Company Registration No. 10765119

ANNINGTON FUNDING PLC

Annual Report and Financial Statements

For the year ended 31 March 2025

ANNINGTON FUNDING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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ANNINGTON FUNDING PLC

STRATEGIC REPORT

The principal activity of Annington Funding plc ('the Company') is the financing of the Annington Limited group ('the Group') via an intercompany loan to Annington Homes Limited ('AHL').

BUSINESS REVIEW

At 31 March 2024, the Company held eight tranches of corporate, unsecured bonds, totalling c.£3.5 billion as well as a term loan of £400 million, also unsecured, and had access to a revolving credit facility of £100 million, which had never been drawn against. In July 2024, the Company paid £152 million from cash reserves, to settle the 2024 Euro bond and redeemed the associated cross currency swaps. On 9 January 2025, the Group completed the sale of its interests in the Married Quarters Estate (MQE) to the Ministry of Defence (MoD), for proceeds of £6.0 billion. This released cash, to enable the Company/Group to fully redeem its 2025 and 2033 bonds, for £169.3 million and £400 million respectively. The remaining five bonds were tendered, resulting in £2.1 billion being settled for cash payments of £1.8 billion. At the same time, the Company/Group repaid the £400 million unsecured term loan and cancelled the undrawn £100 million revolving credit facility. Additionally, in February 2025, the Company used another £11.2 million of sales proceeds to redeem bonds with a nominal value of £12.3 million. At 31 March 2025, the Company held five tranches of corporate, unsecured bonds, totalling c.£730.5 million.

The majority of the funding has been lent to AHL, its immediate parent, which in turn provides this funding to the rest of the Group. At 31 March 2025, the Group, held £1.4 billion of cash and cash equivalents. 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.

The Company held an investment of redeemable preference shares in Annington Property Limited ('APL'), in order to provide income to Annington Funding plc to service the interest payable on certain of its fixed rate bonds. These preference shares were redeemed at par following the MQE settlement in January 2025.

The Company recorded a gain of £208.1 million on bond redemptions (2024: £10.6 million) and recognised £122.2 million of finance income (2024: £158.9 million) and £122.2 million of finance costs (2024: £158.4 million) during the year. This increase in gain on bond redemption and reduction in finance income and costs in comparison to prior year are due to the bond redemption settlements outlined above. The company ended the year with total assets of £914.1 million (2024: £3,901.1 million) and total liabilities of £729.5 million (2024: £3,900.7 million). Its result for the year after taxation is a profit of £183.8 million (2024: profit of £0.1 million). Other Comprehensive Income includes a loss on swaps of £1.4 million (2024: loss of £4.2 million) with foreign exchange gains on bonds amounting to £1.3 million (2024: gains of £4.2 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The areas of potential risks and uncertainty which face the business are mainly related to its financial risks (credit risk and liquidity risk). For details of financial instruments, their related risks and the policies and actions put in place to manage them, please refer to Note 16 to the financial statements.

The Company'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 financing facilities include financial covenants such as Loan to Value and Interest Coverage Ratio covenants, calculated on the basis of the Group. 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. The covenants are discussed in more detail in Note 12 to the financial statements, as well as Note 2, under 'Going Concern'.

STATEMENT ON S172 OF THE COMPANIES ACT 2006

The directors consider section 172(1) factors, including the Company's business relationships with finance providers and with AHL, APL and the Group. The directors believe that maintaining effective communication with lenders, including bondholders and banks to be essential to the successful running of the Company. As outlined in the Business Review section above, following the announcement of the Group's sale of its interest in the MQE, noteholders were provided 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. This, along with regular reporting, update calls, and RNS releases, is an example of the Company striving to maintain transparent reporting and provision of information to all stakeholders. Beyond regular financial reporting, the Company, in association with the Group, provides update conference calls on at least an annual basis.

STRATEGIC REPORT

The company maintains good relations with its shareholders and borrowers, utilising the relationships within the Annington Limited Group. The Company is a member of the Annington Limited Group, which considers a wider group of stakeholders, and for which a section 172(1) statement is disclosed in the financial statements of Annington Limited for the year ended 31 March 2025.

