Company Registration No. 08271384

ANNINGTON LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2024

ANNINGTON LIMITED

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NOTE ON FORWARD LOOKING STATEMENTS

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

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

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

STRATEGIC REPORT

HIGHLIGHTS FINANCIAL YEAR 2024

The Annington Group ('Annington' or the 'Group'), headed by Annington Limited (the 'Company'), presents its consolidated financial statements for the year ended 31 March 2024.

- The carrying value of the Group's investment properties decreased to £7.4 billion (2023: £7.8 billion).
- At 31 March 2024, the Group held 38,497 residential property units, of which 36,720 are part of the Married Quarters Estate leased to the UK Ministry of Defence (2023: 39,542 Units, 37,100 MQE).
- Loss after taxation was £103.4 million (2023: loss of £627.2 million).
- Gross Rental income was £242.0 million (2023: £219.3 million).
- Adjusted EBITDA was £214.9 million (2023: £193.8 million).
- The Group sold 1,045 (2023: 394) investment properties and recognised £268.6 million (2023: £95.5 million) in gross sales proceeds.
- The Court of Appeal granted Annington leave to appeal against the High Court decision regarding the Ministry of Defence's attempt to enfranchise eight units which form part of the Married Quarters Estate.
- The Court of Appeal hearing was due to take place between 23 and 25 July 2024. On 17 July 2024, and at the joint request of the Group and the MOD, the Court of Appeal agreed to vacate the hearing in order that the parties had time to discuss a potential resolution of the proceedings.
- The Group repurchased £312.3m of the Sterling 2025 bonds in February 2024.
- The Group's cash balance at 31 March 2024 was £196.4 million, with cash being held to fund capital payments and the working capital requirements of the Group.
- The Group launched its first refurbishment project to reach Energy Performance Certificates ("EPC") A in the year.

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

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STRATEGIC REPORT

YEAR IN REVIEW

The Group had another successful year, seeing significant improvements across a number of Key Performance Metrics. This was underpinned by the Married Quarters Estate (‘MQE’) that is rented to the Ministry of Defence (“MoD”) and accounts for approximately 95.4% of the Group’s properties. As the MoD releases properties back to the Group, they are typically resold and, in some cases, re-let in the open market. To date, the Group has helped over 17,000 people purchase a home, many of whom were first time buyers, service personnel or key workers. The Group’s portfolio is characterised by larger floor areas, gardens and being sited in green open spaces, in contrast to typical equivalent new build properties.

The Group’s gross rental income for the financial year to March 2024, increased by 10.4% to £242.0 million. MQE portfolio rent reviews, reflecting market movements applied during the year, increased rents by £26.4 million. The Non-MQE Portfolio continues to benefit from a strong rental market with average rent on a unit per unit basis increasing by 7.8%.

In line with the Group’s active asset management strategy, the Group identified a number of units as non-core and when combined with other units which have been released and refurbished, 1,045 units were subsequently sold during the year. In total, the Group generated £264.0 million in cash on a net basis, from these disposals.

The Group continued to operate an unsecured debt strategy maintaining a BBB rating. In February 2024, the Group successfully de-geared by repurchasing £312.3 million of its Sterling 2025 bonds using free cash flow.

The Group is committed to being a great place to work and having a positive social and environmental impact. As part of this drive, the Group reviewed its existing corporate values and created a Purpose Statement articulating the Group’s culture at the start of the year. The Group believes that the resulting new core values which are to be Principled, Adaptable, Collaborative and Innovative express what Annington is and set the direction for a successful future in which Annington can add value for its stakeholders.

The Group places great emphasis on the long-term sustainability of the homes it refurbishes, the places where it operates and how it improves outcomes for people. The Group believes its refurbish, repurpose, and revive ethos presents a unique opportunity to reinvigorate communities that have been neglected and, in some cases, abandoned, and in doing so, is aligned to UN SDG 11 (Sustainable Cities and Communities). Over and above internal refurbishment, the Group routinely works to improve the ‘street scene’ on its Sites to make the communities in which homes are situated sustainable, and more desirable places to live.

The Group continued to make great strides in ensuring it has a positive environmental impact. During the year, 98% of the waste generated from its refurbishment activities was diverted from landfill. On energy efficiency, which is a key focus, the Group brought to market its first refurbishment project to achieve an EPC A rating, while in its rental properties 92% of its Assured Shorthold Tenancy (“AST”) portfolio achieved an EPC C or above.

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STRATEGIC REPORT

GROUP OVERVIEW

The Group, headed by Annington Limited, is one of the largest private owners of residential property in the United Kingdom and, as at 31 March 2024, owned 38,497 (2023: 39,542) residential property units.

The primary asset of the Group is a portfolio of residential property units which was acquired from the MoD on 5 November 1996 (the '1996 Acquisition'). At the time of the 1996 Acquisition, the Group acquired c.55,060 units which were located on 765 Sites, almost all of which were on 999-year headleases which were then leased back to the MoD for a term of 200 years (of which 172 years are unexpired) to provide the majority of the MoD's subsidised Service Family Accommodation ('SFA'). The portfolio also included certain related assets, consisting primarily of buildings used for purposes such as housing administration and welfare offices, community centres, crèches and thrift shops, as well as playground areas, sports pitches, tennis and squash courts, and undeveloped open spaces.

As at 31 March 2024 (unless otherwise noted), the Group's investment property portfolio consisted of:

	MQE Portfolio	Non-MQE Portfolio
Properties	36,720 (2023: 37,100) homes leased to the MoD and 175 related assets on 497 Sites	1,777 (2023: 2,442) homes held separately from the MQE Portfolio. This includes homes available for sale and homes which are rented to the general public, the MoD and local authorities.
Activity	• Provision of Service Family Accommodation	• Refurbishment and sale or rent of properties released by the MoD • Residential investment portfolio of properties rented on market terms, both individually and in bulk. • Redevelopment capability
Lease type	Repairs and maintenance paid by tenant	Repairs and maintenance paid by tenant or landlord
Passing rent at 25 December[a] 2023	£242.1m (25 December 2022: £214.2m)	£13.3m (25 December 2022: £21.3m)
Value	Fair Value: £6,996.7m (2023: £7,256.5m) SAVPV[b]: £10,037.1m (2023: £10,453.9m)	Fair Value: £357.4m (2023: £536.5m) SAVPV[b]: £404.6m (2023: £609.0m)

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

[b]Special Assumption of Vacant Possession Value (See Appendix 1)

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STRATEGIC REPORT

STRATEGY

The Group enjoys a unique role as the MoD's primary landlord for residential housing, benefiting from stable, long-term, contracted rental income with the potential for significant capital appreciation. The key elements of the Group's business strategy are described below.

Maximising MQE value increases through Rent Reviews and Site Reviews

The Group looks to maximise rental income and in turn estimated market value of the MQE through the five yearly Rent Review cycle, setting the reference open market rent for the MQE. In December 2021, the Group reached an agreement regarding the Site Review process, pursuant to the Settlement Agreement. This settlement agreed to decrease the Original Adjustment Factor from 58% to the New Adjustment Factor of 49.6% and also included an agreement that at the next Site Review on the 15th anniversary of the initial Site Review, scheduled for 2036-2039, the New Adjustment Factor will also be applied, meaning that the next full Site Review will take place between 2051 and 2054.

Rigorously appraising options for Released Units and Disposal Proceeds

The Group appraises Released Units in accordance with defined processes designed to optimise the Group's returns on investment and to examine all potential options on a Site-specific basis, including whether to sell the Units to third party purchasers or to relet the Units within the Non-MQE Portfolio. The Group's management reviews and evaluates options for Released units and pursues appropriate strategies having regard to market conditions and other circumstances at the time. From time to time, the Group may also choose to rent out certain properties prior to sale, either while base dependent utilities supplies are separated, or where this approach appears more likely to yield greater value.

The Group examines all potential options for the use of proceeds that it receives from the sale of Released Units. The Group may reinvest proceeds into the refurbishment of the Non-MQE Portfolio, it may expand the Non-MQE Portfolio and it also considers potential infill development or redevelopment. The Group may also consider pre-paying debt if considered appropriate and may also elect to distribute such cash (subject to the Group's dividend policy).

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

In respect of Released Units which are intended to be sold to third party purchasers, the Group utilises established systems and processes to minimise the cost of sales of Released Units. This ensures efficient handling of Units between release and sale or reletting and includes the use of key task tracking to identify every aspect of a Released Unit's transition, from handover by the MoD to sale, in order to allocate responsibility and control programme implementation and costs. The Group also maintains an extensive use of outsourcing to control workflows and match the uncertainties arising from variable MoD property release levels. Preferred contractors are employed on a schedule of rates in order to guarantee pricing levels. Where necessary, the Group will continue to offer certain sales incentives to maximise sales volumes, as well as employing sales support providers and estate agents with detailed knowledge of the local markets in which they operate.

Active asset management

Through the Non-MQE Portfolio, the Group intends to continue letting on the open market and improving its returns through proactively managing the Group's tenancies and rental levels. Reviews of such properties are conducted regularly to identify where there may be a void occupancy in the short-term and to assess what rental level should be achieved on reletting. Potential options to maximise value will be considered, including refurbishment, redevelopment and disposal.

Undertaking planning and development initiatives where appropriate

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

Environmental, Social and Governance

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

STRATEGIC REPORT

BUSINESS REVIEW

MQE Portfolio

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

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

Rent Reviews

At the time of the 1996 Acquisition, the MQE was split into four broadly homogenous tranches, each encompassing approximately 25% of the MQE for purposes of Rent and Site Reviews. Rent Reviews are conducted on a five-year rolling basis, with a single tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year. Given the impracticality of reviewing all Units within a particular tranche, certain Units, known as 'Beacon Units', located on each Site, have been specified in the related Underleases as being broadly representative of all of the Units on that particular Site. On the applicable review date, the rent payable on the Beacon Unit is reviewed against the open market rent as of that date, and any resulting percentage change to the Beacon Unit rent is then applied to the Site as a whole. This enables the Group to avoid the administrative costs and delays in respect of the MQE which would otherwise arise out of evaluating all MQE Units located on a particular Site. Rents can increase and decrease as a result of this review process, subject to a floor, meaning rents cannot fall below the initial rent level that was set at the time of the 1996 Acquisition.

Negotiations for the Beacon Unit Rent Review for 25 December 2023 concluded in May 2024, achieving an uplift of 36.6%, compared to circa 28.4% for the complete 2022 Beacon Rent Review. This results in a £20.1 million increase in passing rent at 25 December 2023, and after the Site Review uplift of £9.1 million, a total uplift to passing rent of £29.2m is realised at that date.

Site Reviews and Settlement Agreement

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

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

BUSINESS REVIEW – MQE Portfolio (continued)

Property Releases

As the MoD's requirements for SFA change, it may elect to terminate, in whole or in part, any lease upon six months' notice subject to meeting certain release criteria. In the year to 31 March 2024, the MoD returned 380 Units to Annington (2023: 298). Upon termination of a lease, APL is left with vacant possession of the Released Units and is free to use or dispose of them as it sees fit, including by selling them to third party purchasers, or by leasing them at open market value, thereby generally providing an immediate uplift in value given that such properties will no longer be subject to the adjusted rent being paid by the MoD prior to their release.

As part of the settlement reached with the MoD in December 2021 that brought the expedited Site Review process to a successful conclusion, the minimum number of releases was agreed at 375 releases per year, calculated on a two-year average within a three-year period with the MoD also agreeing to release a minimum of 250 properties per annum. The Group continues to work closely with the MoD to identify future releases.

Non-MQE Portfolio

The management platform, developed as a result of owning and operating the Non-MQE, allows the Group to control the timing of sales releases into the housing market and provides an opportunity to take advantage of strong yields in markets where the Group sees the potential for appropriate returns.

As of 31 March 2024, the Non-MQE Portfolio consisted of 1,777 properties (2023: 2,442). These units are strategically assessed on a continuous basis and either sold or rented. Rented properties are let on bulk tenancies (including to the MoD) at market value or let to other third parties on the open market. Some of this activity is useful in generating comparison data which the Group uses in rent negotiations with the MoD during Rent Reviews.

Notices of Enfranchisement

As previously reported, between December 2021 and early 2022, Annington received enfranchisement notices from the MoD on a total of eight units which form part of the Married Quarters Estate. On 27 January 2022, the then Minister for Defence (Procurement) submitted a written statement to Parliament stating that the MoD was exploring enfranchisement of the MQE via two test cases.

Annington's position was that the MoD had no legal right to enfranchise any properties and that the MoD's decision-making in issuing the enfranchisement notices breached its public law obligations. On 11 March 2022, Annington filed proceedings against the MoD in the Chancery Division and the Administrative Court, and in February 2023, a joint hearing was held in the Administrative Court and Chancery Division to determine whether the MoD is entitled to enfranchise the eight units which were subject to the notices, both as a matter of public law and property law.

On Monday 15 May 2023, the High Court handed down its judgment. The Court held that the MoD had acted lawfully, and found that the MoD enfranchisement notices on the eight properties were valid, and dismissed each of the judicial review and private law claims.

In Annington's view, the Court's decision risks setting a dangerous precedent for businesses and international investors in the UK and if upheld would mean that the Government can disregard long-term contracts if it believes it is in its interests to do so. Annington does not consider that the purpose of the legislation was to allow the MoD to renege on deals where it has seller's remorse and Annington considers this to be a matter of public importance.

Annington subsequently applied for, and was granted, permission to appeal the judgment. The hearing of the appeal was scheduled to take place between 23 and 25 July 2024. On 15 July 2024, the Group and the MoD jointly applied for the July hearing to be vacated in order that the parties had time to explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024, the Court of Appeal agreed to vacate the hearing. The hearing will be relisted for the first available date (accounting for Court and Counsel availability) after 1 November 2024.

If the matter cannot be resolved, and the proceedings proceed to the appeal hearing, there is also the potential of a further appeal following this to the Supreme Court (and potentially after that to the European Court of Human Rights). In totality these appeals are likely to take several years. Additionally, if the notices are upheld, any decisions on the price payable for units subject to enfranchisement would also be capable of appeal.

In addition to the notices which are the subject of the proceedings before the Court of Appeal, a further three enfranchisement notices were served in January 2024. Annington has again filed proceedings against the MoD in the Chancery Division and the Administrative Court to challenge the notices as a matter of public and private law. Those proceedings have been stayed until judgment is handed down in respect of the above appeal given that many of the issues raised are substantially similar.

Notwithstanding the current legal process, the Group reiterates its commitment to maintaining a positive, constructive and mutually beneficial working relationship with the MoD, including as regards any potential resolution of the proceedings.

Service Family Accommodation

The MoD provides subsidised accommodation to members of the Armed Forces and their families as part of their conditions of service. Good quality housing is considered a key condition for maintaining overall operational readiness. The management of SFA is the responsibility of the Defence Infrastructure Organisation ('DIO') within the MoD. The Group is not responsible for management and maintenance of those properties leased in the MQE Portfolio and carries no void risk.

According to the Service Family Accommodation Statistics: 2010 to 2024 there were 47,700 SFA properties in the UK as of 31 March 2024 (2023: 47,800). Of these, 8,600 (2023: 9,100) or 18.1% (2023: 19%) are vacant. 91.5% of UK SFA properties are located within England & Wales which represents 43,646 properties, of which 36,720 are part of the MQE. The MoD attributes the high vacancy rates, which have consistently remained above their target margin of 10%, to properties which require significant upgrades and to vacancies on sites where there is a known future increase in requirement. Whilst 94.7% of UK SFA properties were assessed as Decent Homes (in good condition or requiring minor improvements) or Decent Homes+, this represents a 1% decrease from the previous year. More illustrative are the responses to this year's Armed Forces Continuous Attitude Survey which reported that satisfaction with the responses to, and quality of maintenance/ repair work of SFA has increased 9% and 8% respectively since 2023.

The MoD continues to be supportive of service personnel's ambitions of home ownership, in part to reduce its dependence on SFA and to explore other, lower cost approaches to providing accommodation. However, 65% of personnel reported affordability as the reason why they do not own their own home, down from 67% in 2023. The MoD piloted a future accommodation model ('FAM') which considered the approach to both financial and non-financial elements of the MoD's offer to service personnel, including accommodation. The FAM pilot came to an end in March 2023 with the results of this pilot being used to help determine which options will be carried forward to the Modern Accommodation Offer, which is primarily focussed on widening choice and reforming eligibility criteria. Following a strong response over plans to change entitlement to family housing from rank to need, elements of the roll-out of the Modern Accommodation Offer have been paused and remain under review.

Given the affordability concerns for service personnel looking at the private housing market, the lack of clarity over the Modern Accommodation Offer, the lease arrangements between Annington and the MoD continue to provide a cost effective and flexible housing solution and demand for SFA looks likely to remain.

BUSINESS REVIEW (continued)

The UK Housing Market

The UK housing market has historically endured a chronic imbalance of insufficient supply and increasing demand, which has underpinned the steady growth of property prices and rental rates. There are c.24.2 million households in England living in self-contained accommodation, with 15.8 million of these households classified as owner occupiers (65%) and 4.6 million (19%) in the private rental market, according to the Department of Levelling Up, Housing and Communities ("DLUHC") latest English Housing Survey (2022-23). The supply of new homes remained steady at 234,400 between 2022-23 from 234,460 in 2021-22, which is below the peak of 244,000 in 2019-20, and significantly below the target of 300,000 new homes per year, which is broadly accepted as the minimum required to address actual housing need. In addition, in the 15 years between mid-2021 and mid-2036, the UK population is projected to grow by 6.7 million people (10.0%) from an estimated 67.0 million to 73.7 million.

Population growth and the divergence between house price inflation and wage growth due to the ongoing undersupply of new housing stock has increased the barriers to entry for those looking to buy their own homes and has resulted in an increase in the percentage of the population who rent in the private rental sector (PRS). In addition, PRS demand has been bolstered by increased mortgage costs and some landlords reducing their portfolio's citing legislative changes, including changes to benefits, the April 2020 withdrawal of the tax relief which allowed landlords to offset financing costs against Income Tax, an increase in Stamp Duty Land Tax ("SDLT") as well as potential forthcoming changes, including limitations on Section 21 evictions. The Office of National Statistics ("ONS") Price Index of Private Rents ("PIPR") reported an annual increase in rents rising to 9.2% in the 12 months to March 2024 which represents the highest annual percentage change since this dataset began in January 2015. CBRE forecast UK rental growth of 6.4% for 2024 and 15.7% over 2024 to 2028.

After a period of steep base rate increases designed to tackle a period of high inflation, recent indicators show UK inflation is on a downward slope trajectory, evident in decreasing CPI rates to 3.2% in the 12 months to March 2024, from 10.1% in the 12 months to March 2023. This indicates the lessening of affordability constraints and the prospect of base rate cuts. Banks have supported this sentiment by cutting mortgage rates in the first three months of the year, driving market activity. House price indicators have now moved into positive territory with Savills reporting that house prices rose by 1.1% in the first three months of the year, bringing annual house price growth to 1.6% at the end of March 2024. Furthermore, monthly mortgage approvals in February 2024 rose above 60,000 for the first time since September 2022, and the Royal Institution of Chartered Surveyors' ("RICS") reading for new buyer enquiries moved back into positive territory. CBRE forecast a 1.0% increase in UK house prices in 2024 and 15.0% between 2024 and 2028.

Near future market challenges include the economic impact of elections and political uncertainty, alongside the sustained expansion in rental supply, needed to alleviate demand and rental affordability.

