capitalised as an addition to investment properties within the full year results. This change also affected profit on disposal of investment properties due to the capitalised costs being included in the carrying value of properties sold.

At the same time, dilapidation income, previously presented within property operating expenses as defrayment against refurbishment costs, was presented in the Consolidated Income Statement within other operating income. As these items had not been reflected in the 30 September 2020 half-year accounts, comparative information has been restated to take into account the capitalisation of refurbishment costs and the reclassification of dilapidation income to align with the 31 March 2021 audited financial statements. The details of these adjustments are set out below.

Condensed Consolidated Income Statement

		Six months ended	
	30 September 2020 (unaudited) £'000	Profit increase/ (decrease) (Unaudited) £'000	Restated 30 September 2020 (unaudited) £'000
Property rental income	100,458	-	100,458
Property operating expenses	(9,586)	6,959	(2,627)
Net rental income	90,872	6,959	97,831
Other operating income	20	1,370	1,390
Administrative expenses	(7,259)	-	(7,259)
Other operating expenses	(372)	-	(372)
Site review costs	(8,890)	-	(8,890)
Profit on disposal of investment properties	4,226	(1,100)	3,126
Utilities provision expense	(1,881)	1,881	-
Profit on disposal of inventory	46	-	46
Share of results of joint ventures after taxation	(291)	-	(291)
Operating profit	76,471	9,110	85,581
Finance income	40	-	40
Finance costs	(54,699)	-	(54,699)
Profit before taxation	21,812	9,110	30,922
Taxation	2,765	(601)	2,164
Profit for the period after taxation	24,577	8,509	33,086
Profit attributable to shareholder	24,577	8,509	33,086

16. PRIOR PERIOD RESTATEMENT (continued)

Condensed Consolidated Comprehensive Income Statement	Six months ended 30 September 2021 (unaudited) £'000	Profit increase/ (decreased) (Unaudited) £'000	Restated 30 September 2020 (unaudited) £'000
Profit for the period	24,577	8,509	33,086
Items that may subsequently be recycled through the income statement			
Fair value gains on cash flow hedge	7,100	-	7,100
Reclassification of fair value gains included in profit and loss	(13,947)	-	(13,947)
Total other comprehensive loss	(6,847)	-	(6,847)
Total comprehensive income for the period	17,730	8,509	26,239
Total comprehensive income attributable to shareholder	17,730	8,509	26,239

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

16. PRIOR PERIOD RESTATEMENT (continued)

Condensed Consolidated Cash Flow Statement	Six months ended		
	30 September 2020 (unaudited) £'000	Cash flow increase/ (decrease) (unaudited) £'000	Restated 30 September 2020 (unaudited) £'000
Cash generated from operations	70,479	8,329	78,808
Tax paid	(1,600)	-	(1,600)
Net cash inflow from operating activities	68,879	8,329	77,208
Investing activities			
Proceeds from sale of investment properties	21,019	-	21,019
Development and acquisition of investment properties	(3,875)	-	(3,785)
Refurbishment expenditure on investment properties	-	(8,329)	(8,329)
Purchase of plant and equipment	(16)	-	(16)
Distributions from joint ventures	1,409	-	1,409
Interest received	40	-	40
Net cash inflow/(outflow) from investing activities	18,667	(8,329)	10,338
Financing activities			
Debt issuance costs	(2,112)	-	(2,112)
Interest and other financing costs	(53,556)	-	(53,556)
Interest payments on lease obligations	(28)	-	(28)
Principal payments on lease obligations	(372)	-	(372)
Net cash outflow from financing activities	(56,068)	-	(56,068)
Net increase in cash and cash equivalents	31,478	-	31,478
Cash and cash equivalents at the beginning of the period	103,695	-	103,695
Exchange differences on cash and cash equivalents	54	-	54
Cash and cash equivalents at the end of the period	135,227	-	135,227

The restatement further affected some of the amounts disclosed in Note 2, 3, 4, and 14. Other operating income has increased by £1.4 million as a result of the reclassification of dilapidation income. Profit on the disposal of investment properties has decreased by £1.1 million. Net cash inflow from operating activities has increased by £8.3 million as the capitalised refurbishment costs have been reclassified to investing activities within the condensed consolidated cash flow statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2021 (continued)

17. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period, the Group has had transactions with joint ventures that include distributions, loans and associated interest. These transactions form the basis for the movements disclosed in Note 9.

18. SUBSEQUENT EVENTS

In October 2021, the Group successful raised £800.0 million of new debt in two tranches of £400.0 million each, maturing in 11 and 30 years, respectively. The overall interest rate across both tranches is 2.66%.

Upon receipt of these funds, Annington Limited declared and paid a dividend of £793.6 million to the Group's immediate parent, Annington Holdings (Guernsey) Limited.

In December 2021, Annington and the MoD reached a settlement of the Site Review process relating to the rent payable by the MoD in relation to the Married Quarters Estate (MQE). This settlement applies the awards given by the arbitral panel to date across the MQE as a whole. Reaching this settlement now avoids the need to complete the remaining site review/arbitration process, which was expected to run into the middle of 2023, and results in a material saving in both time and cost for both parties. Further details of this agreement can be found in the Site Review section of the Operational Update.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the half-year condensed consolidated financial statements in accordance with applicable law and regulations. The directors confirm that to the best of their knowledge these half-year condensed consolidated financial statements:

- have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union; and
- the half-year report includes a fair review of important events and their impact during the six months.

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 information differs from legislation in other jurisdictions.

Approved by

S Leung

Director

17 January 2022

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