FUTURE DEVELOPMENTS

The Company has considered the economic impact of current events such as the continuing Russian military action against Ukraine, geopolitical tensions in the Middle East, inflation and interest rates and continuing uncertainty regarding global trade tariffs imposed during 2025. The Company has on issue fixed interest bonds, leading to highly predictable future cash flows on the listed debt. These factors serve to mitigate any further risks arising from the aforementioned factors.

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

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

I Rylatt
Director

4 August 2025

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2025.

Directors

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

Stephen Leung
Ian Rylatt
David Tudor-Morgan (Resigned 25 March 2025)

Audit Committee

The function of the Audit Committee of the Company is carried out by the Audit Committee of the Annington Limited Group. The Audit Committee includes at least two independent, non-executive directors and one non-executive director appointed by Terra Firma Capital Partners Limited. Alongside other responsibilities, the Committee considers the ongoing effectiveness of controls and procedures operated by management and has oversight of the financial reporting and audit process. Further details regarding the governance of the Group can be found in the Group accounts, available at https://www.annington.co.uk/investors/results-and-reports/.

Dividends

No dividends have been paid or proposed during the year (2024: £nil).

Subsequent events

There are no material subsequent events.

Going concern

After making enquiries the directors have a reasonable expectation that the Company 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 continue to adopt the going concern basis in preparing the financial statements.

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

Financial instruments and risk management policies

Financial instruments and risk management policies are addressed in Note 16.

Internal control and risk management systems over financial reporting

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

Strategic report

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

Directors' indemnities

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

Greenhouse gas reporting

The Company, as a member of the Annington Limited Group, is included within the Group's reporting of greenhouse gas data, as disclosed within Annington Limited's Directors' Report for 31 March 2025.

DIRECTORS' REPORT (continued)

Auditor

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

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

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

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

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 are required 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors and is signed on its behalf by:

S Leung
Director

4 August 2025

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Annington Funding plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. 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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • recoverability of receivables from group undertakings Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £9.0m which was determined on the basis of 1% of total assets. We also apply a lower materiality of £2.1m based on 2% of the finance income. This lower materiality has been applied to transactions reported on the income statement relating to finance income and finance cost (and related interest receivable and payable on the balance sheet).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In previous years the recoverability of investment in preference shares was also identified as a key audit matter, but since these preference shares have been fully redeemed in the current year £ Nil (2024: £793.6m) this is no longer considered a key audit matter. Apart from this, there have been no significant changes to our approach in the current year.

4. Conclusions relating to going concern

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

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

- Challenging the judgements and assumptions applied in the going concern assessment and associated forecasts of financial performance and financial position;
- Assessing the reasonableness of assumptions regarding uncertain cash inflows and the timing and quantum of cash outflows, including reviewing advice received by the entity in connection with the early repayment of bonds;
- Testing the mechanical accuracy of the model utilised;
- Assessing the appropriateness of the sensitivities in the downside scenario;
- Reviewing loan documentation to understand the principal terms, including financial covenants, and assessing review of the Company's existing and forecast compliance with these (including testing of the mechanical accuracy of management's covenant calculations and consistency with the contractual definitions);
- Assessing the level of headroom available on covenants under the base case and downside scenario; and
- Evaluating the appropriateness of the disclosures in the financial statements around going concern and the clarity of the process undertaken by management in concluding on the appropriateness of the assessment.

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 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.

5. Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of receivables from group undertakings

Key audit matter description	Receivables from group undertakings are stated in the balance sheet at £911.8m (2024: £3,096.1m). These receivables are initially recognised at fair value and are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less any loss allowance for Expected Credit Losses (ECL). There is a significant level of judgement involved in determining the recoverability of these receivables from group undertakings based on the financial position and future prospects of the group undertakings. In considering recoverability and potential impairment under IFRS 9 "Financial Instruments", the directors of the company must assess the respective credit quality and liquidity of each group undertaking. Further details are included within note 2 on key sources of estimation uncertainty and note 8 to the financial statements.