KEY PERFORMANCE INDICATORS

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

Financial KPI	2024 £ millions	2023 £ millions	Management commentary
Gross rental income	**242.0**	219.3	Gross rental income has increased by £22.7 million or 10.4% in 2024 due to rent uplifts on the MQE, incorporating uplifts from the New Adjustment Factor and Beacon Unit Rent Review outcomes. This was partially offset by a reduction in the Non-MQE rental income due to significant unit sales (including non core disposals) in the year.
Net rental income margin	**96.2%**	96.3%	Net rental income margin measures the profitability of the Group's rental operations, expressing net rent as a percentage of gross rental income. This measure has remained broadly consistent.
Adjusted EBITDA	**214.9**	193.8	Adjusted EBITDA is used to measure the normalised earnings of the business by removing exceptional items of profit and loss and aims to make comparisons more meaningful across different periods. Adjusted EBITDA has increased broadly in line with the increase in gross rental income discussed above.
Adjusted EBITDA margin	**88.8%**	88.3%	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. This measure has remained broadly consistent.
Free cash flow	**311.0**	105.0	This measure is used to assess the cash generated to be utilised on discretionary purchases, debt repayments or dividends. Free cash flow has increased by £206.0 million, primarily due to significantly higher unit sales, an uplift on rental income and an increase in interest income from larger cash balances being held throughout the year.
Net rental yield	**3.2%**	2.7%	This measure is used to assess rental yields on investment property carrying values. Net rental yield has increased from 2.7% to 3.2% reflecting current market conditions which have reduced asset values across the sector.

FINANCIAL REVIEW

Gross Rental Income

Total rental income for the Group rose by 10.4% from £219.3 million to £242.0 million.

	2024 (£m)	2023 (£m)	Increase / (Decrease) %
MQE	**221.9**	197.4	12.4%
Non-MQE	**20.1**	21.9	(8.2%)
Total	**242.0**	**219.3**	**10.4%**

The MQE Portfolio generated rental income of £221.9 million in the year to March 2024 (2023: £197.4 million) – an increase of £24.5 million. This increase is reflective of the Site Review rent adjustment agreed in December 2021, effective for the third of the four tranches into which the portfolio is divided, from December 2023, as well as the Beacon Unit Rent Reviews undertaken. The combined effect is a £26.4 million increase in rent across the portfolio. This increase is partially offset by a £1.9 million decrease resulting from the release of Units during the year.

Rent from the Group's Non-MQE Portfolio decreased from £21.9 million in 2023 to £20.1 million in 2024. This reflects the disposal of over 40% of the Non-MQE Portfolio from the prior year through numerous bulk and individual sales, resulting in a net decrease in rent of £4.2 million. Offsetting this decrease, the renting of released units from the MQE portfolio over the two last years have contributed an additional £1.5 million of rental income in the year and there has been a 7.8% increase in like-for-like rental income, contributing to a £0.7 million uplift.

Across the MQE and Non-MQE Portfolios, 93.8% (2023: 93.2%) of the Group's rental income is derived from contracts with Government bodies. The MQE's contribution to Group rental income has increased to 91.7% (2023: 90.0%).

By its nature, the rent for the MQE is paid based on 100.0% occupancy. Occupancy within the Non-MQE Portfolio averaged 98% (2023: 98%) for the year, when normalised to exclude units which are not available to be let.

Property Operating Expenses and Dilapidation Income

Property operating expenses totalled £9.2 million for the year (2023: £8.2 million), a 12.2% increase on 2023. The mix and nature of releases in the year gave rise to increased survey and investigation costs, which have not been capitalised. Additionally, there has been an increase in holding and maintenance costs in the year due to the significant increase in disposals and associated void periods during the sales process.

The majority of the Group's other income is dilapidation income which was £1.0 million lower than last year at £3.5 million (2023: £4.5 million). Dilapidation income is largely a function of the nature and location of Units and their state of repair when they are released to the Group, hence the variability in income from year to year.

Administrative Expenses

Administrative expenses (including depreciation) were in line with prior year at £17.8 million (2023: £17.8 million).

Adjusted EBITDA

Adjusted EBITDA measures the business's normalised performance, reflecting the underlying operations of the Group. Adjusted EBITDA for the year ended 31 March 2024 was £214.9 million (2023: £193.8 million) – an increase of £21.1 million or 10.9% with a broadly consistent Adjusted EBITDA margin of 88.8% (2023: 88.3%). The increase in Adjusted EBITDA in the year is the result of a combination of the factors discussed above, but predominantly driven by the increase in gross rental income. For further information on the calculation of this measure, refer to the section on Alternative Performance Measures, Appendix 3.

FINANCIAL REVIEW (CONTINUED)

Property Disposals

The Group sold 1,045 units during the year (2023: 398 units) from the Non-MQE Portfolio, including several bulk transactions covering 610 units for £151.7 million.

Profit on disposal of investment properties amounted to £18.2 million in the current year (2023: £6.1 million) – £12.1 million higher than in 2023. The profit on investment property disposals is reflective of the sales proceeds being in excess of a book value determined by CBRE at March 2023.

Exceptional Items

During the year, the Group incurred a further £3.2 million (2023: £10.6 million) of costs in relation to the legal proceedings which arose as a result of the MoD's attempts to enfranchise properties within the MQE. The prior year costs include an accrual of £2.25 million for an element of the MoD's costs. Further details regarding this matter can be found in the discussion of Notices of Enfranchisement in the Business Review section of the Strategic Report. Because of the unusual circumstances surrounding this case, the possible impact on the MQE, and the likelihood of substantial amounts being spent to defend the Group's position, these costs have been shown separately on the face of the income statement.

Cash Flows

The Group ended the year with cash of £196.4 million, an increase of £9.7 million from £186.7 million at 31 March 2023.

The Group generated £215.2 million of cash from operating activities before tax payments (2023: £189.4 million). The increase predominantly reflects higher cash receipts from rental income, a c.£21 million increase, with Rent Review and Site Review increases filtering through during the year.

Net cash received from investing activities totalled £258.7 million for the year (2023: £63.5 million) – £195.2 million higher than last year. This is primarily due to a significantly higher volume of investment property sales (1,045 units sold for net proceeds of £264.0 million in the current year vs 394 units sold for net proceeds of £93.7 million in 2023). Interest income increased by £9.1 million due to a higher cash balance held throughout the year which was invested in term deposits alongside a six-month government security. Refurbishment expenditure declined in 2024 to £15.6 million vs £32.2 million in 2023, largely reflecting the release profile over the last three years, with 380 in 2024 and 298 in 2023 noting that there is generally a twelve month lag between units being released and the refurbishment spend. In the year ending 31 March 2022, 641 out of 742 releases occurred in the last quarter resulting in more refurbishment costs for these projects to be incurred throughout 2023.

Cash flows from financing activities primarily relate to a repurchase of the 2025 Sterling bond and continued interest payments, resulting in a net cash outflow of £459.2 million (2023: £242.8 million). During the year, the Group repurchased £312.3 million of its 2025 bonds for £300.6 million. Debt service costs were £157.5 million in the current year (2023: £142.2 million), with the rise in interest rates increasing term loan costs.

The Group uses free cash flow to determine cash available to distribute or reinvest. The Group has defined free cash flow as the net increase/decrease in cash for the year adjusted for capital raised and dividends paid and payments for the purchase or construction of new investment properties. The free cash flow for the year was £311.0 million (2023: £105.0 million), the increase reflective of the volume of property sales proceeds as discussed above.

FINANCIAL REVIEW (CONTINUED

Property Valuation

The carrying value of the Group's investment property portfolio was £7,367.3 million at 31 March 2024 (2023: £7,805.3 million). The carrying value differs from the Fair Value in that it has been adjusted for assets or liabilities recognised separately on the balance sheet to avoid double counting (refer to Note 10 to the financial statements for further details). The overall revaluation movement principally reflects wider market trends impacting yields and discount rates applied to property and other long-term investments. Offsetting this have been increases in the underlying rental income streams and vacant possession value. For example, the MQE valuation reflects a net initial yield of 3.2% (2023: 2.8%); please refer to the Gross Rental Income section for the rental income trends which have fed into this calculation.

Noting the contractual nature of the rental uplifts arising from the Site Review process and anticipated rental growth, which will be implemented by December 2024 at the latest, the MQE valuation reflects a net initial yield of 3.2% (2023: 2.7%).

The full year revaluation loss of £212.3 million (2023: loss of £681.0 million), is comprised of a fall in the period from March 2023 to September 2023 of £371.7 million, as reflected in the Group's unaudited half-year financial report and an increase in value in the latter part of the year. The second half of the year saw a valuation uplift of £159.4 million reflecting higher than anticipated rental growth and a stabilisation of the yields on investments. The MQE portfolio valuation, which covers the majority of the Group's portfolio, had an average Fair Value per unit of £195,593 at 31 March 2023, which dropped 5.0% to £185,875 at 30 September 2023 before increasing to £190,542 as at 31 March 2024, a rise of 2.5% in six months.

The valuation for the MQE takes into account the High Court's judgement that the MoD may enfranchise units within the estate and Annington's plans to appeal. When valuing the MQE Portfolio, a reduction of 5% was applied to this portfolio to reflect the risk associated with the liquidity and marketability of the MQE (2023: 0.375% adjustment to the discount rate). This adjustment amounts to a £367.0 million reduction (2023: £500 million, circa 7% of the reported fair value).

On the basis of Fair Value, 83% (2023: 83%) of this portfolio is located in the Greater South and East of England, with the regional split being as follows:

	31 March 2024		31 March 2023	
Region	**Number of Units**	**Fair Value £m**	**Number of Units**	**Fair Value £m**
East of England	2,740	428.8	2,810	445.2
East Midlands	2,395	337.2	2,395	352.7
Greater London	1,787	635.4	1,787	631.8
North East	376	45.1	376	43.1
North West	485	64.2	485	60.4
South East	14,280	3,114.0	14,456	3,253.8
South West	9,406	1,640.7	9,534	1,721.6
Wales	781	111.3	781	115.8
West Midlands	1,569	234.9	1,569	235.8
Yorks & Humberside	2,901	385.1	2,907	396.3
Total Fair Value	**36,720**	**6,996.7**	**37,100**	**7,256.5**
SAVPV		**10,037.1**		**10,453.9**

The Group uses SAVPV to account for the change in value of the portfolio's underlying assets and as a measure of what the properties would be worth were they to be released. SAVPV for both the MQE and Non-MQE Portfolio is defined in more detail in the Glossary (Appendix 1). MQE SAVPV is calculated by CBRE using a representative sample within the MQE, which was extrapolated over the total Units within the MQE at the date of the relevant valuation.

The SAVPV for the MQE was valued by CBRE at £10,037.1 million (2023: £10,453.9 million), which equates to an average SAVPV of £273,000 per Unit (2023: £281,000). The SAVPV represents a 43.5% premium on Fair Value (2023: 44.1% premium) and is an indicator of the potential value to be realised from future sales, assuming vacant possession and no transactions costs. The SAVPV has moved in line with general market trends in house prices as previously discussed in the UK Housing Market section.

FINANCIAL REVIEW (CONTINUED

Financing

The Group continues to operate an unsecured debt strategy maintaining a BBB rating. The Group's debt, comprising bonds and the term loan discussed below, reduced to £3.9 billion from £4.2 billion at March 2023. In February 2024, the Group de-geared by repurchasing £312.3 million of the Sterling 2025 bonds for £300.6 million using free cash flow. After deducting related transaction costs, this left the Group with a gain of £10.6 million. Additionally, the Group repaid £152 million on 12 July 2024, further reducing the debt balance.

At the year-end, the Group held £196.4 million in cash balances and had the following bonds in issue, therefore holds sufficient cash on the balance sheet to repay the 2024 Euro bonds.

Principal Amount	Currency	Final Maturity	Coupon
173.3m	EUR (€)	12-Jul-24	1.650%*
169.2m	GBP (£)	12-Jul-25	2.646%
600m	GBP (£)	12-Jul-29	3.184%
400m	GBP (£)	06-Oct-32	2.308%
400m	GBP (£)	09-Aug-33	4.750%
625m	GBP (£)	12-Jul-34	3.685%
760m	GBP (£)	12-Jul-47	3.935%
400m	GBP (£)	06-Oct-51	2.924%

*Euro denominated debt and interest payments subject to cross currency swap agreement (see hedging paragraph below) which increases the effective rate of this tranche to 2.755% (2023: 2.755%).

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

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

Covenant	Test	Limit for Bonds	Limit for Loans	31 March 2024	31 March 2023
Limitation on Debt	Total debt / Total assets	<65%	<65%	49.7%	51.2%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%	-	-
Interest Cover Ratio	Consolidated EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)	1.47x	1.37x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	198.8%	193.6%

At 31 March 2024, the Group's weighted average cost of debt was 3.75% (2023: 3.39%) with a weighted average life of 12.1 years (2023: 12.3 years).

The Group increased its interest income in the year to £11.3 million (2023: £2.2 million). This is a result of maintaining higher cash balances during the year which were invested in term deposits and a government security to maximise returns.

Hedging

The Group holds cross-currency swaps to match the value of the €173.3 million Euro-denominated bonds, converting the nominal balance to £150.2 million. These swaps come to an end in July 2024 with the termination of the 2024 Euro bond and mitigate volatility of foreign currency movements in future interest and capital repayments. The function of these swaps increases the effective interest rate of the Euro tranche debt to 2.755% (2023: 2.755%), fixed for the life of the bond. These swaps are considered effective hedges of foreign currency fluctuations within the Euro bonds and as such hedge accounting is applied, with fair value gains or losses on the hedge being recognised in other comprehensive income. In the current year, fair value losses of £4.2 million (2023: gains of £6.1 million) were recognised in other comprehensive income.

FINANCIAL REVIEW (CONTINUED

Taxation

A deferred tax asset of £79.6 million (2023: £56.4 million) has been recognised in respect of unutilised tax losses available for offset against expected future profits, leaving £190.8 million of unrecognised deferred tax assets (2023: £223.6 million). The expected future profits are based on the Group's internal forecasts upon which management expect that loss utilisation is probable.

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

Dividends

The Group's policy is to distribute free cash flow subject to complying with financial policies and suitable cash reserves to ensure the Group's operational needs can be met. The Group operates an unsecured debt strategy and a policy maintaining a BBB rating. The Group has not declared or paid a dividend during the year (2023: £100.0 million).

STRATEGIC REPORT
PRINCIPAL RISKS AND UNCERTAINTIES

The table below outlines the principal risks and uncertainties:

Area of potential uncertainty	**The UK housing market and rental market may be significantly affected by changes in general and local economic conditions.**
Description of risk	The property market has a history of experiencing periods of rising values followed by a slowdown in growth. The realisable value of the Group's property portfolio at any given time can be affected by many factors outside the Group's control, including regulatory and political factors, general economic factors and those specific to the property market and suppliers and service providers to the property market, taxes and subsidies, number, condition and location of released properties, consumer confidence including changes due to cost of living increases, applicable interest rates and resulting mortgage costs, underlying inflation and the effects of geopolitical uncertainty. High or rising inflation may adversely affect the Group’s business by further increasing the cost of the raw materials and labour the Group uses in refurbishing released properties. The Group actively reviews the sales prices of released properties and would seek to reflect any increase in costs in the sales prices of released properties in order to maintain margins. However, any oversupply of housing relative to demand in the local housing market, including due to bulk releases of properties in remote areas, may make any such increase difficult or impossible to achieve. In addition, interest rates have remained high in the year as a policy response to elevated inflation. This has been reflected in the rates offered on mortgages and impacted on mortgage availability causing flow-on consequences in the housing market. This could result in a slowdown or decrease in the number of sales transactions that the Group is able to achieve or increase the time to sale of larger or higher capital value properties. During periods of low demand, low prices and poor sales rates, land and properties may become particularly illiquid, which could lead the Group to experience difficulty in successfully disposing of properties in a timely fashion without extensive marketing efforts, or without reducing the price of the properties. Ongoing geopolitical uncertainty, notably the continuing Russian military action against Ukraine and conflict in the Middle East, continues to affect the financial markets, supply chain and commodities prices to a certain extent, any or all of which could adversely affect the Group’s business, results of operations and financial condition. Similarly, the Group’s financial stability depends, in part, on the strength of the rental market, particularly when the housing market is weak and the Group experiences difficulty in disposing of properties released by the MoD. A worsening of general rent levels could adversely affect the Group’s ability to negotiate rent increases during Rent Reviews. Weak rental markets could also adversely affect the sales value of Released Units. A weak rental market could also have an adverse effect on the Group’s revenue generated by its private rental sector property portfolio, the Non-MQE Portfolio. While the Non-MQE Portfolio consists of properties located in areas where the Group has identified a need for rental housing or where market improvements are anticipated, there can be no assurance as to future levels of demand for rental property. Void levels could rise if prospective tenants’ interest in assured shorthold tenancies declines in locations where the Group has acquired properties for the purposes of its Non-MQE Portfolio, or if the MoD or the corporate organisations, including housing associations and local authorities, to which the Group may bulk lease properties forming part of the Non-MQE Portfolio, shift away from rentals.
Mitigating strategies	The Board reviews the capital values and rental levels achieved and considers any changes that have occurred to the expected levels alongside prevailing market conditions. Where deviations are noted, these will be incorporated into future appraisals to ensure realistic and rational forecasting which forms the basis for all business decisions. In unfavourable conditions, where chosen sales strategies may be difficult to execute, the Group could implement alternative strategies, including renting Units on a short-term basis until market conditions become more favourable. It also remains an option for the Group to vary the extent of any refurbishment undertaken if supply chain disruption or cost of construction is elevated. The Group engages in proactive management of its rentals portfolio to ensure that maximum value can be achieved, utilising the 20+ years of experience gained in the residential rental market and its in-depth knowledge of local market dynamics, including rents, valuations and occupancy rates. Local agents are used to supplement in-house knowledge and experience to achieve the best returns. The Group is also protected somewhat by market fluctuations due to its arrangements with the MoD (five-yearly Rent Reviews) and entering into other bulk arrangements where long-term leases are negotiated.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**The Group is dependent on the MoD for a substantial proportion of its revenue.**
Description of risk	The Group derives a substantial proportion of its revenue from rent payments by the MoD pursuant to 200-year leases entered into in connection with the Group's acquisition of the MQE in 1996 and bulk leases which are part of the Non-MQE Portfolio. Anticipated rental income is a significant factor in the calculation of the Group's projected revenue and the estimated market value of the Group's properties. Key to the determination of the Group's rent levels is the Rent Review process, whereby rent payments from the MoD on the MQE Units are assessed and adjusted every five years. The five-year gap between each Tranche's successive Rent Reviews may prevent the Group from capturing and benefitting from interim rental market improvements but conversely may also protect the Group from interim market detriment. Also, if rental values stagnate, are restricted, or drop, or if the Group fails to adequately track upward movements in rental values, including due to the Group's inability to generate comparison market data (whether by acquiring and renting out properties located near the Group's existing Sites or otherwise), the results of the Rent Review process may be unfavourable to the Group, which could adversely affect its business, results of operations and financial condition. The Group expects to continue to rely primarily on the MoD, the Group's sole tenant in respect of the MQE, complying with the terms of the contract which specifies the payment of rents in order to finance the Group's operations and debt obligations. However, there can be no assurance that circumstances will remain unchanged. Any change in circumstances or any market interruption that causes a failure or delay by the MoD to make rent payments could adversely affect the Group's business, results of operations and financial condition. In addition, in the event that the Group chose to dispose of any leases pertaining to Sites in the MQE, consent would have to be sought from the MoD in relation to the assignment of the relevant Underleases. Whilst consent of the MoD is not to be unreasonably withheld, the Group has no control over the timing of the grant of consent.
Mitigating strategies	The Group is very experienced in negotiating Rent Reviews and employs local experts as needed. It retains a number of strategic Units for rental in the Non-MQE Portfolio to assist with relevant market benchmarking in order take full advantage of Rent Review opportunities. The Group has the ability to call upon a £100 million revolving credit facility which, to date, remains undrawn. This facility provides liquidity to the Group were any rental income to be received after its due date.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**Property valuation is inherently subjective and uncertain.**
Description of risk	For the purposes of both the Group's Annual Financial Statements and Unaudited Interim Financial Statements, valuations of its property portfolio were undertaken internally by the Group and externally by third-party professional valuers in accordance with the latest version of the RICS Global Valuation Standards (incorporating the International Valuation Standards) and the UK national supplement current as of the valuation date. The purpose of each valuation was expressly limited therein, namely for the preparation of the Group's Annual Financial Statements and Unaudited Interim Financial Statements, and each valuation was prepared accordingly. Property valuations are inherently subjective due to the individual nature of each property as they are necessarily made on the basis of assumptions which may not prove to be accurate and which can change from valuation to valuation. As a result, valuations are subject to a degree of uncertainty. In determining the Fair Value of any property, the Valuers are required to make certain assumptions in respect of matters including, but not limited to, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, legal matters, statutory and regulatory requirements and planning. The Valuers will rely on information provided by the Group and will also take into account the general market environment, including estimated market rental values, market-based yields and expected future rental revenues from the properties as well as interest rates and inflation which will influence the discount rates used by the Valuers in calculating the Fair Value of the Group's property portfolio. No assurance can be given that the assumptions or projections used, estimates made or procedures followed in preparing the valuations were correct, accurate or complete. Valuers other than those engaged by the Group may reach different valuations of the Group's properties. A sustained period of elevated interest rates exposes the Group to a risk of a further downward adjustment in the Fair Value of its property portfolio which could have an adverse impact on the financial condition of the Group. There is a risk that the valuations of the Group's properties will not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date. Failure to achieve successful sales of properties in the future at commercially acceptable prices could have an adverse effect on the Group's business, results of operations and financial condition. Unsound valuations could also undermine the Group's ability to negotiate favourable rent increases during the Group's five-yearly Rent Reviews with the MoD, which could further adversely impact the Group's results of operations.
Mitigating strategies	The Group manages this risk by ensuring that regular valuations of the Group's properties are performed by external, independent, third party professional valuers, registered with the RICS.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**MoD attempt to enfranchise.**
Description of risk	If the Group's appeal of the High Court's finding that the MoD may enfranchise units within the MQE (as more particularly described in the Introduction) was to proceed and fails, the MoD will retain the right to purchase its interest in each property subject to an Enfranchisement notice. Should it continue to be found that the MoD has the right to enfranchise, and should the MoD decide to exercise that right in respect of a Unit, Annington would receive a capital sum in exchange for its interest, and would lose the right to both the future rent on the Unit, and the possibility of a hand back in the future of the relevant Unit. The capital sum payable for the Group's interest would be agreed with the MoD, or otherwise determined by a tribunal if agreement cannot be reached. The tribunal would determine a price which it considered to be equivalent to the market value at the time of Enfranchisement of the relevant Unit of the interest being enfranchised, subject to a small number of additional assumptions. The Leasehold and Freehold Reform Act 2024 ("LRA 24") has made certain changes to the valuation method used upon enfranchisement which have the potential to reduce capital sums which are payable to freeholders and intermediate leaseholders. The LRA 24 is not yet in force, however, and the changes which may depress the capital sums payable do not apply to Market Rack Rented leases. The Group believes that its interests in the MQE are Market Rack Rented Leases, and therefore that the LRA 24 will not have a negative impact should the MoD be permitted to enfranchise. The LRA 24 also includes provisions which may permit lessees to restructure their leases in a way which reduces materially the amounts payable by lessees upon enfranchisement by granting new sub--leases. The Group considers that the MoD should be precluded from restructuring its leases in this way. However, it is possible that the Court would take a different view, in which case the MoD may be able to introduce sub-lease structures and use those structures to reduce enfranchisement premia. Should the MoD be permitted, and decide, to enfranchise the capital sum payable could be higher or lower than the value ascribed to such interest by the Group, and any such valuation would have inherent risks as set out above in "*Property valuation is inherently subjective and uncertain*". If the valuation of enfranchised Units in aggregate is lower than the value ascribed to such interests by the Group then such result could have an adverse effect on the Group's business, results of operations and financial condition. If Annington's appeal is unsuccessful in the Enfranchisement Proceedings and the MoD maintains that it has the right to purchase the Group's interest in the MQE Units, there is no certainty as to the number or location of any Units the MoD will in fact enfranchise and no certainty as to the timing of any Enfranchisement actions. In the event that the MoD enfranchises a significant number of Units during a time when market conditions are depressed, the overall reduction in rent that the Group receives from the MoD could have an adverse impact on the Group's business, results of operations and financial condition. In addition, the reduction in income that could otherwise be generated by the Enfranchisement of such Units under more favourable conditions, could have an adverse impact on the Group's business, results of operations and financial condition. This lack of control over when and if such MQE Units are enfranchised and which Units are enfranchised could affect the Group's business significantly. The Group's financial position is underpinned by rental income receivable from the MoD. Although the Group expects that rent payments from the MoD will be sufficient to service its debt obligations and other financial liabilities for the foreseeable future, if it is established that the MoD has the right to enfranchise MQE Units, an unexpectedly high concentration of Enfranchisement actions involving a large number of MQE Units in the short term could jeopardise the stability of the Group's revenue. Given it may take a significant length of time to conclude the Enfranchisement Proceedings, this uncertainty could continue to have an impact on the Group's property valuation and the cost of the Enfranchisement Proceedings could be significant.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**MoD attempt to enfranchise (continued).**
Mitigating strategies	The Group has instructed leading law firms and barristers to appeal the Court's decision and to challenge the additional three enfranchisement notices. Should the Courts continue to find that the MoD has the right to enfranchise, and should the MoD decide to exercise enfranchisement rights in respect of a Unit, Annington would receive a capital sum in exchange for its interest and the compensation that the MoD would have to pay is determined by section 9 of the Leasehold Reform Act 1967. This provides that the amount payable should be the "amount which the property, if sold in the open market by a willing seller might be expected to realise" but on the assumptions that the property is not capable of enfranchisement, and is otherwise broadly subject to the same rights and obligations as the lease. If the parties cannot agree the price, it would be determined by an independent tribunal. Rent under the lease would be payable until a unit is transferred under this process and capital proceeds received. The Group is also open to finding a constructive and mutually satisfactory settlement with the MoD.

Area of potential uncertainty	**The Group is subject to a number of financial risks relating to its financing arrangements.**
Description of risk	The Group currently relies on primary forms of financing consisting of bank facilities (i.e. term loan and revolving credit facility from major banks) and issuance of notes under the Euro Medium Term Note ("EMTN") Programme. The last global economic downturn and resulting dislocation of financial markets around the world caused a number of the world's largest financial and other institutions significant operational and financial difficulties. Recent global social, political and economic events and trends, including current geopolitical risks around the current situation in Ukraine and the Middle East, and the resulting impact on the UK economy, in particular increasing energy and oil prices and increasing inflation and interest rates, have resulted in increased uncertainty in the currency and credit markets. The failure of the Group to manage its refinancing requirements may result in a shortage of funds to repay facilities and meet its other payment obligations as they fall due. A source of financing could become unavailable or more expensive, for example, if a reduction in its credit rating makes the cost of accessing the public and private debt markets prohibitive. Although the Group considers that the diversity of its financing and the diversity in the tenor of its financing helps to protect it from liquidity risk, it could find itself unable to access any or all of these sources of financing on reasonable terms. Any failure by lenders to fulfil their obligations to the Group as well as the inability of the Group to access new funding in the longer term may impact the Group's cash flow and liquidity, which could have a material adverse effect on its business, results of operations, financial condition and prospects and, accordingly, the Issuer's and the Guarantors' ability to meet their respective obligations under the notes and the Guarantee. The terms of the Group's financing facilities include financial covenants such as Loan to Value and Interest Coverage Ratio covenants. Although the Group currently benefits from significant headroom in its covenants and has processes and procedures in place to forecast and monitor covenant compliance, unexpected changes in financial performance or asset values, or higher interest rates could potentially lead to the possibility of a breach of these covenants which could adversely affect the Group's business, results of operations and financial condition.
Mitigating strategies	The diversity in the tenor of the Group's financing helps to protect it from liquidity risk. The Group has processes and procedures in place to forecast and monitor covenant compliance and currently benefits from significant headroom in its covenants. The Group constantly monitors the financial markets for refinancing opportunities and maintains relationships with a large number of lenders, which includes a £100 million revolving credit facility.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**The Group cannot limit the quantity or influence the type, location and timing of property releases by the MoD.**
Description of risk	When the MoD identifies properties within the MQE as being surplus to its requirements, it can elect, subject to certain conditions, to terminate the lease underlying the applicable Site in whole or in part. Pursuant to the terms of the Dilapidations and Handback Agreement (the terms of which were modified as part of the Settlement Agreement), the MoD has committed to release a minimum of 375 Units per year on a two-year average within a three-year period. However, the MoD has absolute discretion with respect to the identification of surplus properties, their location and the timing of their release. Further, the MoD is required to provide a minimum of only six months' notice prior to termination of the applicable lease. Prior to the date of the Dilapidations and Handback Agreement, there was no trend or consistency in the release profile of surplus properties. The terms of the Dilapidations and Handback Agreement, as modified, help to provide more certainty as to the future release profile. There is a risk that the MoD will not honour its commitment in the future and that steps taken by the Group to enforce the commitment may be unsuccessful, which would then lead to uncertainty as to the number of annual property releases. In the event that the MoD releases a significant number of properties that are of an undesirable type or concentrated in an unattractive or remote location, or if it releases a significant number of properties over a short period of time during which conditions in the sales market remain depressed, notwithstanding the Group's previous successful management of a large number of Units released just before and during a previous economic downturn, the Group may be unable to sell all of, or any, such properties. Such circumstances could occur as a result of the demand for MQE housing being reduced in the future by evolving government spending and defence policy, particularly in relation to the size and composition of the armed forces. In such circumstances, the overall reduction in rent that the Group receives from the MoD, combined with the reduction in income that could otherwise be generated by the sale of the released properties under more favourable conditions, could have an adverse impact on the Group's business, results of operations and financial condition. This lack of control over property releases by the MoD affects the Group's business significantly. The Group's financial position is underpinned by rent income receivable from the MoD. Although the Group expects that rent payments from the MoD will be sufficient to service its debt obligations and other financial liabilities for the foreseeable future, an unexpectedly high concentration of property releases involving a large number of Units in the short term could jeopardise the stability of the Group's revenue.
Mitigating strategies	Although there can be no guarantee that the MoD will honour its minimum release commitment, management is in dialogue with the MoD regarding potential releases that would enable the MoD to continue to meet its target, and the commitment of the MoD to provide such releases is a legally binding and enforceable contractual right of the Group. The Board is of the view that the long-term demand for housing in the UK will continue to outstrip supply and that demand for market renting will be stronger during poor selling periods, reducing the overall impact on the Group's position. The Group's heavy presence in the Greater South of the country provides further comfort that it is well placed to benefit from structural changes in demand. The business will continue to examine and benefit from the best options on a Site-by-Site basis and continue to operate dual sales and rental strategies where appropriate, thereby benefitting from earlier occupation and increased income. The Group also prepares and reviews sensitivity analyses on an annual basis to monitor the number of releases that it could withstand such that it would still be able to service its debt obligations and comply with its covenant restrictions, which currently reflect significant headroom. Noting that as the MoD releases surplus properties back to the Group, they may be either sold or rented in the open market, which, over time, will offset some of the financial impact of releases. The Group's flexible sales/rental strategies, its revolving credit facility and its ability to pay down debt all provide options for mitigating the impact of an unexpected quantity or mix of releases. In recognition of the uncertainty around volume of releases, the Group has maintained a policy of keeping internal resources at minimum levels. Principal activities are outsourced to third parties, which can provide the necessary skills in the right mix and location. This enables the Group to flex outsourcing to meet its operational needs according to stock levels and the prevailing market conditions.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**The Group's business is subject to complex and evolving legislation and regulations, including rules governing the ownership, leasing or occupation of land, climate change risk and the use of hazardous materials.**
Description of risk	The Group is subject to laws and regulations concerning, among other things, landowners' (freehold and leasehold) rights, planning, building development, land use, sales, rentals, the provision of mortgage financing, fire and building safety, health and safety, the environment, climate change and employment as well as an evolving set of post-Brexit rules and regulations. These laws and regulations often provide broad discretion to the administering authorities. Changes in relevant laws, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of the Group's operations or otherwise have an impact on the Group's financial condition. More stringent requirements are expected to be imposed on property owners, landlords and developers in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause an increase in the Group's costs or a reduction in the Group's revenues, or cause significant operational delays, for example in the sale of Released Units, which could have a material adverse effect on the Group's business, results of operations and financial condition. Further, the Group could incur substantial costs, fines, penalties and other sanctions and damages from third party claims as a result of the Group's failure to comply with, or liabilities under laws and regulations, all of which could adversely affect the Group's business, results of operations and financial condition. The LRA 24, which received Royal assent on 24 May 2024, is not yet in force. The Labour Party stated in its manifesto ahead of the 2024 general election that it intends "to enact the package of Law Commission proposals on leasehold enfranchisement, right to manage and commonhold". The King's Speech delivered on 17 July 2024 reiterated this commitment, and also stated that the Government will bring into force LRA 24. It is presently unclear the extent to which the further legislation referenced in the Kings Speech will impact the Group's position.
Mitigating strategies	The Group actively monitors emerging legislation and amendments to existing regulation to ensure operational adaptation and cost recognition. The Group maintains policies and procedures to ensure it is compliant with laws and ethical standards and employs advisers (including sustainability consultants) to ensure it is compliant with changing laws and regulations. The Group actively monitors compliance with laws and regulations relevant to its third-party tenancies and works with its third-party service providers to ensure adherence. Acknowledging the risk posed by climate change, the Group has completed its first carbon footprinting exercise, the results of which will inform future mitigation strategies.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**Environmental and Climate Change related risks may impact the Group's business activities and carry potential liabilities for the Group.**
Description of risk	As a property owner, the Group is subject to laws and regulations governing the discharge of pollutants, including asbestos, into water and air, the handling of hazardous materials and the clean-up of contaminated sites. Under UK legislation, when dealing with contaminated land, the environmental regulator (in the absence of any agreement to the contrary) looks in the first instance to the party who caused or knowingly permitted the contamination to undertake or pay for any remediation that is required. However, if a polluter cannot be found, the regulator can look to the owner or occupier for the time being of the land concerned to carry out or pay for the remediation. Therefore, to the extent that any liability is not attributable to the MoD as polluter, the Group may incur significant costs for the removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently owned, leased or occupied by the Group, whether or not the Group knew of the contamination, and the Group may also face liability in the event of any pollution or environmental harm caused by its activities or operations. The proximity of the Group's properties to military bases and other areas where military activities are, or have been, conducted may increase the likelihood of latent land contamination. In addition to potential increases to the Group's regulatory burden and costs resulting from compliance, or non-compliance with applicable regulations as described above, climate change-related risk may impact the Group's business activities, through acute physical risks such as flooding and windstorm, and chronic risk such as rising average temperatures and sea levels. Any of these factors could cause an increase in costs, a reduction in rental income and/or a fall in property values which could ultimately affect the Issuer's and the Guarantor's ability to meet their respective obligations under the Notes and the Guarantee.
Mitigating strategies	Please refer to the ESG section for further consideration of the Group's environmental risks and opportunities and its mitigating strategies.

Area of potential uncertainty	**The Group may be obliged to re-provide connections to public utilities where the MoD elects to terminate its obligation to supply utility services or upon expiration of the MoD's obligation to supply such services under the Utilities Agreement.**
	Under the terms of a utilities agreement (the 'Utilities Agreement') entered into by the MoD and the Group on the 1996 Acquisition Date, the MoD is only contracted to supply some utility services, such as the supply of potable water, electricity and the disposal of domestic sewage, where there is some intermediate treatment or storage located on MoD adjacent land to released property (a 'Base Dependency') until at least 75% of the properties located on a given Site have been released. After this threshold has been reached, the MoD could elect to continue the supply for a term of 60 years or elect not to continue after a three-year notice period. In the event that the MoD releases more than 75% of the properties located on a given Site with a Base Dependency (a 'Base Dependent Site') and elects to terminate the supply after three years, the Group will incur costs, which could be significant, to provide alternative utility supply arrangements. Any obligation on the MoD to provide services pursuant to the Utilities Agreement falls away on a date in the relevant Underlease (between 25 and 28 years from 25 December 1996). Upon expiration of the Utilities Agreement, when the MoD releases Units subject to a Base Dependency, the Group will be required to re-provide connections to the public utilities network for whichever utility supply is Base Dependent on that Site, prior to releasing Units for sale and will incur costs, which could be significant, at that time. Any delay in the implementation of such utilities separation schemes could delay the sales of such Units which could have an adverse impact on the Group's business, results of operations and financial condition.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**The Group may be obliged to re-provide connections to public utilities where the MoD elects to terminate its obligation to supply utility services or upon expiration of the MoD's obligation to supply such services under the Utilities Agreement (continued).**
Mitigating strategies	Since the 1996 Acquisition Date, the Group has, as of 31 March 2024, successfully completed 71 utility separation projects on 58 Base Dependent Sites. The experience and capabilities that the Group has developed over this period to efficiently execute such projects means that the Group is in a strong position to assess the risks associated with any Base Dependent Site and develop a programme to minimise the costs and time associated with such utility separation projects. It may also be possible to let properties on ASTs until the utilities separation schemes can be completed and the properties sold. Many of the Sites that were originally thought to be Base Dependent Sites at the time of the 1996 Acquisition may no longer be base dependent due to the effects of Government Legislation, which allows for the public adoption of some private utilities. The Group co-operates with the MoD wherever possible to deliver private infrastructure utility transfers to public utility companies.

Area of potential uncertainty	**The Group's business could be disrupted in the event of failure or loss of key technology infrastructure or in the event of a cyber security attack on its systems.**
Description of risk	The Group uses several information technology tools, platforms and systems to support, among other things, its operations, billing, expenses and financial information and reporting processes. Although the Group has taken measures to mitigate potential information technology security risks and information technology failures, there can be no assurance that such measures will be effective. The Group's business and operations could be adversely impacted if these information systems or databases and any back-up systems were to fail, or if the databases were to be destroyed or damaged.
Mitigating strategies	The Group has taken measures to mitigate potential information technology security risks and information technology failures, including: conducting risk assessments to identify threats, vulnerabilities and risks; developing a comprehensive Cybersecurity strategy; implementing robust security measures (firewalls, endpoint security controls, email threat detection, vendor and third party risk management, privileged access management, patching, strong authentication controls); regularly backing-up data and utilising recovery systems to replicate IT systems and data to another location; training employees on Cybersecurity best practices at least annually; engaging third-party security experts to run its Security Operations Centre (SOC); providing a Managed Detection and Response (MDR) Service and a virtual CISO; developing and maintaining Incident Response, Disaster Recovery and Business Continuity Plans; and internal and third party monitoring of the evolving cybersecurity landscape to keep the Group informed about new threats and vulnerabilities.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of potential uncertainty	**Retention, development and recruitment of the right people is critical to the Group's success.**
Description of risk	The success of the Group relies on recruiting, retaining and developing the right individuals to perform a series of specialist roles. It also relies on the discretion and judgment of the management team and, in particular, their relationships with, and their understanding of the requirements of the MoD, and other partners and stakeholders. While the Group has put in place policies and remuneration which are designed to retain and properly incentivise staff at all levels of the business, should team members, particularly management, leave in significant numbers unexpectedly, the Group's business, results of operations and financial condition could be adversely affected. Further, the process of attracting and retaining suitable replacements for key personnel whose services the Group may lose would result in transition costs and would divert the attention of other members of the Group's management from its existing operations.
Mitigating strategies	The Group has devised remuneration packages that are designed to retain and properly incentivise management and there are succession plans in place for key positions. Knowledge is shared between senior staff members at formal and informal meetings. Additionally, if there is sudden increased activity within the business, it can be managed effectively through a combination of recruitment and outsourcing to provide the resource needed.