How the scope of our audit responded to the key audit matter	We have responded to the key audit matter by performing the following procedures: • We obtained an understanding of and tested relevant controls over the recoverability of receivables from group undertakings; • We have challenged the director's judgements regarding the appropriateness of the carrying value through an assessment of the credit and liquidity position of each group undertaking and by assessing the ability of the group undertakings to repay these amounts; • We challenged Annington Limited group's ("group") plan and forecasts by looking at market factors, forecasting accuracy and post year-end activities, to determine if a specific future course of investment by the group would impact the recoverability of receivables from group undertakings; • We have assessed whether the ECL model used by management is appropriate, considering the changes to the credit risk since origination of the financial assets; and • We have examined post balance sheet events to consider whether the impairment assessment assumptions remain valid. In addition, we obtained management's confirmation that post balance sheet events would not impact our conclusions on recoverability of receivables from group undertakings.
Key observations	Based on the work performed we concluded that receivables from group undertakings are appropriately stated.

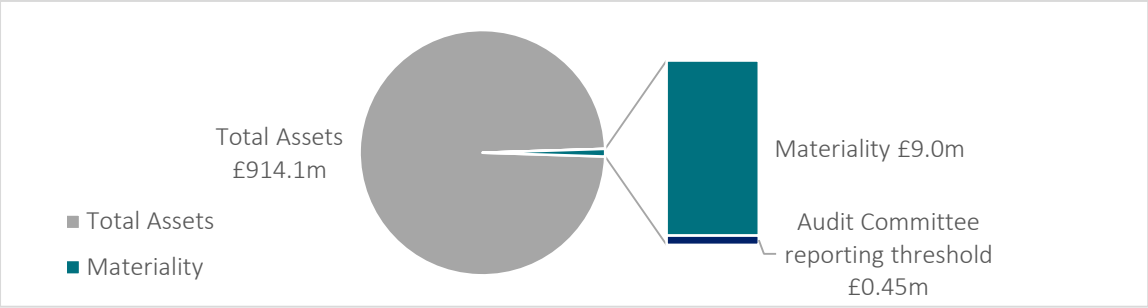
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£9.0m (2024: £38.0m) £2.1m (2024: £2.9m) for transactions reported on the Income Statement relating to finance income and finance cost and Interest receivable and payable.
Basis for determining materiality	1% of total assets (2024: 1% of total assets) The lower materiality was determined with reference to 2% of the finance income (2024: 2% of the finance income)
Rationale for the benchmark applied	We determined materiality based on total assets, the key metric for the users of financial statements, given the company's principal activity is raising debt and the provision of financing to group entities. Finance income is deemed an appropriate benchmark for items impacting the finance income and finance cost as these are more sensitive to the users of the financial statements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls;
b. the low number of corrected and uncorrected identified in prior periods; and
c. the absence of material changes in the business.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.45m (2024: £1.9m) for the overall financial statements, and £0.10m (2024: £0.14m) for transactions reported on the income statement relating to finance income and finance cost and related interest receivable and payable balances, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

With the involvement of our IT specialists, we obtained an understanding of the IT environment. We did not test the general IT controls and we did not place reliance on IT controls as the company's operations are largely based on manual processes and controls.

We tested the relevant controls in relation to our key audit matter and assessed the annual relevant control in respect of the recoverability of receivables. In addition, we obtained an understanding of the relevant controls relating to the borrowings process and the financial reporting cycle given the significance to the company.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 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 company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. 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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Annington Limited Group remuneration policies impacting the company and key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors on 24 March 2023 to audit the financial statements for the year ended 31 March 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 31 March 2023 to 31 March 2025.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. 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.

Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 August 2025

INCOME STATEMENT
For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Finance income	6	**122,159**	148,286
Finance costs	6	**(122,216)**	(158,393)
Gain on bond redemption	6	**208,148**	10,583
Administrative expenses		**(362)**	(402)
Profit before taxation		**207,729**	74
Taxation	7	**(23,905)**	-
Profit for the year		**183,824**	74
Profit attributable to shareholder		**183,824**	74

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Profit for the year		**183,824**	74
Items that may subsequently be recycled through the income statement			
Cash flow hedge:			
Fair value losses on cash flow hedge	14	**(1,396)**	(4,200)
Losses arising on cash flow hedge reclassified to income statement	6	**1,723**	4,159
Reclassification from OCI to profit or loss		**33**	-
Total other comprehensive income/(expense)		**360**	(41)
Total comprehensive income for the year		**184,184**	33
Total comprehensive income attributable to shareholder		**184,184**	33

BALANCE SHEET
At 31 March 2025

	Note	2025 £'000	2024 £'000
Non-current assets			
Financial assets at amortised cost	8	**902,876**	3,709,785
		902,876	3,709,785
Current assets			
Financial assets at amortised cost	8	**8,949**	191,212
Other receivables	9	**2,154**	25
Cash and cash equivalents	10	**71**	55
		11,174	191,292
Total assets		**914,050**	3,901,077
Current liabilities			
Payables	11	**(8,949)**	(32,644)
Loans and borrowings	12	**-**	(148,177)
Derivative financial instruments	15	**-**	(3,725)
		(8,949)	(184,546)
Non-current liabilities			
Loans and borrowings	12	**(720,516)**	(3,716,130)
Total liabilities		**(729,465)**	(3,900,676)
Net assets		**184,585**	401
Capital and reserves			
Share capital	13	**50**	50
Hedging reserve	14	**-**	(360)
Retained earnings		**184,535**	711
Total equity		**184,585**	401

The accompanying Notes (1 to 21) should be read in conjunction with these financial statements. The annual financial statements of Annington Funding plc, registered number 10765119, were authorised for issue on 4 August 2025.

Signed on behalf of the Board of Directors

S Leung

Director

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

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023	50	(319)	637	368
Profit for the year	-	-	74	74
Other comprehensive loss for the year	-	(41)	-	(41)
Balance at 31 March 2024	50	(360)	711	401
Profit for the year	**-**	**-**	**183,824**	**183,824**
Other comprehensive income for the year	**-**	**360**	**-**	**360**
Balance at 31 March 2025	**50**	**-**	**184,535**	**184,585**

CASH FLOW STATEMENT
For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Cash utilised in operations	17	**(449)**	(210)
Finance income received from Group undertakings		**165,757**	157,033
Finance costs paid		**(142,877)**	(157,460)
Taxation paid		**(26,050)**	-
Net cash outflow from operating activities		**(3,619)**	(637)
Investing activities			
Redemption of preference shares		**793,600**	-
Repayments from Group undertakings		**2,151,121**	301,700
Net cash inflow from investing activities		**2,944,721**	301,700
Financing activities			
Repayment of borrowings		**(2,904,013)**	(300,589)
Cash paid on settlement of swap principal		**(5,121)**	-
Debt issuance costs and refinancing fees		**(31,975)**	(563)
Net cash outflow from financing activities		**(2,941,109)**	(301,152)
Net decrease in cash and cash equivalents		**(7)**	(89)
Cash and cash equivalents at the beginning of the year		**55**	146
Effect of exchange differences on cash and cash equivalents		**23**	(2)
Cash and cash equivalents at the end of the year	10	**71**	55

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

1. CORPORATE INFORMATION

Annington Funding plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a public 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 SE1 2HB. Information on the Company's ultimate parent is presented in Note 20.

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.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report, which describe the financial position of the Company. The Company's objectives, policies and process for managing its capital, its financial risk management objectives and details of its financial instruments can be found in Note 16.

At 31 March 2025, the Company held five tranches of corporate, unsecured bonds, totalling c.£730.5 million In July 2024, the Company paid £152 million from cash reserves, to settle the 2024 Euro bond and redeemed the associated cross currency swaps. In January 2025, the Group completed on the MQE settlement for proceeds of £6.0 billion. On 14 January 2025, the Company/Group used £2.4 billion of the sales proceeds to purchase certain bonds issued by the Company, following the completion of tender offers to the holders of such bonds and redeeming certain unsecured bonds pursuant to the terms thereof, in total purchasing and redeeming bonds with a nominal value of £2.6 billion. At the same time, the Company/Group repaid the £400 million unsecured term loan and cancelled the undrawn £100 million revolving credit facility. Additionally, in February 2025, the Company used another £11.2 million of sales proceeds to redeem bonds with a nominal value of £12.3 million.

Critical to the Company's future as a going concern is the ability to service and repay this debt. The Group is forecast to hold sufficient cash on hand to pay interest on the debt.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The debt imposes a number of covenants that must be complied with, on a Group basis. These ratios incorporate the effect of the repurchase referred to in Note 12, 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	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 as at 31 March 2025, the Group is not in a net indebtedness position.