Area of potential uncertainty	**The Group's operational and financial performance could be affected by failures within or by a key third party supplier or service provider.**
Description of risk	The failure of any key third party suppliers or service providers, for example rental managing agents or a major building contractor, could have an adverse effect on the Group. Internal issues at such entities may impact their ability to work with the Group efficiently and knowledgeably and to perform to an acceptable level.
Mitigating strategies	The Group maintains interaction with members of key third parties. Considerable effort continues to be made to develop and nurture relationships to maintain operational efficiency. The Group will continue to encourage more co-operation and partnership.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')

Sustainability Strategy

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

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

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

In the reporting period, the Group continued to develop its Sustainability Strategy and its two overarching Objectives – Climate Resilience, and People and Communities. It instigated its third carbon foot printing exercise and commissioned a major project designed to further understand the typical heat-loss and thermal performance challenges of former MoD homes. The resulting technical analysis of the most effective route to improvement/decarbonisation of these buildings will be key to the Group's refurbishment strategy going forward. The Group undertook its inaugural disclosure through CDP (formerly known as the Carbon Disclosure Project) and the Group reported against ESOS Phase 3. The Group published its second ESG Report which included the Group's Sustainability Objectives and targets against which progress will be measured. For further details of the Group's progress against the Task Force on Climate Related Disclosure's ("TCFD") recommendations see Appendix 4. The sections below provide an overview of the Group's Sustainability Objectives. Full details of progress made during the year can be found in Annington's ESG Performance Report available at www.annington.co.uk/sustainability/overview/.

Climate Resilience

Reporting Framework and Oversight

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

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

The Group commissioned a major project to help improve its understanding of the issues and challenges inherent in refurbishing typical MoD housing. The results will help the Group define effective retrofit interventions for each type of housing and provide an assessment on energy performance of each intervention. The information gleaned will be key to helping the Group ensure that where appropriate, its ongoing refurbishment programme delivers homes that are less carbon intensive, utilise renewable energy sources wherever possible and ensure optimum performance both from a heating and cooling perspective.

The Group disclosed through CDP (formerly known as the Carbon Disclosure Project) for the first time, achieving a C against a worldwide average of B- https://www.cdp.net/

The Group welcomes the recommendations of the TCFD and recognises the impetus this will provide for companies and stakeholders to understand relevant climate-related risks and to ensure appropriate risk mitigation processes are in place. This is the Group's third year progressively implementing climate disclosures as informed by the TCFD recommendations. The Group continues to use the TCFD recommendations as a reference point as they are considered to be a good entry point for moving towards the further guidance provided by IFRS S1 and S2. The group plans to further progress its climate disclosures in line with best practice.

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

On-site Activity

The Group is aligned to UN SDG 12 (Sustainable consumption and production patterns) and has policies in place governing the supply of materials and development practices; its Sustainable Procurement Policy outlines that materials and products are to be ethically sourced and have a low environmental impact while also maintaining its technical standards. Management has developed the supply chain, allowing for more visibility and control over the materials sourced for current and future projects. The Group continued to work with its suppliers when compiling material specifications for its projects. It incorporates sustainable design principles in all its projects to reduce the negative impacts on the environment, minimising waste and reducing the consumption of non-renewable resources and creating healthy, productive environments.

The Group's Environmental Policy guides management and its employees on reducing the consumption of utilities and materials as well as minimising the amount of waste produced on site. In the reporting period, the Group diverted from landfill 98% of its waste from operations against a target of 95%. Given the nature of materials found across former MQE properties, the Group has standardized requirements regarding specialist waste disposal and where possible seeks to reuse materials on site.

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

Opportunity /risk:	**Impact and strategy:**
Some Released Units require a complete demolition and rebuild. While this has a higher environmental impact than refurbishment, there is an opportunity to recycle materials from the demolition.	The use of recycled material has short- and long-term cost savings; concrete can be crushed and used for footpaths and non-adoptable highways as well as bed and backfill for drainage purposes. Often, recycled material can be used directly on the rebuilt site allowing for transportation charges (and related emissions) to be saved. The Group's Sustainable Procurement Policy guides its purchasing to ensure it is sourcing low impact materials. As new development or dilapidation work is undertaken, the Group will investigate opportunities for the use of recycled materials and products.
Given the geographic spread of the Group's portfolio and proximity to MoD bases, there is a risk of Site contamination from previous uses.	Failure to identify and clean past contaminates could result in health regulatory charges and increased remediation costs. While there is a potential for high costs, the likelihood of this risk is relatively low. Over 26 years, only two released Sites have been found to have traces of contamination and both were appropriately remediated. The Group will always inspect sites and undertake remediation work where necessary, removing contaminated material and securing a 'clean and inert' status. In relation to this, the Group complies with all legislation and Health and Safety regulations with regards to the handling of hazardous/contaminated material.
The potential impact of climate change on the Group's portfolio.	As part of the Group's ESG review, specialist advice and recommendations will be sought to further understand how climate change could potentially impact the portfolio in the short, medium and long-term.

Greenhouse Gas Reporting

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

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

	2024		**2023**	
	Energy (kWh)	**tCO_2e**	**Energy (kWh)**	**tCO_2e**
Direct Emissions (Scope 1)				
Natural gas	**1,474,846**	**269.8**	1,789,829	326.7
Owned vehicles	**420,891**	**94.1**	436,967	99.9
	1,895,737	**363.9**	2,226,796	426.6
Indirect Emissions (Scope 2)				
Electricity	**585,721**	**121.3**	744,596	144.0
Other Indirect Emissions (Scope 3)				
Electricity T&D[1]	**-**	**10.5**	-	13.2
Grey Fleet[2]	**27,672**	**11.0**	39,565	9.2
Total emissions	**2,509,130**	**506.7**	3,010,957	593.0

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

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

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

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

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

Carbon emissions levels overall decreased from 593.0 tCO2e in 2022/23 to 506.7 tCO2e in 2023/24. This decrease of 15% can be attributed to the reduction in the number of properties released to the Group by the MoD which in turn resulted in a decrease in gas usage. The proportion of scope 1 vs scope 2 is highly dependent on the type of properties released to the Group and whether they are connected to gas or electricity supplies and the timing of subsequent rentals or sales. Overall, there was a 4% increase in emissions from company owned vehicles and those in the grey fleet, which reflects the geographical locations of properties released during the year.

Methodology: In order to calculate emissions, the requirements of the Greenhouse Gas Protocol: Corporate Standard (2004:2015) have been used along with the UK Government GHG Conversion Factors for Company Reporting 2023. Any estimates have been derived from actual historic consumption data or based on spend. No global energy use or emission data has been used as all Group activity took place in the UK.

Intensity metric: The Group's emission intensity metric is calculated using the estimated floor space of Annington's controlled and unoccupied properties (ft2) as this reflects the operational boundary of Annington's emissions reporting. Annington's SECR scope emissions for 2023/24 is 1.53 tCO2e per 1,000 ft2 of unoccupied and controlled properties. The previous year's figure (2022/23) was 0.83 tCO2 per 1,000 ft2. This shows a year-on-year increase of 84%. Despite a 15% reduction in absolute emissions, the floor space of the properties released to the group was 54% less than the previous reporting period therefore contributing to the overall increase in emissions intensity.

Energy efficiency actions/undertakings: During the reporting period, the Group moved its head office from James Street to Hays Galleria. Part of the rationale for choosing the new office was the significant improvement in energy performance, as indicated by its EPC rating. This resulted in a reduction of 36% in electricity and 15% in natural gas per day. During the previous reporting period (2022/23) reporting period, Annington expanded its carbon footprint assessment to incorporate emissions associated with its supply chain from building materials and use of sold products. The Group disclosed through CDP (formerly known as the Carbon Disclosure Project) for the first time, achieving a C against a worldwide average of

B-. The Group continues to further improve its understanding of its carbon footprint with the aim of supporting the UK's target to reach net zero by 2050.

People and Communities

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

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

The Group is closely aligned to UN SDG 8 (Decent Work and Economic Growth) and requires suppliers and contractors to share its commitment to quality, health and safety and environmental issues. Annington is committed to providing a safe working environment, with both its own and its contractors' safety management systems complying with UK Health and Safety legislation. It monitors and assesses implementation of its policies and systems through monthly independent health and safety checks on active sites, in addition to requiring contractors to undertake their own regular health and safety checks, as part of their contractual obligations. The Group complies with the Modern Slavery Act (2015) and maintains an Annual Slavery and Human Trafficking Statement, which is available at www.annington.co.uk.

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

	2024	2023
Contractor Incidents	4	7
Incidents reportable under RIDDOR	Nil	Nil
Employee work incidents	1	1

Annington values its employees' commitment, professional development, and health and wellbeing and, in doing so, is aligned with the overall purpose of UN SDG 8 (Decent Work and Economic Growth). A comprehensive range of benefits aimed at promoting physical and mental health as well as excellent opportunities for personal and professional development are available to all staff. The Group continued to operate a hybrid working model and Cycle to Work scheme. The Group understands the benefits of life-long learning and as such is aligned to UN SDG 4. In the reporting period, 93% of training was completed by staff. Additional continuing professional development courses, more tailored to their roles, were also undertaken by staff. In the financial year the Group invested an average of £1,320 per employee (2023: £1,220).

Annington's refurbish, repurpose, and revive ethos presents a unique opportunity to reinvigorate communities that have been neglected and, in some cases, abandoned, and in doing so, is aligned to UN SDG 11 (Sustainable Cities and Communities). Over and above internal refurbishment, the Group routinely works to improve the 'street scene' on its Sites to make the communities in which houses are situated more sustainable and more desirable places to live.

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

Diversity & Inclusion

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

At 31 March 2024, there were 61 employees (2023: 55) with employee turnover at 8.2% (2023: 20%). The overall gender, age and ethnicity split of the workforce is as follows:

Equal opportunities reporting:		
Age Range:	Under 30 30-50 Over 50	7 33 21
Average Age:		44
Gender Split:		50.82% Male (31); 49.18% Female (30)
Ethnicity:		69% White; 15% Asian/Black/Mixed; 16% Other or Not disclosed
Number of reported incidents of harassment and/or discrimination in the workplace:		Zero

	Male	**Female**	**Total**
Annington Limited Board	6	1	7
Senior executive team (excl board members)	2	2	4
All employees	31	30	61

Investing in Communities

The Group is passionate about helping the wider military community and since 2018 has been a signatory to the Armed Forces Covenant. In the reporting period the Group supported a range of charitable organisations and groups working with the Armed Forces community demonstrating its commitment to its Covenant pledges. During the year, the Group made monetary donations of £0.6 million (2023: £0.4 million), to charitable organisations and groups supporting military families, military youngsters and veterans. Many of the Groups charitable activities are closely aligned with the targets of UN SDG 4 (Quality Education). Importantly, the Group's Covenant pledges include a range of incentives to Service and ex-Service personnel wishing to buy or rent an Annington property, as well as the following:

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

All charity partners and projects are assessed against four key principles and are assessed against four key principles and are aligned with the Group's corporate identity and values. It is the Group's intention that its charitable support will:

- Make a tangible and measurable difference to those receiving the Group's help;
- Work to alleviate disadvantage, ensuring fair and equitable treatment;
- Create a sense of community amongst military families and veterans; and
- Create opportunities for beneficiaries aimed at improving their lives.

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

For details on the charities that Annington has worked with during the year please refer to Annington's Community Engagement and Charitable Giving Review. annington-community-engagement-and-charitable-giving-2023.pdf

STRATEGIC REPORT

Stakeholders - Statement on s172 of the Companies Act 2006

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

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

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

Stakeholder:	**How the Board consults and considers stakeholder interests**	**More information**
Customers	The Group's largest customer is the MoD. While there is access at high level within the DIO on strategic issues, most day to day business is dealt with through the Joint Working Board (Annington and DIO), which is scheduled to meet quarterly and is chaired by the Head of Accommodation at DIO. The majority of the issues relate to the day-to-day running of the estate rather than strategic direction and decision making but this forum is a good opportunity to discuss accommodation strategy with the MoD at a suitable level. For individual customers, the Group maintains regular engagement with solicitors and agents and makes available a customer helpline to facilitate feedback.	See the Service Family Accommodation and MoD Policy section of this report. See the People and Communities section under Environmental, Social and Governance ('ESG').
Shareholders	The Board comprises Non-Executive Directors, Terra Firma Directors and Executive Directors. This enables the Board to consult with Shareholders in real time. Further to this, members of the Board are in regular contact with Terra Firma representatives through informal meetings and formal events such as conferences and scheduled management meetings.	See the Directors' Report disclosures on Board and committee composition and Ownership Structure.

Stakeholder:	How the Board consults and considers stakeholder interests	More information
Suppliers	Via the management team's regular contact with suppliers, the Group maintains strong relationships and open lines of communication. Information gained via these relationships is available to the Board via the Executive Directors and department heads who are welcomed at Board meetings in an ex officio capacity. The Group considers the interests of suppliers in many ways and this is evidenced by the Group's commitment to health and safety, regular communication with suppliers and paying suppliers promptly.	See the People and Communities section under Environmental, Social and Governance ('ESG').
Employees	The Group has a small number of employees and ensures the welfare and concerns of staff are taken into account when making decisions impacting them. The Group communicates with employees through a weekly update of the intranet detailing all relevant business, market and staff news. Executive Directors meet weekly with key members of operational management and regular feedback is passed through senior managers' meetings. Staff Forums are held where all staff are invited to attend and participate, at least annually. Employees are anonymously surveyed on an annual basis to gauge attitudes and sentiments to a range of factors, issues, and concerns.	See the People and Communities section under Corporate Responsibility.
The community	The majority of the Group's portfolio is located on or near to MoD bases. When these houses are released to the Group, it makes efforts to support the communities in which they are located. The Group has also committed to the Armed Forces Covenant, providing a number of benefits to service personnel. The Group seeks feedback from the individual forces Families Federations and is in contact with the leadership of these organisations on a regular basis.	See the People and Communities section under Environmental, Social and Governance ('ESG')..
The environment	The Group considers the impact on the environment based not only on safety but also on benefit to the community. Decisions are taken in line with its Sustainable Procurement Policy to reduce its impact on the environment. During the year, the Group implemented 26 recommendations resulting from the Group's ESG maturity assessment. Annington plans to further develop its ESG strategy to meet additional TCFD recommendations and consider how to contribute to the UK's net zero aims.	See the section on Climate Resilience and On-site Activity section under Environmental, Social and Governance ('ESG').

STRATEGIC REPORT

OUTLOOK AND GOING CONCERN

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

At 31 March 2024, the Group, through Annington Funding Plc ('AFP'), had £3.5 billion of outstanding unsecured corporate bonds in eight tranches. The Group has a further £400 million term loan and an undrawn revolving credit facility of £100 million, both expiring in 2028. On 12 July 2024, the Group paid £152 million from cash reserves, to settle the 2024 Euro bond.

The Group meets its day-to-day working capital requirements from both rental income and property sales. Forecast revenue increases are highly predictable with a significant proportion attributable to the Site Review adjustment agreed in the December 2021 Settlement Agreement and the remainder from the BURR process where the forecasts reflect the recent high levels of residential rental growth seen across the UK.

In uncertain economic environments, such that there is uncertainty over the level of demand for properties, comfort is gained that the rental income is sufficient to meet debt service requirements without the need for sales. A significant number of Units could become void and the Group would still be able to service its debt obligations from the remaining rental income.

At March 2024, the Group held £196.4 million of cash at bank. The Group does not plan to make a distribution from this balance, with cash instead being held to fund capital payments and the working capital of the Group. Annington continues to generate cash through the sale of released properties and other non-core assets. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are set out in the Financial Review section. The Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for repurchasing debt, reinvestment or potential dividends to shareholders. Were this not possible, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance. The Board has taken into account the effects of current market conditions, including rising inflation and interest rates, a depressed UK residential sales market and the war in Ukraine. Possible downside effects considered included falling house prices, falling rental values and increased arrears from tenants. In all circumstances, cash reserves and rental receipts from the MoD were shown to be sufficient to fund the ongoing operations of the Group and the debt repayments due within the next 12 months.

As discussed previously under notices of enfranchisement, above, the High Court held that the MoD had acted lawfully, and found that the MoD enfranchisement notices on the eight properties are valid, and, in doing so, dismissed each of the judicial review and private law claims. Annington was granted leave to appeal the decision. The Court of Appeal was due to hear the appeal between 23 and 25 July 2024. As explained above, on 17 July 2024, the Court of Appeal agreed to vacate the appeal hearing to allow the MoD and the Group's shareholders to explore the potential resolution of the proceedings.

Were the appeal to proceed and be determined in favour of the MoD, the compensation that the MoD would have to pay is determined by Section 9 of the Leasehold Reform Act 1967. This provides that the amount payable should be the "amount which the property, if sold in the open market by a willing seller might be expected to realise" but on the assumptions that the property is not capable of enfranchisement, and is otherwise broadly subject to the same rights and obligations as the lease. If the parties cannot agree the price, it would be determined by an independent tribunal. No negative impacts to financial covenants are forecast in the foreseeable future.

After making enquiries, the directors have assessed that the Group generates sufficient additional cash flows to settle their obligations as and when they fall due. This assessment is made on the basis of the Group's predictable quarterly revenue receipts from the MoD, existing cash reserves and availability of undrawn credit facility. Based on this analysis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of these financial statements. Accordingly, they adopt the going concern basis in preparing the Annual Report and financial statements.

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

I Rylatt
Director
25 July 2024

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

ANNINGTON LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2024.