The Company receives finance income on its loan from Annington Homes Limited, which is sufficient to meet the Company's debt obligations and the covenants as set out above. Additionally, the loan is guaranteed by Annington Limited and Annington Property Limited. The Annington Limited Group's forecasts do not indicate that any of the above covenants will be breached in the foreseeable future. Further, the forecasts indicate that sufficient cash will be held to cover payments of interest on its debt, while also allowing for reinvestment and potential dividends to shareholders. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance. The Board has taken into account the effects of current market conditions, including inflation and interest rates, a depressed UK residential sales market, the military action against Ukraine, geopolitical tensions in the Middle East 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 sufficient to fund the ongoing operations of the Group.

After making enquiries, the directors have assessed that the Group generates sufficient cash flows, which has been committed to be made available to the Company by the Group, to settle their obligations as and when they fall due. This assessment is made on the basis of the Group's existing cash reserves and forecasts of operational activity. Based on this analysis, the directors have a reasonable expectation that the Company 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.

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 relevant. Actual results may differ from these estimates. Further details regarding key sources of estimation uncertainty for the Company can be found at Note 8 regarding loans receivable.

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

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

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

Foreign currency

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

New Standards, interpretations and amendments adopted as at 1 April 2024

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

New Standards, interpretations and amendments issued not yet effective

At the date of authorisation of these financial statements, the following new and revised IFRSs relevant to the Company 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 *Revenue from Contracts with Customers* 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 Company and are not expected to have a material impact on its financial statements in future periods.

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

4. OPERATING PROFIT

The auditor's remuneration was £51,000 (2024: £51,000) for the audit of the Company's annual financial statements.

Other services
An amount of Nil (2024: £12,000) was paid to Deloitte LLP for non-audit assurance services in relation to transaction related services.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees of its own during the year (2024: none). The directors of the Company are also directors of other Annington Limited group companies and were remunerated on a group-wide basis. The disclosures for directors' emoluments for the Group can be found in the Annington Limited financial statements. No amount has been allocated to the Company in both the current and preceding years.

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

6. FINANCE INCOME AND COSTS

ACCOUNTING POLICY

Interest income and dividends on redeemable preference shares are 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**
Finance income		
Interest receivable on intercompany balances	**105,672**	127,001
Preference dividends	**16,487**	21,285
Total finance income	**122,159**	148,286
Finance costs		
Interest payable on unsecured fixed rate bonds	**97,470**	127,848
Amortisation of issue costs	**1,628**	2,504
Interest payable on term loan	**21,491**	27,382
Foreign exchange gains 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
Other finance expenses	**1,175**	657
Total finance costs	**122,216**	158,393
Gain on bond redemption		
Gain on bond redemption	**236,018**	10,583
Bond repurchase price lock costs	**(27,870)**	-
Total gain on bond redemption	**208,148**	10,583

During the year, the Company recognised gains on the refinancing of bonds, arising from the repurchase and early settlement of a number of its outstanding bonds (Note 12) at amounts lower than their carrying value.

In addition, the Company 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 within Other operating income, consistent with the current year's presentation. This amount was previously presented within Finance income.

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

7. TAXATION

ACCOUNTING POLICY

The taxation expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except where it is required to be recognised in other comprehensive income.

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Taxable profit differs from profit before tax as reported in the income statement because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

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 standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25% (2024: 25%). The charge for the year can be reconciled to profit before tax as follows:

	2025 £'000	**2024 £'000**
Profit before tax	**207,729**	74
Tax charge at the standard rate	**(51,932)**	(18)
Factors affecting the current tax for the year:		
Group relief surrendered	**-**	(5,303)
Utilisation of tax losses	**23,905**	-
Income not assessed for tax	**4,122**	5,321
Taxation for the year	**(23,905)**	-

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

8. FINANCIAL ASSETS AT AMORTISED COST

ACCOUNTING POLICY

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

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. Should there be a significant increase in credit risk since origination of the loan, the loss allowance is measured at an amount equal to the lifetime expected credit losses, otherwise it is measured at the expected credit losses over the next 12 months.

Key source of estimation uncertainty

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

	2025 £'000	**2024 £'000**
Amounts falling due within one year		
Amounts owed by Group undertakings	**8,949**	180,008
Dividends receivable on preference shares – Group undertakings	**-**	10,351
Interest receivable on swaps	**-**	853
	8,949	191,212
Amounts falling due after more than one year		
Amounts owed by Group undertakings	**902,876**	2,916,185
Redeemable preference shares – Group undertakings	**-**	793,600
	902,876	3,709,785
Total financial assets at amortised cost	**911,825**	3,900,997

	2025 £'000	**2024 £'000**
Amounts owed by Group undertakings include:		
Loan receivable - unsecured, interest-bearing and no fixed date of repayment	**911,825**	3,096,193
Redeemable preference shares	**-**	793,600
Dividends receivable on preference shares	**-**	10,351
	911,825	3,900,144

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

8. FINANCIAL ASSETS AT AMORTISED COST (continued)

Loan Receivable

The recoverable amount of loans receivable from related parties are reviewed annually by reference to the borrower's balance sheet and expected future activities, with a provision recorded to the extent the loan is not considered recoverable. There has been no change in the estimation techniques used or increase in the lifetime expected credit losses of the financial asset in the current period. In assessing the expected credit loss the directors have considered, amongst other things, the potential impact of future interest rates and inflation within the economy and the impact of these on the borrower as well as the fact that there is no history of credit default. Interest is charged on the loan at a rate of 4.215% (2024: 3.851%). This rate is mutually agreed upon periodically. Unpaid interest balances are accrued within amounts owed by Group undertakings; balances expected to be received in the next 12 months are shown separately.

Redeemable Preference Shares and related dividends

At the start of the year, the Company held 793,600,000 preference shares of £1 each in Annington Property Limited, a fellow subsidiary of the Annington Group.

Par value (£)	Final Maturity	Dividend
397,560,000	6-Oct-32	2.378%
396,040,000	6-Oct-51	2.987%

On 9 January 2025, the preference shares were redeemed.

The carrying value of financial assets approximates the fair value.

9. OTHER RECEIVABLES

ACCOUNTING POLICY

Other receivables are initially recognised at fair value when the Company becomes entitled to receive the contractual cash flows and are subsequently measured at amortised cost using the effective interest method less any impairment. Corporation tax receivables are recognised to the extent the amount of corporation tax payments made exceed the related tax expense.

	2025 £'000	2024 £'000
Amounts falling due within one year		
Prepayments	**9**	25
Corporation tax	**2,145**	-
	2,154	25

The carrying value of other receivables approximates the fair value.

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

10. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

	2025 £'000	2024 £'000
Cash at bank	**71**	55

11. 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 falling due within one year		
Accrued interest	**8,736**	32,328
Other accruals	**213**	316
	8,949	32,644

The carrying value of payables approximates fair value.

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

12. LOANS AND BORROWINGS

ACCOUNTING POLICY

Loans and borrowings are initially recognised at fair value less the transaction costs directly attributable to their issue. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method, such that discounts and costs are charged to the income statement over the term of the borrowing at a constant return on the carrying amount of the liability. The debt is classified as current and non-current based on the contractual payments required within 12 months of the balance sheet date.

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

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

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

On 14 January, the Company/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 Company paid £11.2 million to redeem bonds with a nominal value of £12.3 million.

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

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%

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

12. LOANS AND BORROWINGS (continued)

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

Covenant	Test	Limit for Bonds	Limit for Loans	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	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 as at 31 March 2025, the Group is not in a net indebtedness position.

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

Reconciliation of movement

	31 March 2025 £'000	Amortisation of debt issue costs £'000	Derecognised on repurchase £'000	FX Revaluation adjustment £'000	31 March 2024 £'000
Fixed Rate EUR Bonds 2024	**-**	39	(146,934)	(1,282)	148,177
Fixed Rate GBP Bonds 2025	**-**	106	(169,269)	-	169,163
Fixed Rate GBP Bonds 2029	**1,496**	2,017	(598,500)	-	597,979
Fixed Rate GBP Bonds 2032	**177,428**	1,196	(221,820)	-	398,052
Fixed Rate GBP Bonds 2033	**-**	2,630	(400,000)	-	397,370
Fixed Rate GBP Bonds 2034	**1,369**	2,918	(623,625)	-	622,076
Fixed Rate GBP Bonds 2047	**188,896**	17,934	(565,121)	-	736,083
Fixed Rate GBP Bonds 2051	**351,327**	527	(45,444)	-	396,244
Term Loan 2025	**-**	837	(400,000)	-	399,163
	720,516	28,204	(3,170,713)	(1,282)	3,864,307

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

12. LOANS AND BORROWINGS (continued)

Fair values

The fair values of the Company's borrowings and interest rate swaps are determined by a Level 2 valuation technique.