Directors

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

Baroness Helen Liddell (Chairman) *Independent Non-Executive Director* Appointed 1 April 2017	Baroness Helen Liddell has considerable political experience, having previously been a Member of Parliament from 1994-2005, during which time she held a variety of influential positions including Economic Secretary to the Treasury, Minister for Transport, Minister for Energy and Competitiveness in Europe and the Secretary of State for Scotland. Prior to entering Parliament, she held positions in the Scottish Trades Union Congress, worked for the BBC, the Labour Party, the Scottish Daily Record and the Sunday Mail and was the Chief Executive of Business Ventures.
Jonathan Short (Deputy Chairman) *Independent Non-Executive Director* Appointed 1 April 2017	Jonathan Short has a background predominately in banking and finance, having worked for American National Bank and Trust Company, S.G.Warburg, Baring Brothers, Lazard and Pramerica Real Estate Investors before setting up his own fund in 2007, Internos Global Investors, now known as Principal Real Estate Investors, an investment manager operating a broad range of real estate investment solutions. Jonathan has recently established a new business, IREMIS, a specialist pan-European real estate investment manager, whose first Fund is focussed on hotels.
Ian Rylatt *Chief Executive Officer* Appointed 7 May 2021	Ian Rylatt joined Annington in April 2021 from Balfour Beatty plc where he was Chief Executive Officer for a number of group businesses and member of the group Executive Committee. Since 2012, Ian was Chief Executive Officer of Balfour Beatty Investments, responsible for all the business's infrastructure and real estate / PRS investment activities including its US multi-family housing business and its Military Housing business, managing c. 35,000 homes for the US Department of Defense. Ian initially joined Balfour Beatty in 1998 as a Business Development Director. Prior to Balfour Beatty Ian held a number of finance and equity investment related roles within Rolls Royce plc.
Stephen Leung *Chief Financial Officer* Appointed 1 April 2021	Stephen Leung has over 20 years' experience in the real estate sector and joined Annington in March 2021 from iQ Student Accommodation, where he had been CFO since 2015. He was previously Finance Director at Otium Real Estate Limited and has held positions at a number of leading real estate businesses including Land Securities and Trillium.
David Tudor-Morgan *Chief Operating Officer* Appointed 2 May 2023	David Tudor Morgan was formerly with British Land for 10 years where he held various roles, latterly as Director of Retail & Residential Property Operations. David is also a member of the Royal Institute of Chartered Surveyors.
Christopher Severson *Non-Executive Director* Appointed 31 October 2023	Christopher Severson is Operating Managing Director at Terra Firma and has over 20 years' experience in senior management roles for companies across several industries, including FMCG and construction. Christopher holds MBAs from Columbia Business School and London Business School.
Ishan Bharadwaj *Non-Executive Director* Appointed 30 April 2024	Ishan Bharadwaj is a Principal at Terra Firma, primarily focused on new deal opportunities and has over 13 years experience in private equity. Ishan was previously a director at H.I.G Capital.
Vivek Ahuja *Non-Executive Director* Appointed 23 October 2018 Stepped down 27 April 2024	
Nick Vaughan *Non-Executive Director* Appointed 29 October 2012 Stepped down 31 December 2023	

DIRECTORS' REPORT

Corporate governance arrangements

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

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

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

Board and committee attendance

The number of board and committee meetings attended by each Director during their directorship within the 2024 financial year was as follows:

	Board	Audit Committee	Nomination and Remuneration Committee	Overall Attendance
Total number of meetings	**6**	**3**	**3**	
Baroness Helen L Liddell	6	3	3	100%
Jonathan Short	6	3	3	100%
Christopher Severson	3	2	1	100%
Ian Rylatt	6	3*	3*	100%
Stephen Leung	6	3*	3*	100%
David Tudor Morgan	5	3*	2*	100%
Vivek Ahuja	4	2	3	75%
Nick Vaughan	3	-*	-*	60%

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

Ishan Bharadwaj was not required to attend any meetings during the year.

Directors' indemnities

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

The role of the Board

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

Details of the Board and committee composition, remit and frequency of meeting

<u>Board of Directors</u>

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

Audit Committee

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

Nomination and Remuneration Committee

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

Finance Committee

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

Investment Committee

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

Risk Committee

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

Operational Review Meetings

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

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

A summary of board composition and its diversity as at 31 March 2024 is set out in the tables below:

Board composition

Independent Non-Executive Chairman and Director	1
Independent Non-Executive Director	1
Non-Executive Director	2
Executive Director	3
Total number of Directors	**7**

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

Under 3 years	1
3 – 7 years	3

Gender diversity (including the Chairman)

Female	1
Male	6
Total	**7**

DIRECTORS' REPORT

Remuneration Report

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

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

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

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

Guidelines for Disclosure and Transparency in Private Equity

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

Ownership structure and economic benefit

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

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

Going concern

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

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

Charitable and political donations

During the year the Group made charitable donations of £0.6 million (2023: £0.4 million), principally to local charities serving the communities in which the Group operates. The Group made no political donations during the year (2023: none).

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

Financial instruments and risk management policies

Financial instruments and risk management policies are addressed in Note 21.

ANNINGTON LIMITED

DIRECTORS' REPORT

Links to Strategic Report

The areas of potential risks and uncertainty which face the business, details of its financing and its future outlook are addressed in the Strategic Report. An indication of likely future developments in the business and development activities are included in the Strategic Report. Information regarding stakeholder engagement and ESG reporting, including carbon reporting, is included in the Strategic Report.

Employment of disabled persons

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

Dividends

The Group's policy is to distribute free cash flow subject to maintaining financial policies and suitable cash reserves to ensure the Group's operational needs can be met. The Group's unsecured debt strategy provides operational flexibility and the Group maintains a policy of maintaining a BBB rating. The cash balance at 31 March 24 year-end was £196.4 million. The Group does not plan to make a distribution from this balance at this time, with cash instead being held to make capital payments and fund the working capital requirements of the Group.

Subsequent events

On 12 July 2024, the Group paid £152 million from cash reserves, as final settlement of the 2024 Euro bond.

On 15 July 2024 the Group and the MOD jointly applied for the July Court of Appeal hearing to be vacated in order that the parties had time to explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024 the Court of Appeal agreed to vacate the hearing. The hearing will be relisted for the first available date (accounting for Court and Counsel availability) after 1 November 2024. Please see the Notices of Enfranchisement section of the Strategic Report for further details.

Auditor

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

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

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

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

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

S Leung
Director
25 July 2024

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SE1 2HB

ANNINGTON LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Annington Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34 and a to j.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included health and safety, data protection laws, anti-bribery, environmental and sustainability regulations, planning regulations and landlord and tenant legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, real estate valuations, financial instruments, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

The valuation of investment property is an area of judgement due to the use of assumptions and estimates to derive the valuation and therefore we have identified this as a potential fraud risk. The risk is specifically focussed on those assumptions which carry the greatest risk of misstatement being the discount rate applied, short-term and long-term rental growth rates, discount to open market rent and the allowance for enfranchisement risk. We worked with our real estate valuation specialists to challenge the assumptions used including the benchmarking to available market data seeking appropriate rationale and evidence ensuring, where appropriate, that the assumptions were within an acceptable range.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Helen Wildman ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 July 2024

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Property rental income	4	**241,958**	219,323
Property operating expenses		**(9,224)**	(8,154)
Net rental income	4	**232,734**	211,169
Other operating income	5	**3,525**	4,509
Administrative expenses		**(17,820)**	(17,843)
Other operating expenses		**(797)**	(555)
Enfranchisement Proceedings costs	5	**(3,190)**	(10,572)
Profit on disposal of investment properties	7	**18,186**	6,136
Profit on disposal of inventory		**3**	219
Unrealised property revaluation losses	10	**(212,282)**	(681,033)
Share of results of joint ventures after taxation	13	**(414)**	100
Impairment of joint ventures	13	**(815)**	-
Operating profit/(loss)	5	**19,130**	(487,870)
Finance income	8	**21,868**	8,655
Finance costs	8	**(159,422)**	(149,839)
Loss before taxation		**(118,424)**	(629,054)
Taxation credit	9	**15,042**	1,885
Loss for the year after taxation		**(103,382)**	(627,169)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Loss for the year		**(103,382)**	(627,169)
Items that may subsequently be recycled through the income statement			
Cash flow hedge:			
Fair value (losses)/gains on cash flow hedge	20	**(4,200)**	6,121
Losses/(gains) arising on cash flow hedge reclassified to income statement	8	**4,159**	(4,570)
Recycling of hedge reserve on termination of swaps		**-**	(3,120)
Total other comprehensive loss		**(41)**	(1,569)
Total comprehensive loss for the year		**(103,423)**	(628,738)
Total comprehensive loss attributable to shareholder		**(103,423)**	(628,738)

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

CONSOLIDATED BALANCE SHEET
At 31 March 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Investment properties	10	**7,324,864**	7,738,244
Plant and equipment	11	**751**	308
Right-of-use assets	12	**3,927**	1,162
Investment in joint ventures	13	**909**	2,138
Deferred tax assets	9	**79,645**	56,425
Derivative financial instruments	20	**-**	475
		7,410,096	7,798,752
Current assets			
Trade and other receivables	14	**12,813**	15,013
Cash and cash equivalents	15	**196,435**	186,718
		209,248	201,731
Investment properties held for sale	10	**42,433**	67,068
Total assets		**7,661,777**	8,067,551
Current liabilities			
Trade and other payables	16	**(41,576)**	(47,052)
Rental income received in advance		**(52,811)**	(45,683)
Lease liabilities	18	**(459)**	(293)
Loans and borrowings	17	**(148,177)**	-
Provisions	19	**(16,646)**	(20,763)
		(259,669)	(113,791)
Non-current liabilities			
Trade and other payables	16	**(4,481)**	(2,731)
Loans and borrowings	17	**(3,716,130)**	(4,177,694)
Lease liabilities	18	**(3,396)**	(785)
Deferred tax liabilities	9	**(177)**	(63)
Provisions	19	**(10,637)**	(5,502)
Derivative financial instruments	20	**(3,725)**	-
		(3,738,546)	(4,186,775)
Total liabilities		**(3,998,215)**	(4,300,566)
Net assets		**3,663,562**	3,766,985
Capital and reserves			
Share capital	22	**84,756**	84,756
Share premium	23	**480,401**	480,401
Merger reserve	24	**(10,000)**	(10,000)
Hedging reserve	25	**(360)**	(319)
Retained earnings	26	**3,108,765**	3,212,147
Total equity		**3,663,562**	3,766,985

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

The financial statements of Annington Limited, registered number 08271384, were approved by the Board of Directors and authorised for issue on 25 July 2024.

Signed on behalf of the Board of Directors

S Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	84,756	480,401	(10,000)	1,250	3,939,316	4,495,723
Total comprehensive income for the year	-	-	-	(1,569)	(627,169)	(628,738)
Dividends paid	-	-	-	-	(100,000)	(100,000)
Balance at 31 March 2023	84,756	480,401	(10,000)	(319)	3,212,147	3,766,985
Loss for the year	-	-	-	-	**(103,382)**	**(103,382)**
Other comprehensive loss	-	-	-	**(41)**	-	**(41)**
Balance at 31 March 2024	**84,756**	**480,401**	**(10,000)**	**(360)**	**3,108,765**	**3,663,562**

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash from operating activities	27	**215,179**	189,406
Tax paid		**(4,972)**	(5,200)
Net cash inflow from operating activities		**210,207**	184,206
Investing activities			
Proceeds from sale of investment properties		**263,953**	93,738
Development and acquisition of investment properties	10	**(126)**	(143)
Refurbishment expenditure on investment properties	10	**(15,612)**	(32,247)
Purchase of plant and equipment	11	**(785)**	(35)
Receipts from joint ventures	13	**-**	15
Interest received		**11,285**	2,173
Net cash inflow from investing activities		**258,715**	63,501
Financing activities			
Interest and other financing costs		**(157,541)**	(142,144)
Dividends paid		**-**	(100,000)
Repayments made on borrowings		**(300,589)**	(496,935)
Proceeds from new borrowings		**-**	515,104
Debt issuance costs and refinancing fees		**(563)**	(7,919)
Proceeds from settlement of swaps		**-**	359,275
Payments made on settlement of swaps		**-**	(369,415)
Interest payments on lease obligations		**(25)**	(25)
Principal payments on lease obligations		**(485)**	(726)
Net cash outflow from financing activities		**(459,203)**	(242,785)
Net increase in cash and cash equivalents		**9,719**	4,922
Cash and cash equivalents at the beginning of the year		**186,718**	181,787
Exchange differences on cash and cash equivalents		**(2)**	9
Cash and cash equivalents at the end of the year	15	**196,435**	186,718

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024

1. CORPORATE INFORMATION

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

The Company is a private company limited by shares and is registered in England and Wales. The address of its registered office is Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB. Information on the Group's ultimate parent is presented in Note 33.

2. MATERIAL ACCOUNTING POLICIES

Basis of preparation

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

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

Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to direct relevant activities of an entity, exposure, or rights, to variable returns of an entity and the ability to use its power over an entity to affect the amount of its returns. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Going concern

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

Fair value measurement

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

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

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

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

Further information regarding the assumptions made in measuring fair values is included in Note 10 and Note 21.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant including rising inflation and interest rates, the war in Ukraine, and the continuing impacts of the UK's exit from the European Union. Actual results may differ from these estimates.

Further details regarding key sources of estimation uncertainty for the Group can be found within Notes 9 (with respect to deferred tax), 10 (with respect to the valuation of investment properties) and 19 (with respect to the provision for utilities).

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

New Standards, interpretations and amendments effective from 1 April 2023

The Group has adopted all new accounting standards, interpretations and amendments, which have become effective for the year ended 31 March 2024. The application of these has had no material impact on the Group's financial statements.

3. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new and revised IFRSs have been issued and adopted by the UK Endorsement Board ('UKEB') but are not yet effective:

New/Amended Standards and Interpretations		**Effective date (annual periods beginning on or after)**
IFRS 16 Amendments Effective Date	Amendments to Lease Liabilities in a Sale and Leaseback Transaction	1 January 2024
IAS 1 Amendments Effective Date	Amendments to the Classification of Liabilities as Current or Non-current	1 January 2024
IAS 7 and IFRS 7 Amendments Effective Date	Amendments to Disclosure Requirements for Supplier Finance Arrangements	1 January 2024
SASB Standards Amendments	Amendments to enhance international applicability	1 January 2025
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

4. PROPERTY AND NET RENTAL INCOME

ACCOUNTING POLICY

Property rental income – revenue recognition

Property rental income from investment properties is accounted for on an accruals basis and recognised on a straight-line basis over the operating lease term. Rent increases arising from Rent Reviews not able to be determined at the outset of the lease are taken into account when such reviews have been settled with the tenants. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

	2024 £'000	2023 £'000
Property rental income	**241,958**	219,323

Net rental income

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

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

5. OPERATING PROFIT

ACCOUNTING POLICY

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

	2024 £'000	2023 £'000
Depreciation of plant and equipment	**114**	142
Depreciation of right-of-use assets	**677**	811
Loss on disposal of plant and equipment	**80**	2
Loss/(gain) on disposal of right-of-use assets	**1**	(1)
Other operating income		
Dilapidation income	**3,512**	4,480
Net profit from property management	**5**	4
Sundry income	**8**	25
Total other operating income	**3,525**	4,509

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

5. OPERATING PROFIT (continued)

	2024 £'000	2023 £'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company	**69**	64
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**381**	356
Total audit fee	**450**	420
Non-audit remuneration		
Other assurance services	**12**	75
Total non-audit fee	**12**	75

Enfranchisement Proceedings Costs

The Group has incurred costs to legally challenge the MoD's attempt to enfranchise eight units forming part of the MQE. Following a joint hearing in the Administrative Court and Chancery Division, a judgment was handed down in May 2023 in which Annington's claims were dismissed. The Group has appealed the decision. The Group has incurred further costs in respect of its legal challenge of the three additional units within the MQE, although these proceedings have been stayed until the determination of the appeal. Further details regarding these proceedings can be found in the Strategic Report.

The costs relating to the Enfranchisement Proceedings are outside the normal scope of the Group's operations and are material. Legal costs of £3.2 million (2023: £10.6 million) have been incurred in the year and have been disclosed separately in the income statement due to their exceptional nature. The final amount of costs to be awarded, if any, is contingent upon the final resolution of any subsequent appeals process. This has been disclosed as a contingent liability in Note 30.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

ACCOUNTING POLICY

Employee benefits

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

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

The cost of providing contributions to employees' personal defined contribution schemes is charged to the income statement as contributions are made. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2024 £'000	2023 £'000
Directors' emoluments		
Aggregate emoluments representing short-term employee benefits	**1,846**	1,547

No retirement benefits are accruing to Directors. Emoluments, for the highest paid Director amounted to £0.7 million (2023: £0.6 million). No Directors' emoluments were paid to those Directors who are employed by Terra Firma Capital Partners Limited.

	2024 Number	2023 Number
Average monthly number of persons employed (including Directors)		
Administrative	**34**	32
Operations	**26**	25
	60	57

	2024 £'000	2023 £'000
Staff costs incurred during the year		
Wages and salaries including Directors' emoluments	**8,705**	9,031
Social security costs	**1,134**	1,268
Other pension costs	**355**	395
	10,194	10,694

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

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

Wages and salaries include an accrual for the future potential payments of the discretionary Long Term Incentive Plans (LTIPs). There are currently two LTIP schemes established, with the first payable in April 2026, and the second payable across two tranches in April 2028 and April 2029, being the end of the period of the incentive scheme. These LTIPs are issued to both directors and certain employees. Where applicable, these will be included in directors' remuneration on payment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

7. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

ACCOUNTING POLICY

Gains or losses on the sale of properties are accounted for on a legal completion of contract basis. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition. Where estimated costs were attributed to properties sold, but changes to those estimates were made in a subsequent period, they are recognised as late costs incurred and expensed/credited to profit on disposal of investment properties.

	2024 £'000	2023 £'000
Sales proceeds	**268,599**	95,485
Selling costs	**(4,603)**	(1,760)
Net disposal proceeds	**263,996**	93,725
Carrying value of properties disposed	**(244,939)**	(83,792)
Late costs incurred on units sold	**(871)**	(3,797)
	18,186	6,136

During the year, disposals of 1,045 properties (2023: 394 properties) were completed.

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

8. FINANCE INCOME AND COSTS

ACCOUNTING POLICY

Interest income is recognised over time, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs, including any transaction costs, are charged to the income statement using the effective interest rate method.

	2024 £'000	2023 £'000
Finance income		
Interest receivable	**11,285**	2,173
Gain on bond refinancing	**10,583**	3,362
Recycle of hedge reserve on termination of swaps	**-**	3,120
Total finance income	**21,868**	8,655

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

8. FINANCE INCOME AND COSTS (continued)

	2024 £'000	2023 £'000
Finance costs		
Interest payable on unsecured fixed rate notes	**127,848**	**125,222**
Amortisation of issue costs	**2,504**	**2,874**
Interest payable on bank loans	**27,381**	**15,665**
Foreign exchange (gain)/loss on financing	**(4,157)**	**5,091**
Losses/(gains) arising on designated hedging instruments in cash flow hedges reclassified from equity to income statement	**4,159**	**(4,570)**
Unwinding of discount on provisions	**1,210**	**1,218**
Effect of change in discount rate on utilities provision	**(502)**	**(209)**
Loss on debt modification	**-**	**3,735**
Other finance expenses	**795**	**788**
Finance costs on lease transactions	**184**	**25**
Total finance costs	**159,422**	**149,839**

9. TAXATION

ACCOUNTING POLICY

Taxation for the year comprises current and deferred tax, which is recognised in the income statement.

Current tax

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

Deferred tax

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

9. TAXATION (continued)

Key source of estimation uncertainty

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

	2024 £'000	2023 £'000
Current tax		
United Kingdom corporation tax at 25% (2023: 19%)	**(8,064)**	(3,201)
Deferred tax recognised in income statement		
Deferred taxation: origination and reversal of temporary differences	**23,106**	5,086
Total taxation for the year recognised in income statement	**15,042**	1,885

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25% (2023: 19%). The rate of tax for the current and preceding year differs from the standard tax rates for the reasons set out in the following reconciliation:

	2024 £'000	2023 £'000
Loss before taxation	**(118,424)**	(629,054)
Tax credit at the standard rate	**29,606**	119,520
Factors affecting current tax for the year:		
Expenses not deductible for tax purposes	**(10,218)**	(537)
Non-taxable income	**6,143**	2,657
Revaluation of investment properties	**(43,170)**	(129,396)
Utilisation of tax losses	**9,575**	4,555
Deferred tax release	**23,106**	5,086
Taxation for the year recognised in income statement	**15,042**	1,885

The rate of Corporation Tax for the UK for the year ended 31 March 2024 is 25%, made effective from April 2023. The March 2024 calculation of current and deferred tax use the 25% rate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

9. TAXATION (continued)

Deferred tax

The movement in deferred tax is as set out below:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 April 2022	(88)	51,364	51,276
(Charge)/credit to income statement	25	5,061	5,086
At 31 March 2023	(63)	56,425	56,362
(Charge)/credit to income statement	**(114)**	**23,220**	**23,106**
At 31 March 2024	**(177)**	**79,645**	**79,468**

At the balance sheet date, the Group has unused tax losses of £1,081.9 million (2023: £1,120.1 million) available for offset against future profits. A deferred tax asset of £79.6 million has been recognised in respect of these losses (2023: £56.4 million), leaving £190.8 million of unrecognised deferred tax assets (2023: £223.6 million). Deferred tax assets have been recognised based on the Group's reasonable expectation that their utilisation is probable based on internal forecasts. This has resulted in the recognised deferred tax asset at March 2024 representing the forecast utilisation of deferred tax assets for the next five (2023: five) financial years.