This fair value measurement hierarchy level is specified in accordance with IFRS 13 'Fair Value Measurement'. The levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2025		
	Par value £'000	**Balance sheet value £'000**	**Fair value £'000**
Level 2			
Financial liabilities			
Unsecured bonds	**(730,490)**	**(720,516)**	**(598,600)**
Total financial liabilities	**(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 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.

	2024		
	Par value £'000	**Balance sheet value £'000**	**Fair value £'000**
Level 2			
Non-derivative financial liabilities			
Unsecured bonds	(3,502,485)	(3,465,145)	(2,894,150)
Unsecured term loan	(400,000)	(399,162)	(400,000)
Derivative financial liabilities			
Cross currency swaps	-	(3,725)	(3,725)
Total financial liabilities	(3,902,485)	(3,868,032)	(3,297,875)

Unsecured bonds
The bonds are listed on the main market of the London Stock Exchange and 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.

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

13. SHARE CAPITAL

	2025 £'000	2024 £'000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

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

14. HEDGING RESERVE

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value are recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

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

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

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

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

15. 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 cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line item.

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

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

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

	2025 £'000	**2024 £'000**
Financial liability measured at fair value through OCI		
Cross currency swaps that are in designated hedge accounting relationships	**-**	(3,725)

Reconciliation of movements

	2025 £'000	**Revaluation adjustment £'000**	**Repaid £'000**	2024 £'000
Cross currency swap liability	**-**	**(1,396)**	5,121	(3,725)
Total derivative financial instruments	**-**	**(1,396)**	5,121	(3,725)

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and net of directly attributable transaction costs as appropriate.

The Company has the following financial instruments:

	Note	2025 £'000	2024 £'000
Financial assets			
Financial assets at amortised cost	8	**911,825**	3,900,997
Cash and cash equivalents	10	**71**	55
Total financial assets		**911,896**	3,901,052
Financial liabilities			
Liabilities measured at amortised cost:			
Payables	11	**8,949**	32,644
Loans and borrowings	12	**720,516**	3,864,307
Liabilities measured at fair value through OCI:			
Cross currency swaps	15	**-**	3,725
Total financial liabilities		**729,465**	3,900,676

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

Credit Risk

The Company's principal financial assets are cash and cash equivalents and amounts due from Group undertakings.

The Company's exposure to credit risk is assessed as low as this is primarily attributed to its receivables, which consists entirely of an intercompany loan to AHL (refer to note 8).

Credit risk on financial assets, cash and deposits is managed in accordance with Group Treasury Policy and risk is minimised by using banks and sovereign bonds 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. Counterparty credit risk with respect to cash and deposits is assessed as low, as cash balances are held with counterparties with at least an upper medium grade rating.

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

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Debt Management

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

Options for the extension, refinancing or repayment of debt are considered well in advance of maturity so that the Company is able to take steps to manage its debt levels and maturity profile of its debt.

The full and partial settlement of the bonds, the term loan, and revolving credit facility is discussed in Note 12.

Capital Risk Management

The capital is managed at a Group level to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt and equity. Net debt includes borrowings (Note 12) offset by cash and cash equivalents, while equity comprises that attributable to equity holders of the Company, being issued share capital (Note 13), reserves (Note 14) and retained earnings.

The debt imposes a number of covenants that must be complied with under the bonds facility. Refer to Note 12 for the covenants attaching to the debt.

Currency Risk

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

Interest Rate Risk Management

The Company has a low interest rate risk as all of the Company's borrowings are at fixed interest rates, although it is exposed to interest rate risk on the maturity of such borrowings, the first of which occurs in 2029. Annington Funding plc 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%).

Cash and Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Cash levels are also monitored at a Annington Limited group level to ensure sufficient resources are available to meet the individual entities and Group's current and projected operational commitments. Annington Funding plc provides funding to Annington Homes Limited which in turn provides intercompany loans at fixed interest rates to other entities in the Group.

Financial maturity analysis

In respect of the net non-derivative financial liabilities, the following table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay or receive monies. The table includes both interest and principal cash flows.

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	2025			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Payables	**213**	**213**	**-**	**-**
Loans and borrowings	**1,216,542**	**22,247**	**90,462**	**1,103,833**
Total non-derivative financial liabilities	**1,216,755**	**22,460**	**90,462**	**1,103,833**
Net payments for derivative financial instruments				
Cross currency swaps	**-**	**-**	**-**	**-**
Total derivative financial instruments	**1,216,755**	**22,460**	**90,462**	**1,103,833**

	2024			
	Total £'000	Less than one year £'000	One to five years £'000	More than five years £'000
Non-derivative financial liabilities				
Payables	316	316	-	-
Loans and borrowings	5,663,322	295,140	1,102,261	4,265,921
Total non-derivative financial liabilities	5,663,638	295,456	1,102,261	4,265,921
Net payments for derivative financial instruments				
Cross currency swaps	3,437	3,437	-	-
Total derivative financial instruments	3,437	3,437	-	-

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

17. NOTES TO CASH FLOW STATEMENT

	2025 £'000	2024 £'000
Profit after taxation	**183,824**	74
Adjustment for:		
Taxation	**23,905**	-
Finance costs	**122,216**	158,393
Finance income	**(122,159)**	(148,286)
Gain on bond redemption	**(236,018)**	(10,583)
Bond repurchase price lock costs	**27,870**	-
Movements in working capital:		
Decrease in receivables	**16**	-
(Decrease)/increase in payables	**(103)**	192
Cash consumed by operations	**(449)**	(210)

18. ANALYSIS OF CHANGES IN NET DEBT

			Non-cash items			
	2025 £'000	Cash flow £'000	Amortisation of bond issue costs and interest accrued £'000	Adjustments and exchange movements £'000	Profits on refinancing £'000	2024 £'000
Cash and cash equivalents	**71**	**(7)**	**-**	**23**	**-**	55
Unsecured notes	**(720,516)**	**2,504,013**	**(1,548)**	**1,282**	**240,882**	(3,465,145)
Unsecured term loan	**-**	**400,000**	**(80)**	**-**	**(758)**	(399,162)
Net debt	**(720,445)**	**2,904,006**	**(1,628)**	**1,305**	**240,124**	(3,864,252)

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

19. RELATED PARTY DISCLOSURES

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

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

	2025 £'000	2024 £'000
Immediate Parent		
Annington Homes Limited – finance income	**105,672**	127,001
Fellow subsidiary		
Annington Property Limited – preference share dividend	**16,487**	21,285
	122,159	148,286

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties	
	2025 £'000	2024 £'000
Immediate Parent		
Annington Homes Limited – intercompany loan	**911,824**	3,096,193
Fellow subsidiary		
Annington Property Limited – redeemable preference shares	**-**	793,600
Annington Property Limited – redeemable preference dividend	**-**	10,351
	911,824	3,900,144

The intercompany loan balance outstanding from Annington Homes Limited relates to a loan provided by Annington Funding plc with no set redemption date and at an interest rate of 4.215% (2024: 3.851%) per annum. An annual fee of £10,000 (2024: £10,000) is payable to Annington Funding plc by Annington Homes Limited for administration services. The short-term receivable relates to costs paid on Annington Homes Limited's behalf.

The Company held 793,600,000 preference shares of £1 each in Annington Property Limited, a fellow subsidiary of the Annington Group. These were fully redeemed in January 2025.

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

20. 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 SE1 2HB.

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

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

Annington Limited is the parent company of the largest and smallest group of which the Company is a member and for which Group financial statements are drawn up. The Annual Report and Financial Statements for Annington Limited are available on request from the registered office at Hays Lane House, 1 Hays Lane, London SE1 2HB.

21. SUBSEQUENT EVENTS

There are no material subsequent events.

REGISTERED OFFICE

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