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

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

Deferred tax balances at 31 March 2024 are measured at 25% (2023: 25%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

10. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Investment properties comprise property that is held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes and other professional fees. Subsequent to initial recognition, expenditure is capitalised to investment properties if it is deemed to enhance the value of the properties. At each year end, investment properties are revalued at fair value, adjusted for related provisions. The fair value is determined annually by professionally qualified external valuers on a portfolio basis such that individual property calculations are not performed. Changes in fair value are included in the income statement in the period in which they arise. As permitted by IAS 40, the Group does not derecognise replaced parts as it is assumed that through the application of the fair value model, the property values will reflect any losses in value at reporting date. No depreciation is provided in respect of investment properties.

Where specific investment properties are expected to sell within the next 12 months, their carrying value is classified as held for sale within current assets.

Investment properties are transferred to investment properties held for sale if their carrying amount is intended to be recovered through a sales transaction rather than continuing use. This condition is regarded as met if the sale is highly probable, the property is available for immediate sale in its present condition, the property is being actively marketed, and management is committed to the sale, which is expected to qualify as a completed sale within 12 months from the date of classification.

Investment properties held for sale continue to be measured in accordance with the accounting policy for investment properties.

Key source of estimation uncertainty

The valuation of the investment properties portfolio is inherently subjective as it utilises, among other factors, comparable sales data and the expected future rental revenues. The valuer exercises professional judgement when determining what market observations are used in the assessment of fair value. If any assumptions made in the valuation prove to be inaccurate, this may mean that the value of the investment properties portfolio differs from the valuation, which could have a material effect on the financial position of the Group. Further information regarding valuation techniques and inputs used in determining the fair value of investment properties is set out further on in this note.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

10. INVESTMENT PROPERTIES (continued)

2023	Investment properties £'000	Investment properties held for sale £'000	Total £'000
Valuation			
Carrying value at 1 April	8,518,259	15,105	8,533,364
Additions – development and acquisitions	143	-	143
Additions – refurbishment expenditures	32,247	-	32,247
Disposals	4,025	-	4,025
Change in utilities obligation	(68,687)	(15,105)	(83,792)
Transfer to investment properties held for sale	358	-	358
Transfer to investment properties held for sale	(73,826)	73,826	-
Unreleased property revaluation losses	(674,275)	(6,758)	(681,033)
Total carrying value at 31 March	7,738,244	67,068	7,805,312

Properties would have been included on an historical cost basis at £1,239.8 million (2023: £1,405.8 million).

As at 31 March 2024 there were 272 (2023: 251) investment properties classified as held for sale, with disposal expected within the next 12 months.

	2024 £'000	2023 £'000
The carrying value of investment properties and investment properties held for sale comprises:		
Freehold	**335,807**	543,713
Long leaseholds	**34,780**	5,094
Very long leaseholds (over 900 years)	**6,996,710**	7,256,505
	7,367,297	7,805,312

	2024 £'000	2023 £'000
Reconciliation of fair value to carrying value:		
Fair value as estimated by the external valuer	**7,354,080**	7,792,965
Add: amounts included in utilities provision	**13,217**	12,347
Carrying value for financial reporting purposes	**7,367,297**	7,805,312

IFRS requires the fair value of investment properties be adjusted for assets or liabilities recognised separately on the balance sheet. Due to the method used by the external valuer in calculating fair value, when arriving at carrying value, the Group has adjusted the valuation of investment properties to exclude that portion of the utilities provision (Note 19) relating to properties still held by the Group.

All leasehold properties leased by the MoD are maintained by them and remain entirely under their control. The identification of surplus properties and the timing of their release to the Group is entirely at the discretion of the MoD and, upon receiving not less than six months' notice, the Group is obliged to accept any properties declared surplus.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

10. INVESTMENT PROPERTIES (continued)

The Group's freehold and long leasehold interests in its investment properties were valued as at 31 March 2024 by an external valuer, Rupert Driver BSc MRICS of CBRE Limited. The valuation, which was prepared on a portfolio basis, was subject to the existing leases, underleases and tenancies as advised but otherwise with vacant possession.

The valuer's opinion in relation to the MQE was derived primarily using a discounted cash flow approach, supplemented by comparable recent market transactions on arm's length terms in relation to the Non-MQE: Surplus Estate. The valuer's opinion in relation to the AST and other bulk tenancies in the Group was derived with reference to recent market transactions on arm's length terms. Both of these were undertaken in accordance with the requirements of IFRS 13, Fair Value Measurement and the RICS Valuation - Global Standards 2022, as amended, except where it was not, in practical terms, feasible to comply due to the large number of properties involved.

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

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

The fair value measurement hierarchy level for all investment properties as at 31 March 2024 was Level 3 significant unobservable inputs (2023: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior year.

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

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

A reduction of £366.9 million, or approximately 5% of the fair value of the MQE Portfolio, was applied to that portfolio to account for the risk associated with the liquidity and marketability of the MQE during the Enfranchisement Proceedings. At 31 March 2023, this risk was accounted for by way of adjusting the discount rates for the MQE Portfolio by a factor of 0.375%, amounting to c.£500 million, or around 7% of the reported fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

10. INVESTMENT PROPERTIES (continued)

2023	Fair value £'000	Unobservable inputs	Input
MQE			
Fair value	7,256,505		
Valuation technique		Discounted cash flow	
		Annualised gross rent (£'000 p.a.)	213,597
		Estimated future rent increase (20 year average (%)	3.93% p.a.
		Long-term House Price Inflation (%)	3.00% p.a.
		Discount rates (%)	5.875 – 7.125%
		Discount to SAPV (%)	15.00%
Non-MQE -Surplus Estate			
Fair value	205,470		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Discount rate for bulk disposal (%)	6.00%
		Net yield on rented Units (%)	4.50 – 5.50%
		Discount to SAVPV (%)	15.00%
Non-MQE – Rentals Portfolio			
Fair value	330,990		
Valuation technique		Vacant possession market comparison	
		Net yield (%)	4.10 – 5.50%
		Discount to SAVPV (%)	10.00 – 20.00%
Fair value at 31 March 2023	7,792,965		

Had the MQE Portfolio valuation discount rates increased by 0.2%, the valuation, all other factors remaining constant, would have decreased by £194.5 million. Conversely, had the MQE Portfolio valuation discount rates decreased by 0.2%, the valuation, all other factors remaining constant, would have increased by £205.1 million.

There are other interrelationships (changes in gross rent, estimated future rent increase and long-term HPI) between unobservable inputs as they are determined by market conditions, and so the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions, (i.e. gross rents increase and discount rates decrease), valuation movements can be amplified whereas if they move in the same direction they may offset reducing the overall net valuation movement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

11. PLANT AND EQUIPMENT

ACCOUNTING POLICY

Plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is determined for each asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The useful life applied to plant and equipment range between 2-10 years (2023: 2-10 years).

	2024	**2023**
	£'000	**£'000**
Cost		
At 1 April	**1,845**	1,822
Additions	**642**	35
Disposals	**(1,206)**	(12)
At 31 March	**1,281**	1,845
Accumulated depreciation		
At 1 April	**1,537**	1,405
Depreciation charge for the year	**114**	142
Disposals	**(1,121)**	(10)
At 31 March	**530**	1,537
Net book value		
At 31 March	**751**	308

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

12. RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The average lease life on computer equipment is 5 years, buildings are 10 years and the motor vehicles are 3 years. For further information on the lease liabilities, refer to Note 18.

2024	**Computer equipment £'000**	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost				
At 1 April	**220**	**3,186**	**607**	**4,013**
Additions	**-**	**3,297**	**167**	**3,464**
Disposals	**-**	**(1,993)**	**(191)**	**(2,184)**
At 31 March	**220**	**4,490**	**583**	**5,293**
Accumulated depreciation				
At 1 April	**185**	**2,297**	**369**	**2,851**
Depreciation charge for the year	**35**	**435**	**207**	**677**
Disposals	**-**	**(1,993)**	**(169)**	**(2,162)**
At 31 March	**220**	**739**	**407**	**1,366**
Net book value				
At 31 March	**-**	**3,751**	**176**	**3,927**

2023	**Computer equipment £'000**	**Buildings £'000**	**Motor vehicles £'000**	**Total £'000**
Cost				
At 1 April	220	2,374	542	3,136
Additions	-	812	120	932
Disposals	-	-	(55)	(55)
At 31 March	220	3,186	607	4,013
Accumulated depreciation				
At 1 April	141	1,730	220	2,091
Depreciation charge for the year	44	567	200	811
Disposals	-	-	(51)	(51)
At 31 March	185	2,297	369	2,851
Net book value				
At 31 March	35	889	238	1,162

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

13. INVESTMENT IN JOINT VENTURES

ACCOUNTING POLICY

The results, assets and liabilities of joint ventures are accounted for using the equity method. Investments in joint ventures are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment. Losses in a joint venture in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations on behalf of the joint venture.

The Group's joint venture undertakings at 31 March 2024 are set out below. Each of these entities operates within the United Kingdom.

Held through Annington Developments Limited

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

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

Held through Annington Property Limited

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

The Group's rights and obligations with respect to The Inglis Consortium LLP are set out in the Co-operation agreement and Limited Liability Partnership Deed dated 4 April 2011. Under this agreement the Group benefits from an interest in the partnership's operations and profits set at 28.55%, but has one third of the voting rights. All partnership decisions must be formed by unanimous agreement.

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

	Share of net assets £'000	Loans £'000	Total £'000
At 1 April 2022	1,053	1,000	2,053
Distributions	(15)	-	(15)
Share of profit for the year	100	-	100
At 31 March 2023	1,138	1,000	2,138
Share of loss for the year	**(414)**	**-**	**(414)**
Impairments	**(815)**	**-**	**(815)**
At 31 March 2024	**(91)**	**1,000**	**909**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

14. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

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

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

Trade receivables

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

	2024 £'000	2023 £'000
Amounts falling due within one year		
Trade receivables	**1,635**	85
Accrued income	**8,000**	8,068
Prepayments	**758**	856
Other receivables	**1,521**	2,015
Corporation tax	**880**	3,973
Other taxes	**19**	16
	12,813	15,013

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

Accrued income relates to dilapidations claims submitted or conditionally agreed.

Trade receivables are stated after provisions for impairment of £126,793 (2023: £50,202).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

15. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash at bank, short-term deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Short-term investments relate to shares held in an investment company that holds highly liquid cash funds. The fair value of the short-term investments has been determined based on the redemption rules as set out in the product's prospectus. Redemption requests can be made at any time on a dealing day as set out in the product's prospectus.

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

	2024 £'000	2023 £'000
Cash on hand and at bank	**19,350**	17,984
Short-term deposits and Treasury bills	**177,085**	-
Short-term investments	**-**	168,734
Cash and cash equivalents	**196,435**	186,718

16. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

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

	2024 £'000	2023 £'000
Amounts falling due within one year		
Trade payables	**1,930**	1,563
Accruals	**39,345**	45,110
Social security and other taxes	**281**	359
Retention creditors	**20**	20
	41,576	47,052
Amounts falling due after one year		
Accruals	**4,481**	2,731
Total trade and other payables	**46,057**	49,783

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

Accruals falling due after one year relates to the long-term incentive plan for executive directors. This accrual represents three years vested out of a five-year scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

17. LOANS AND BORROWINGS

ACCOUNTING POLICY

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

	2024 £'000	2023 £'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	**169,163**	632,688
Unsecured bank loans	**399,162**	398,833
	568,325	1,031,521
Amounts falling due after five years		
Unsecured notes	**3,147,805**	3,146,173
Total non-current loans and borrowings	**3,716,130**	4,177,694
Total loans and borrowings	**3,864,307**	4,177,694

In February 2024, the Group repurchased £312.3 million of the 2025 Sterling bond. Following the bond repurchase, the weighted average maturity of the Group's debt decreased to 12.1 years (from 12.3 years at 31 March 2023) with a weighted average cost of 3.75% (31 March 2023: 3.39%). The bonds were repurchased at a discount to par value and a profit of £10.6 million has been recorded in finance income as a result.

The Group holds eight tranches of corporate, unsecured bonds, totalling c.£3.5 billion and a term loan of £400 million, also unsecured. A revolving credit facility of £100 million is also available to the Group, which has never been drawn against.

A reconciliation of debt movement is provided in Note 28.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

18. LEASE LIABILITIES

ACCOUNTING POLICY

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

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

	2024 £'000	2023 £'000
Maturity analysis		
Amounts falling due within one year	**680**	330
Amounts falling due between one and five years	**2,605**	484
Amounts falling due after five years	**1,691**	442
Minimum lease payments	**4,976**	1,256
Less: future finance charges	**(1,121)**	(178)
Present value of lease obligations	**3,855**	1,078
Current	**459**	293
Non-current	**3,396**	785
Total lease liabilities	**3,855**	1,078

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

19. PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Key source of estimation uncertainty

Utilities provision

When determining the provision for utilities, the estimation technique requires an assumption be made of the future cost and the timing of works to connect Sites to public utilities. These estimated cash flows are then discounted at an appropriate rate that reflects current assessments of the risks associated with the liability. The inputs, if not accurate, could have a material effect on the provision balance. As an example, if the discount rate assumption increased/decreased by 0.5%, the provision would decrease by £0.4 million/increase by £0.4 million, respectively.

Warranty provision

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

19. PROVISIONS (continued)

Make good provision

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

	Warranty provision £'000	Make good provision £'000	Utilities provision £'000	Total £'000
2024				
At 1 April	**87**	**491**	**25,687**	**26,265**
Unwinding of discount	**-**	**29**	**1,181**	**1,210**
Effect of change in discount rate	**-**	**-**	**(502)**	**(502)**
Change in estimated obligation				
- through profit and loss	**47**	**-**	**781**	**828**
- through investment properties	**-**	**-**	**3,468**	**3,468**
- through right-of-use assets	**-**	**191**	**-**	**191**
Utilised	**(20)**	**-**	**(4,157)**	**(4,177)**
At 31 March	**114**	**711**	**26,458**	**27,283**
Current provision	**84**	**-**	**16,562**	**16,646**
Non-current provision	**30**	**711**	**9,896**	**10,637**
	114	**711**	**26,458**	**27,283**

	Warranty provision £'000	Make good provision £'000	Utilities provision £'000	Total £'000
2023				
At 1 April	143	463	23,080	23,686
Unwinding of discount	-	17	1,201	1,218
Effect of change in discount rate	-	-	(209)	(209)
Change in estimated obligation				
- through profit and loss	(45)	-	3,854	3,809
- through investment properties	-	-	358	358
- through right-of-use assets	-	11	-	11
Utilised	(11)	-	(2,597)	(2,608)
At 31 March	87	491	25,687	26,265
Current provision	67	331	20,365	20,763
Non-current provision	20	160	5,322	5,502
	87	491	25,687	26,265

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

19. PROVISIONS (continued)

Utilities provision

At the point of purchase in 1996, the Married Quarters Estate included certain Sites that are dependent on the related technical base for the provision of utilities. The MoD has undertaken to supply utilities to those Sites for the period they are rented to the MoD and for Released Units, until at least the 25th anniversary of the purchase. Where there have been releases of property that are currently base dependent or there is a constructive obligation to provide for the adoption of certain utilities on units which are not base dependent, a provision has been made to separate these units where the Company has a committed present obligation to separate these units, including Units still on hand at 31 March 2024. This amount has been added back to the investment property valuation to avoid double accounting for the obligation (refer Note 10). The provision has been discounted in accordance with the relevant borrowing costs of the Group. There is a contingent liability and asset (refer Note 30) in respect of base dependent Units where it is possible that an obligation to separate these Units may arise in the future.

Warranty provision

The warranty provision relates to the estimated costs to repair any defects that come to light during the warranty period on the sale of new build properties. The Group is legally obligated to rectify property defects in accordance with UK legislation. The Group's exposure is mitigated by contractors' guarantees and insurance policies.

Make good provision

The make good provision relates to the estimated cost of restoration work agreed to be carried out on the Group's leased properties at the end of their lease terms in 2032. A provision is still in place for the leased properties that came to an end in 2023 due to prolonged negotiations on the make good works. These amounts are not expected to be paid for 12 – 18 months.

20. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

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

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

Hedge accounting

Hedges of foreign currency exchange risk on firm commitments are accounted for as cash flow hedges. The relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking hedge transactions, is documented at the inception of the hedge relationship. Additionally, on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributed to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges

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

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

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

The Group holds cross currency swaps of €173.3 million, converting the nominal balance to £152.0 million. These swaps mitigate the volatility of foreign currency movements in future interest and capital payments on its Euro denominated bonds. The hedge is considered highly effective as per the currency risk assessment in Note 21 and the Group continues to apply hedge accounting with respect to these swaps.

	2024 £'000	2023 £'000
Financial (liabilities)/assets carried at fair value through OCI		
Cross currency swaps that are in designated hedge accounting relationships	**(3,725)**	475

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

	2024 £'000	Revaluation adjustment £'000	2023 £'000
Cross currency swaps	**(3,725)**	(4,200)	475
Total derivative financial (liabilities)/assets	**(3,725)**	(4,200)	475

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

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

Financial assets

Impairment of financial assets

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

Financial liabilities

The Group’s financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

The Group has the following financial instruments:

	Note	2024 £’000	2023 £’000
Financial assets			
Cash and receivables at amortised cost:			
Trade and other receivables	14	**11,156**	10,168
Cash and cash equivalents	15	**196,435**	186,718
Assets measured at fair value through OCI:			
Cross currency swaps	20	**-**	475
Total financial assets		**207,591**	197,361
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables	16	**45,776**	49,424
Loans and borrowings	17	**3,864,307**	4,177,694
Liabilities measured at fair value through OCI:			
Cross currency swaps	20	**3,725**	-
Total financial liabilities		**3,913,808**	4,227,118

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

Credit risk

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

The Group has an agreement with FTI Finance Limited, trading as FTI Treasury, to manage and optimise the liquidity resources and requirements of the Group. Credit risk on cash and deposits is minimised by using a revolving panel of banks, which have all been identified as low risk according to Credit Agency ratings. The maximum amount of funds that can be placed with any one institution is also limited. The banks and criteria are reviewed and updated periodically to ensure they reflect the prevailing market conditions.

The Group has a low credit risk as the MQE is leased on a 200-year Underlease to the MoD. All properties under these arrangements continue to be maintained by, and remain entirely under the control of the MoD dependent upon their operational needs. The rent is payable quarterly in advance and, to date, has always been received by the due date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

The Group's credit risk is attributed primarily to its trade and other receivables, which consists principally of amounts due under property disposals, agreed dilapidations claims outstanding and rents due from tenants. The balance is low compared to the scale of the balance sheet.

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

The Group also holds cross currency swaps with Barclays Bank plc and JP Morgan Securities plc. The Group's exposure to counter party credit risk with respect to these derivatives is assessed as low, as each of the counterparties holds at least an upper medium grade rating.

Other than amounts due from the joint venture companies and dilapidations claims outstanding, the Group has no other significant concentration of credit risk. Trade receivables are presented net of allowances for impairment are made where appropriate, as set out in Note 14.

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

Debt management

The Group holds eight tranches of corporate, unsecured bonds, totalling c.£3.5 billion and a term loan of £400 million, also unsecured.

A £100 million five year revolving credit facility is in place to ensure that there is no default in the repayment of the borrowing and interest to the bondholders. This facility has never been drawn against. The Group has no overdraft arrangements in place as it has adequate funds invested on the money market in short-term to medium-term deposits to maintain its short-term liquidity. In addition, the Group also forecasts its liquidity requirements using five-year rolling cash forecasts, which are reviewed on a monthly basis.

Capital risk management

Capital is managed so that entities in the Group will be able to continue as going concerns while leveraging the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt and equity. Net debt includes loans and borrowings (Note 17) offset by cash and cash equivalents, while equity comprises equity attributable to equity holders of the Company, being issued share capital, reserves and retained earnings (Notes 22 - 26).

The debt imposes a number of covenants that must be complied with, on a Group basis, under both the bonds and loan facility. The covenants attaching to the debt are:

Covenant	Test	Limit for Bonds	Limit for Loans	31 March 2024	31 March 2023
Limitation on Debt	Total debt / Total assets	<65%	<65%	49.7%	51.2%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%	-	-
Interest Cover Ratio	Consolidated EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)	1.47x	1.37x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	198.8%	193.6%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

In 2017, the Group issued a 7 year unsecured euro bond of €600 million expiring July 2024. To hedge against fluctuations in the Euro to Pound Sterling exchange rate, the Group entered into a cross currency swap of €600 million, converting the nominal balance to £526.26 million. These swaps mitigate the volatility of foreign currency movements in future interest and capital payments. During the current year, €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 is appropriately matched to the swaps in place. The function of this swap increases the effective interest rate of Euro Tranche debt to 2.755% (2023: 2.755%). The hedge is in line with the Group Treasury Policy whereby the Group should look to put in place hedges covering 50-100% of the FX risk arising from foreign currency debt, to the extent that foreign currency debt exceeds £50 million in aggregate.

Currency risk sensitivity analysis

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

	Strengthening 5%		Weakening 5%	
	Gains/(losses) in consolidated income statement (£'000)	**Gains/(losses) included in equity (£'000)**	**Gains/(losses) in consolidated income statement (£'000)**	**Gains/(losses) included in equity (£'000)**
2024	**-**	**(38)**	**-**	**42**

	Strengthening 5%		Weakening 5%	
	Gains/(losses) in consolidated income statement (£'000)	**Gains/(losses) included in equity (£'000)**	**Gains/(losses) in consolidated income statement (£'000)**	**Gains/(losses) included in equity (£'000)**
2023	529	(475)	529	(590)

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

Interest rate management

The Group has a relatively low interest rate risk as the majority of the Group's borrowings are at fixed interest rates, although it is exposed to interest rate risk on the maturity of such borrowings. The term loan is the only instrument that has a floating interest rate (spread adjusted SONIA + 1.6% up to 20 February 2023, whereupon the loan was extended and the margin increased to 1.85%). The term loan is for a value of £400 million, maturing in 2028. The Group has assessed that this is a tolerable level of interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate sensitivity analysis

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

	50 bps increase		50 bps decrease	
	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)
2024	**(2,647)**	**1**	**2,114**	**(1)**

	100 bps increase		100 bps decrease	
	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)	Gains/(losses) in consolidated income statement (£'000)	Gains/(losses) included in equity (£'000)
2023	(1,919)	-	1,999	-

Cash management and liquidity

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

AFP holds a £100 million liquidity facility that was undrawn as at 31 March 2024 (2023: £100 million undrawn).

Cash balances are invested in short-term to medium-term money market deposits and are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk. Longer-term liquidity requirements are forecast to be met out of future operational cash and income streams.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk and financial maturity analysis

In respect of the net non-derivative financial liabilities, the table below has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay or receive monies. The table includes both interest and principal cash flows. In respect of derivative financial instruments, the fair values have been calculated using appropriate market discount rates to arrive at the future cash flows.

	2024			
	Total £'000	**Less than one year £'000**	**One to five years £'000**	**More than five years £'000**
Non-derivative financial liabilities				
Trade and other payables	**13,448**	**8,967**	**4,481**	**-**
Loans and borrowings	**5,663,322**	**295,140**	**1,102,261**	**4,265,921**
Lease liabilities	**4,976**	**680**	**2,605**	**1,691**
Total non-derivative financial liabilities	**5,681,746**	**304,787**	**1,109,347**	**4,267,612**
Derivative financial instruments				
Cross currency swap	**3,437**	**3,437**	**-**	**-**
Total financial liabilities	**5,685,183**	**308,224**	**1,109,347**	**4,267,612**

	2023			
	Total £'000	**Less than one year £'000**	**One to five years £'000**	**More than five years £'000**
Non-derivative financial liabilities				
Trade and other payables	15,525	12,794	2,731	-
Loans and borrowings	6,127,940	151,380	1,598,670	4,377,890
Lease liabilities	1,256	330	484	442
Total non-derivative financial liabilities	6,144,721	164,504	1,601,885	4,378,332
Derivative financial instruments				
Cross currency swap	888	1,675	(787)	-
Total financial liabilities	6,145,609	166,179	1,601,098	4,378,332

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	Par value of debt £'000	2024 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**
	3,902,485	**3,864,307**	**3,294,150**
Derivative financial asset			
Cross currency swap	**-**	**3,725**	**3,725**
	3,902,485	**3,868,032**	**3,297,875**

	Par value of debt £'000	2023 Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured bonds	3,818,552	3,778,861	2,996,211
Unsecured term loan	400,000	398,833	400,000
	4,218,552	4,177,694	3,396,211
Derivative financial liability			
Cross currency swap	-	(475)	(475)
	4,218,552	4,177,219	3,395,736

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

Cross currency swaps
The fair value of derivative financial instruments is based on valuations by an independent valuer using the present value of estimated future cash flows, which are discounted using the applicable yield curves derived from quoted interest rates as at 31 March 2024.

Unsecured term loan
This loan relates to a £400 million unsecured bank loan, maturing in March 2028. The loan is based on a variable market-based rate and book value therefore approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

22. SHARE CAPITAL

	2024 £'000	2023 £'000
Called up, allotted and fully paid		
8,475,620,200 ordinary shares of £0.01 each	**84,756**	84,756

23. SHARE PREMIUM

	2024 £'000	2023 £'000
Share premium	**480,401**	480,401

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

24. MERGER RESERVE

	2024 £'000	2023 £'000
Merger reserve	**10,000**	10,000

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

25. HEDGING RESERVE

	2024 £'000	2023 £'000
At 1 April	**(319)**	1,250
Fair value (losses)/gains on cash flow hedge	**(4,200)**	6,121
Losses/(gains) arising on cash flow hedge reclassified to income statement	**4,159**	(4,570)
Recycling of hedge reserve on termination of swaps	**-**	(3,120)
At 31 March	**(360)**	(319)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

26. RETAINED EARNINGS

	Retained earnings £'000
At 1 April 2022	3,939,316
Loss for the year	(627,169)
Dividends paid (Dividend per share: 1.18p)	(100,000)
Balance at 31 March 2023	3,212,147
Loss for the year	**(103,382)**
Balance at 31 March 2024	**3,108,765**

27. NOTE TO THE CASH FLOW STATEMENT

	2024 £'000	2023 £'000
Loss after taxation	**(103,382)**	(627,169)
Adjustment for:		
Taxation	**(15,042)**	(1,885)
Finance costs	**159,422**	149,839
Finance income	**(21,868)**	(8,655)
Share of results of joint ventures after taxation	**414**	(100)
Impairment of joint ventures	**815**	-
Profit on disposal of investment properties	**(18,186)**	(6,136)
Loss on disposal of plant and equipment and right-of-use assets	**81**	1
Unrealised property revaluation losses/(gains)	**212,282**	681,033
Depreciation expense	**790**	953
Movements in working capital:		
Decrease in inventory	**-**	2,103
Increase in debtors	**(945)**	(4,192)
Increase in creditors	**4,974**	6,222
Decrease in provisions	**(4,176)**	(2,608)
Net cash inflow from operating activities	**215,179**	189,406

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

28. ANALYSIS OF CHANGES IN NET DEBT

	2024 £'000	Cash flow £'000	Non-cash items: Profit/(loss) on refinancing £'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: Lease liability additions/ disposals £'000	2023 £'000
Cash and cash equivalents	**196,435**	9,719	-	-	(2)	-	186,718
Unsecured notes	**(3,465,145)**	301,151	10,583	(2,175)	4,157	-	(3,778,861)
Unsecured term loan	**(399,162)**	-	-	(329)	-	-	(398,833)
Lease liabilities	**(3,855)**	510	-	(183)	-	(3,104)	(1,078)
Total loans and borrowings	**(3,868,162)**	301,661	10,583	(2,687)	4,157	(3,104)	(4,178,772)
Net debt	**(3,671,727)**	311,380	10,583	(2,687)	4,155	(3,104)	(3,992,054)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

29. LEASE COMMITMENTS

ACCOUNTING POLICY

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

As a lessor, the Group continues to classify leases as either finance leases or operating leases and account for them accordingly under IFRS 16. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership for properties leased to tenants and has determined that such leases are operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease arrangements - Group as lessor

The Group has entered into property lease agreements on its investment properties portfolio and has performed an evaluation of the terms and conditions of the arrangements of these leases. This includes factors such as the lease term not constituting a substantial portion of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property. The Group also retains all the significant risks and rewards of ownership of these properties. As such, all of these leases are accounted for as operating leases.

At 31 March 2024, the Group had contracted with tenants the following future minimum rentals receivable under non-cancellable operating leases:

	2024 **£’000**	**2023** **£’000**
Within one year	**122,927**	108,727
In two to five years	**276**	906
	123,203	109,633

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

30. CAPITAL COMMITMENTS AND CONTINGENCIES

ACCOUNTING POLICY

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

Contingent liabilities
Contingent liabilities comprise either a possible obligation depending on whether some uncertain future event occurs, or a present obligation where payment is not probable or the amount cannot be measured reliably. Any such possible obligations are disclosed but not recognised on the face of the balance sheet.

Capital commitments

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

Contingent liabilities

Utilities adoption

As stated in Note 19, there is a contingent liability to allow for the adoption of private utilities on properties that are currently base dependent (dependent on the MoD) for their supply of water and sewage treatment. No obligation currently exists with respect to these properties as they have not yet been released by the MoD. Instead, there is a possible future obligation should releases occur and the Group becomes obligated to provide for private utility adoption. This amounts to £263.9 million (2023: £264.1 million). Upon the technical completion of utilities adoption, the Group is eligible to a refund from the MoD for each utility. These refunds are estimated at £4.7 million (2023: £8.9 million).

Enfranchisement Proceedings

A contingent liability arises following the adverse judgment in the High Court of Justice to the Group's challenge relating to the MoD's attempt to enfranchise 8 units, referred to in Note 5. Pending the outcome of the Group's appeal processes, counterparty costs may be payable by Annington. To meet these obligations, an amount of £2.25 million has been jointly proposed by Annington and the MoD to be paid on account with the final amount of costs to be awarded, if any, contingent upon final resolution of any appeals and subsequent costs award by the Court. Should the judgment be reversed, the Group will be reimbursed the amount paid on account, however, should the Group lose the appeal, an additional amount may become payable. This potential liability was up to £9.0 million as at 31 March 2023 and is expected to have increased in the current year in line with the ongoing appeal process. Due to the status of the appeal, the Group is unable to reliably estimate the extent of the MoD's costs.

Performance bonds

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

31. RELATED PARTY DISCLOSURES

ACCOUNTING POLICY

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

Information regarding key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

32. SUBSIDIARIES AND RELATED UNDERTAKINGS

ACCOUNTING POLICY

Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity, to benefit from its activities. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

The subsidiary undertakings of Annington Limited at 31 March 2024, which are wholly owned, incorporated in the United Kingdom and included in the consolidated financial statements, are shown below. The address of the registered office for all subsidiary undertakings is Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB.

Name of subsidiary undertakings	Principal activity
Annington Homes Limited[a]	Intermediate group holding company
Annington Subsidiary Holdings Limited	Intermediate group holding company
Annington Property Limited	Property investment
Annington Property (No.2) Limited	Property investment and management
Annington Management Limited	Management
Annington Receivables Limited	Income management
Annington Guarantee Limited	Dormant
Annington Nominees Limited[b]	Residents property management
Annington Funding plc	Finance
Annington Developments (Holdings) Limited	Intermediate group holding company
Annington Developments Limited	Property development
Annington (DA) Investment Limited	Property investment
Annington Rentals (Holdings) Limited[c]	Intermediate group holding company
Annington Rentals Limited	Property investment
Annington Rentals (No.2) Limited	Property investment
Annington Rentals (No.3) Limited	Property investment
Annington Rentals (No.4) Limited	Property development
Annington Rentals (No. 5) Limited	Property investment
Annington Rentals (No. 6) Limited	Property investment
Annington Rentals (No. 7) Limited	Property investment
Annington Rentals (No. 8) Limited	Property investment
Annington Rentals Management Limited	Property management

[a] The ordinary shares in this undertaking are directly owned by the Company.

[b] Annington Nominees Limited owns one Class “A” share in each of the companies listed overleaf, all of which are property management companies. Each company in the table below has issued one Class “A” share. Class “B” shares are allotted to homeowners on the relevant Sites. Class “A” shareholders are entitled to receive notices of, attend, speak and vote at general meetings of the company. The Class “A” shareholder shall transfer its share to the purchaser of the last house on the Site. Class “B” shareholders are not entitled to receive notices of, attend, speak or vote at general meetings of the company until the Class “A” share is redesignated as a Class “B” share. Where all Class “B” shares have been issued, the Class “A” share is converted to a Class “C” share, on ‘handover of the company to resident control’. Class “C” shareholder is not entitled to receive notices of, attend, speak or vote at general meetings of the company.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

32. SUBSIDIARIES AND RELATED UNDERTAKINGS (continued)

The results for each of these undertakings are not consolidated into these financial statements of Annington Limited as they are not considered material for the purposes of giving a true and fair view to the consolidated results.

Name of subsidiary undertaking	Holding %	Name of subsidiary undertaking	Holding %
Arborfield East Residents Company Limited	6.06	Imber Road (Warminster) Residents Company Limited	100.00
Ashchurch (St. David's) Residents Company Limited	10.53	Innsworth Residents Company Limited	3.80
Beaconside Residents Company Limited	1.75	Keith Park Road Residents Company Limited	0.60
Beavers Crescent (Hounslow) Residents Company Limited	3.85	Kirton (York Road) Residents Company Limited	5.56
Biggin Hill Residents Company Limited	2.63	Lancaster Square Residents Company Limited	1.75
Bordon (St Lucia Park) Residents Company Limited	35.00	Linton Meadow Residents Company Limited	96.43
Bordon Residents Company Limited	6.59	Marchwood (Africa Drive) Residents Company Limited	100.00
Boulmer Residents Company Limited	8.62	Marham Residents Company Limited	19.05
Britannia Crescent Residents Company Limited	4.40	Mayne Avenue Residents Company Limited	1.10
Bulford Residents Company Limited	76.14	Mostyn Road Bushey Residents Company Limited	3.33
Burgoyne Heights Residents Company Limited	0.75	North Luffenham Residents Company Limited	5.05
Butlers Meadow Residents Company Limited	1.01	Northwood Residents Company Limited	12.50
Canterbury Place Residents Company Limited	15.15	Nottingham Road Residents Company Limited	9.68
Cardiff Place Residents Company Limited	12.82	Petersfield (Kings Road) Residents Company Limited	10.00
Cavalry Crescent Residents Company Limited	100.00	Ringwood Crescent Residents Company Limited	11.11
Chatham Residents Company Limited	2.86	Riverside Rise (Allington) Residents Company Limited	24.24
Chester (Dale Camp) Residents Company Limited	8.00	Scampton Residents Company Limited	1.83
Chicksands Residents Company Limited	4.27	South Wigston Residents Company Limited	1.67
Chivenor Residents Company Limited	11.76	St. Columb Minor Residents Company Limited	1.67
Cholswell Road (Abingdon) Residents Company Limited	3.23	St. Eval Parc Residents Company Limited	0.67
Coningsby (West Drive) Residents Company Limited	4.05	Stanbridge Residents Company Limited	10.00
Cove Residents Company Limited	100.00	Stanmore Crescent Residents Company Limited	4.62
Cranwell Residents Company Limited	9.38	Stokesay Road Residents Company Limited	37.61
Dale Road Residents Company Limited	3.85	Strensall Residents Company Limited	1.79
Dishforth Residents Company Limited	9.68	Taranto Hill (Ilchester) Residents Company Limited	2.22
Donnington (Richards Road) Residents Company Limited	1.59	Tedder Avenue (Henlow) Residents Company Limited	5.88
Donnington Residents Company Limited	1.25	The Elstons Residents Management Association Limited	26.09
Driffield Ramsden Residents Company Limited	7.14	Thirsk Residents Company Limited	59.21
East Vale Residents Company Limited	0.31	Uxbridge (Buchan) Residents Company Limited	80.39
Elm Road (Marham) Residents Company Limited	4.10	Waterbeach (Abbey Place) Residents Company Limited	100.00
Exmouth (York Close) Residents Company Limited	10.00	Watton Residents Company Limited	3.70
Foulkes Terrace (Aldershot) Residents Company Limited	25.00	West Vale Residents Company Limited	1.55
Gamlingay Residents Company Limited	14.29	Wexland Avenue (Netheravon) Residents Company Limited	100.00
Garats Hay Residents Company Limited	7.69	Whetstone Millson Close Residents Company Limited	1.03
Greenmill Residents Company Limited	3.13	White Waltham Residents Company Limited	12.50
Henlow Residents Company Limited	1.20	Wimbish Residents Company Limited	11.54
High Wycombe (Woodcock) Residents Company Limited	3.33	Wittering Residents Company Limited	0.84
Honington (Poplar Close) Residents Company Limited	6.06	Woodbridge West Residents Company Limited	2.44

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

32. SUBSIDIARIES AND RELATED UNDERTAKINGS (continued)

Each company in the above table is incorporated in the United Kingdom and the address of their registered office is Unit 8 Minerva Business Park, Lynch Wood, Peterborough PE2 6FT. Through subsidiaries of Annington Rentals (Holdings) Limited, the Group indirectly holds investments in two further companies:

Name of subsidiary undertaking	Holding %	Name of subsidiary undertaking	Holding %
Beaumont Place Management Limited Registered address: Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN	70.00	St Andrew's Park Triangle (Uxbridge) Management Company Limited Registered address: Whitley House, 32-34 Hornchurch Road, Uxbridge, UB10 0WN	100.00

33. ENTITY INFORMATION AND CONTROLLING PARTY

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

Annington Holdings (Guernsey) Limited ('AHGL'), a company registered in Guernsey, is the immediate parent of Annington Limited. AHGL is a subsidiary of the Terra Firma Special Opportunities Fund 1 LP. The Directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

The smallest and largest group in which the Company's results are consolidated is shown within these financial statements. Group financial statements for the Company are available on request from the registered office at Hays Lane House, 1 Hays Lane, London, United Kingdom, SE1 2HB.

34. SUBSEQUENT EVENTS

On 12 July 2024, the Group paid £152 million from cash reserves, to settle the 2024 Euro bond.

On 15 July 2024 the Group and the MOD jointly applied for the July Court of Appeal hearing to be vacated in order that the parties had time to explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024 the Court of Appeal agreed to vacate the hearing. The hearing will be relisted for the first available date (accounting for Court and Counsel availability) after 1 November 2024. Please see the Notices of Enfranchisement section of the Strategic Report for further details.

COMPANY BALANCE SHEET
At 31 March 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Investment in subsidiary companies	c	**3,374,200**	3,386,100
Total assets		**3,374,200**	3,386,100
Current liabilities			
Payables	e	**(27)**	(27)
Total liabilities		**(27)**	(27)
Net assets		**3,374,173**	3,386,073
Capital and reserves			
Share capital	22	**84,756**	84,756
Share premium	23	**480,401**	480,401
Revaluation reserve		**2,808,943**	2,820,843
Retained earnings		**73**	73
Total equity		**3,374,173**	3,386,073

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

The Company had no profit or loss to report for the year ended 31 March 2024 (2023: profit of £100.0 million).

The financial statements of Annington Limited, registered number 08271384, were approved by the Board of Directors and authorised for issue on 25 July 2024.

Signed on behalf of the Board of Directors

S Leung
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2024

	Note	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022		84,756	480,401	4,151,343	73	4,716,573
Profit attributable to shareholder		-	-	-	100,000	100,000
Change in fair value of investment in subsidiary companies	c	-	-	(1,330,500)	-	(1,330,500)
Dividends paid		-	-	-	(100,000)	(100,000)
Balance at 31 March 2023		84,756	480,401	2,820,843	73	3,386,073
Other comprehensive income	**c**	**-**	**-**	**(11,900)**	**-**	**(11,900)**
Balance at 31 March 2024		**84,756**	**480,401**	**2,808,943**	**73**	**3,374,173**

COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash from operating activities	g	-	-
Investing activities			
Dividends received from subsidiary		-	100,000
Net cash inflow from investing activities		-	100,000
Financing activities			
Dividends paid		-	(100,000)
Net cash outflow from financing activities		-	(100,000)
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2024

a. SIGNIFICANT ACCOUNTING POLICIES AND CORPORATE INFORMATION

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

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

Significant judgements and key estimation uncertainties

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Further details regarding key sources of estimation uncertainty for the Company can be found within Note c with respect to the valuation of investments in subsidiaries.

b. PROFIT FOR THE YEAR

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

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

c. INVESTMENT IN SUBSIDIARY COMPANIES

ACCOUNTING POLICY

The Company has elected to account for its investments in subsidiaries at fair value. Fair value is determined by reference to the discount or premium to net asset value of similar investments listed on the London Stock Exchange. If the carrying amount is increased or decreased as a result of a revaluation, the change is recognised in other comprehensive income and accumulated in equity.

Key source of estimation uncertainty

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

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

	2024 £'000	**2023 £'000**
At 1 April	**3,386,100**	4,716,600
Decrease in fair value during the year	**(11,900)**	(1,330,500)
At 31 March	**3,374,200**	3,386,100

The historical cost of the investment in subsidiaries was £565,256,967 (2023: £565,256,967).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

c. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Fair value is measured by applying to the net asset value of investees an estimated discount or premium determined through an analysis of comparable FTSE 100 and FTSE 250 companies. The selection criteria for comparable companies was applied to entities operating within the property sector and took into account factors including the size of the company and the presence of residential operations within the company. The discount or premium was determined based on market capitalisation and the resultant discount to/premium over the net asset value. The result, an 18% discount (2023: 24% discount), was applied to the net asset values (adjusted to bring book values to fair values for classes of assets and liabilities carried at book value) of each of the Company's subsidiaries to arrive at fair value. This discount arises from market-related factors and does not include an additional amount for control. Had the discount applied increased/decreased by 1%, the fair value of the investment in subsidiaries would have decreased by £41.2 million or increased by £41.1 million, respectively.

The fair value loss of £11.9 million (2023: loss of £1,330.5 million) was recognised through other comprehensive income.

Details of all subsidiaries as at 31 March 2024 are shown in Note 32 to the consolidated financial statements.

d. TAXATION

ACCOUNTING POLICY

Taxation for the year comprises current and deferred tax, which is recognised in the income statement.

Current tax

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

Deferred tax

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

	2024 £'000	2023 £'000
Current tax		
United Kingdom corporation tax at 25% (2023: 19%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	-	-
Total taxation for the year	-	-

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

d. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25% (2023: 19%). The tax for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2024 £'000	2023 £'000
Profit before taxation	**-**	100,000
Tax on profit at the standard rate	**-**	(19,000)
Factors affecting the current tax for the year:		
Income not assessable for tax purposes	**-**	19,000
Taxation for the year	**-**	**-**

The rate of Corporation Tax for the UK for the year ended 31 March 2024 is 25%, made effective from April 2023. The March 2024 calculation of current and deferred tax use the 25% rate.

Deferred tax

At the balance sheet date, the Company has unrecognised deferred tax liabilities relating to the investment in the subsidiary of £721.1 million (2023: £724.1 million).

e. PAYABLES

ACCOUNTING POLICY

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

	2024 £'000	2023 £'000
Amounts owed to group undertakings	**27**	27

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

f. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

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

Financial assets

Impairment of financial assets

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

Financial liabilities

The Company's financial liabilities consists of intercompany borrowings.

The Company has the following financial instruments:

	Note	2024 £'000	2023 £'000
Financial assets			
Investment in subsidiary companies	c	**3,374,200**	3,386,100
Total financial assets		**3,374,200**	3,386,100
Financial liabilities			
Liabilities measured at amortised cost:			
Payables	e	**27**	27
Total financial liabilities		**27**	27

Details of risk management of the Company are shown in Note 21 to the consolidated financial statements.

Fair values

The fair values of the Company's borrowings are determined by a Level 2 valuation technique. Refer Note 21 to the consolidated financial statements where the fair value measurement hierarchy levels have been defined.

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

2023	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial assets			
Investment in subsidiaries	**-**	3,386,100	3,386,100

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2024 (continued)

g. NOTE TO THE CASH FLOW STATEMENT

	2024 £'000	2023 £'000
Profit after tax	-	100,000
Adjustment for:		
Dividends received	-	(100,000)
Net cash from operating activities	-	-

h. RELATED PARTY DISCLOSURES

Amounts owed to related parties

	2024 £'000	2023 £'000
Annington Homes Limited	**27**	27

Information regarding key management personnel

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

i. COMMITMENTS AND CONTINGENCIES

The Company had no capital or other commitments at 31 March 2024 (2023: £nil).

j. SUBSEQUENT EVENTS

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

Appendix 1: Glossary

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

Term	Definition
Consolidated EBITDA	The consolidated operating profit (before all finance items and taxation) of the Group (including the results from discontinued operations), adjusted for the following items as they relate to members of the Group and in each case only to the extent that they are already included in calculating such consolidated operating profit: (a) adding back costs expensed relating to amortisation, depreciation or impairment (including other non-cash write downs) of assets; (b) adding back costs expensed relating to any refurbishment of any Real Property (or part thereof); (c) adding back any costs expensed relating to long term incentive plans to the extent that these are settled through the issuance of shares or similar instruments not involving a cash payment; (d) deducting any profits and adding back any losses attributable to Joint Ventures and minority or non-controlling interests, and adding the amount of any dividends, charges, fees, other distributions, repayments, redemptions, repurchases, loans, defeasements and retirements received by the Group from minority interests, non-controlling interests or Joint Ventures; (e) deducting (or adding back) any unrealised gain (or loss) arising from an upward (or downward) revaluation, re-measurement, or other value adjustment of any assets (including any Real Property assets or financial assets (whether or not hedge accounted)); (f) deducting (or adding back) any profit (or loss) on disposal of any asset; and; (g) before taking into account any Exceptional Items other than where they fall within paragraph (b) above, in each case without double counting.
CRT	The Group's Corporate Responsibility Task Force
Dilapidations and Handback Agreement	The agreement between APL and the MoD, pursuant to which the MoD agreed to release a minimum of 375 Units per annum (subject to a rolling two-year average) and APL agreed to waive up to £7,000 per Unit of dilapidations and subject to an annual cap of £2.625 million (if the MoD complies with the agreed release profile)
DIO	The Defence Infrastructure Organisation
EMTN	Euro Medium Term Note
Enfranchisement	Enfranchisement is a statutory right that allows certain qualifying individual tenants of houses, or groups of tenants living in a block of flats, to buy the freeholds of those properties from their landlords. Ordinarily, for a tenant to qualify they must have a lease of at least 21 years of a house or of a flat within a block of flats. There is a strict statutory process that must be followed in order to enfranchise, which starts with the service of a notice by the tenant on its landlord (and any other people having a superior interest in the building). The purchase price for the enfranchisement is determined by reference to valuation criteria set out in the legislation.
Enfranchisement Proceedings	The legal proceedings commenced by the Group in the Chancery Division of the High Court and the Administrative Court, a specialist court within the Queen's Bench Division of the High Court of Justice, contesting the MoD's right to enfranchise and including any subsequent appeals.
EPC	Energy Performance Certificates
ESG	Environmental, social and governance
EV	Electric vehicle
Facilities Agreement	An unsecured £500 million facilities agreement
Fair Value	Under IFRS 13, this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Term	Definition
GHG	Greenhouse Gas
Government	UK Government
Greater South	Geographical area of England, comprising the ONS regions of the East of England, Greater London, the South East and the South West.
Group	The Annington Group, being Annington Limited and its subsidiaries
HPI	House Price Index
I/S	Income Statement
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
Joint Working Board	Representatives from the Annington Group and DIO
Judicial Review	Judicial review is a type of court proceeding in which a judge reviews the lawfulness of a decision or action made by the Government or a public body.
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LRA 24	Leasehold and Freehold Reform Act 2024
MoD	The Ministry of Defence of the United Kingdom
MQE	The Married Quarters Estate – residential property units acquired under the 1996 Acquisition and leased to the MoD
New Adjustment Factor	49.6% adjustment by way of discount to open market rent on the MQE Portfolio
Non-MQE Portfolio	The Non-MQE: Surplus Estate together with the Non-MQE: Rentals Portfolio and Units under development either for sale or for rental
Non-MQE: Rentals Portfolio	Units owned by subsidiaries other than APL and let on bulk or AST leases
Non-MQE: Surplus Estate	Units transferred from the MQE Portfolio upon release by the MoD and which remain in APL
OCI	Other comprehensive income
ONS	The Office of National Statistics
Original Adjustment Factor	58% adjustment by way of discount to open market rent on the MQE Portfolio
PV panels	Photovoltaic panels
Released Units	Units which are released out of the MQE to Annington by the MoD
Rent Review	Review of rent payable on the Beacon Units within the MQE against open market rent. The MQE at the time of the 1996 Acquisition was split into four broadly homogenous tranches for the purposes of Rent Reviews, which are conducted on a five-year rolling basis, with a single tranche being reviewed over each of four of the five years, and no review being carried out in the fifth year.
RICS	The Royal Institution of Chartered Surveyors
SAVPV (MQE)	Special Assumption of Vacant Possession Value for the MQE is used by the Group to mean the aggregate of the Fair Value of the individual Units on the Special Assumption of vacant possession at the date of valuation. This figure is the aggregate amount and does not take into account either the time or costs associated with selling the individual Units. In addition, the figure does not take into account any base separation costs associated with Sites in the MQE that are dependent on the MoD for utilities. Similarly, the figure does not take into account the potential upside that could be achieved from major renovations and/or infill developments.

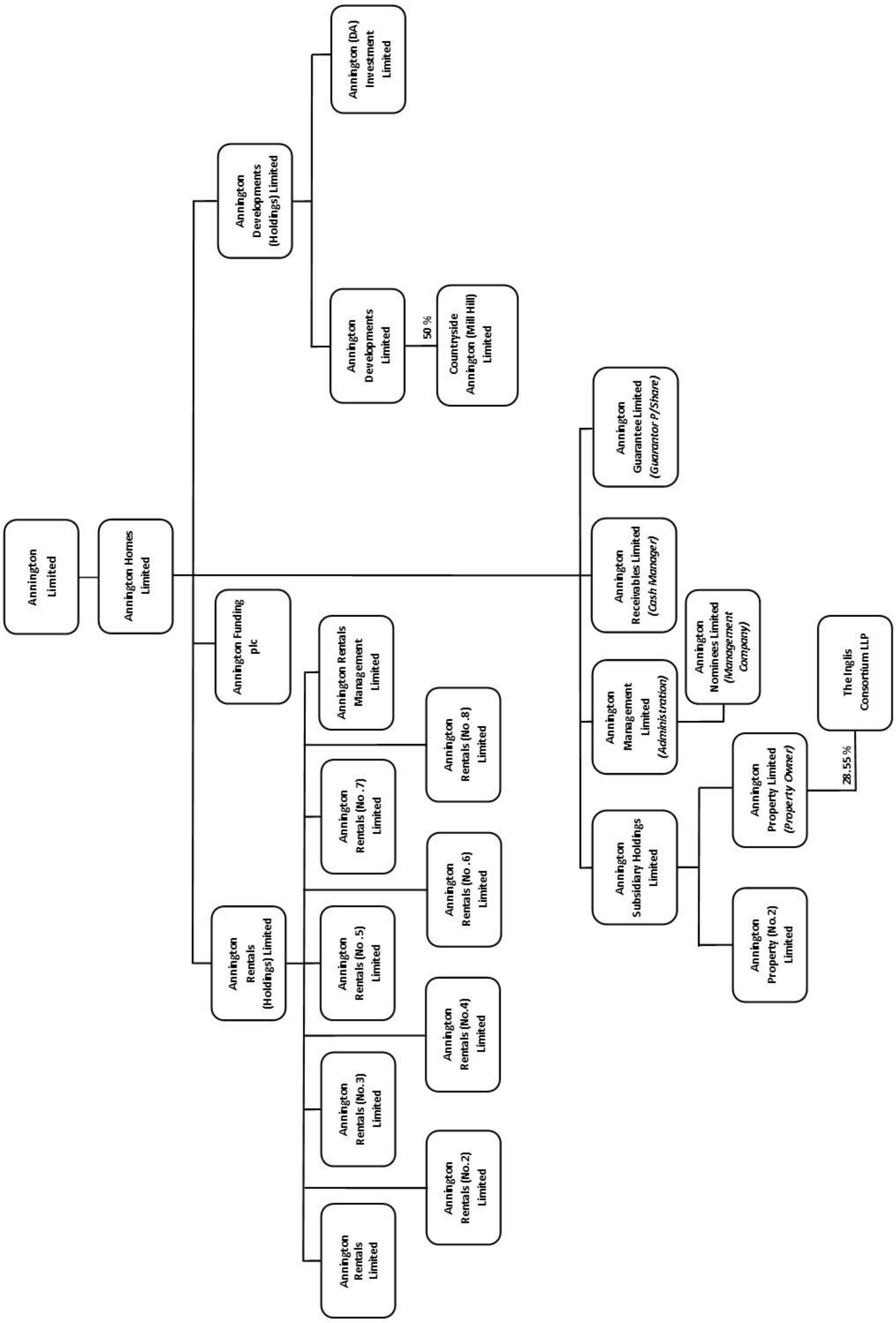
Term	Definition
SAVPV (Non-MQE)	Special Assumption of Vacant Possession Value for the Rentals Portfolio and SAVPV for the Surplus Estate are estimated by the Group based on the hypothetical assumption that each property is vacant, sold on an individual basis, with no allowance for time or money costs on disposal and no account taken of any discount or premium if all or any part of the relevant portfolio were to be marketed simultaneously. For units held for sale within the Non-MQE Surplus Estate, SAVPV has been derived using an expected future selling price, less an allowance for anticipated refurbishment costs to achieve that selling price.
SDG	United Nations Sustainable Development Goals
SDLT	Stamp Duty Land Tax
SECR	Streamlined Energy and Carbon Reporting
Service Families	Armed forces service personnel and their families in the UK
Settlement Agreement	The agreement reached between APL and the MoD to settle the Site Review process established in the Arbitration Agreement.
SFA	Service Family Accommodation, MoD's subsidised accommodation
Site Review	Under the terms of each Underlease, the rent in respect of each Site (and specifically the Original Adjustment Factor) would be reviewed periodically. The purpose of the Site Review is to determine the amount that a willing lessee would pay, by way of rent, for each of the Sites, were each Site offered to the market on terms identical to the Underlease. The new Site rent determined for each Site is then to be compared with the aggregate open market rental value of all Units on each Site to determine a New Adjustment Factor, which would apply to that Site for the 15 years from the date of the relevant Site Review in place of the Original Adjustment Factor.
Site(s)	Site(s) upon which one or more Units were located
SONIA	Sterling Overnight Index Average
Subsidiary	A subsidiary within the meaning of Section 1159 of the Companies Act 2006
TCFD	Task Force on Climate Related Financial Disclosure
Terra Firma	Terra Firma Capital Partners Limited, Terra Firma Investments (Special Opportunities Fund I) Limited or Terra Firma Investments (Special Opportunities Fund II)
TFSOFI	Terra Firma Special Opportunities Fund I
TFSOFII	Terra Firma Special Opportunities Fund II
UK	The United Kingdom
Underlease	The 200 year lease that APL granted to the MoD following acquisition of the MQE Portfolio on 5 November 1996
Units	Residential property units
Utilities Agreement	An agreement whereby the MoD is contracted to supply some utility services on a Base Dependent Site, until at least 75% of the properties located on a given Site have been released

ANNINGTON LIMITED

APPENDICES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2024

Appendix 2: Group Chart

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



Appendix 3: Alternative Performance Measures – Definitions and Calculation

Alternative Performance Measures

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

	Reference	2024 £ 000	2023 £ 000
Gross rental income			
Gross rental income is derived from rentals earned on investment properties and is presented on the face of the income statement.	I/S	**241,958**	219,323
Net rental income margin			
Gross rental income as presented on the face of the income statement	I/S	**241,958**	219,323
Property operating expenses as presented on the face of the income statement.	I/S	**(9,224)**	(8,154)
Net rental income		**232,734**	211,169
Divided by Gross rental income		**241,958**	219,323
Expressed as a percentage		**96.2%**	96.3%
Adjusted EBITDA			
Adjusted EBITDA is calculated as:			
Operating profit/(loss) before financing and tax as presented on the face of the income statement, adjusted for:	I/S	**19,130**	(487,870)
Amortisation, depreciation, or impairment (including other non-cash write downs) of assets	Note 5	**791**	953
Revaluation gains on investment properties	I/S	**212,282**	681,033
(Profits), losses or impairment items attributable to joint ventures	I/S	**1,229**	(100)
Dilapidation income	Note 5	**(3,512)**	(4,480)
Profit on disposal of investment properties	I/S	**(18,186)**	(6,136)
Profit on disposal of inventory	I/S	**(3)**	(219)
One-off items (Enfranchisement Proceedings costs shown in the income statement)	I/S	**3,190**	10,572
		214,921	193,753

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

	Reference	2024 £ 000	2023 £ 000
Adjusted EBITDA Margin			
Adjusted EBITDA margin is calculated as:			
Adjusted EBITDA as calculated above	Above	**214,921**	193,753
Divided by gross rental income as presented on the face of the income statement	I/S	**241,958**	219,323
Expressed as a percentage		**88.8%**	88.3%
Free cash flow			
Free cash flow is calculated as:			
Net (decrease)/increase in cash and cash equivalents, adjusted for:	C/F	**9,719**	4,922
Purchase of investment properties, as shown in the investing cash flows	C/F	**126**	142
Repayment of borrowings as shown in the Financing cash flows	C/F	**301,152**	507,075
Increase in borrowings net of debt issuance costs, as shown in the Financing cash flows	C/F	**-**	(507,185)
Dividends paid	C/F	**-**	100,000
		310,997	104,954
Net rental yield			
Net rental yield is calculated as:			
Net rental income, as calculated above	Above	**232,734**	211,169
Divided by carrying value of investment properties	B/S	**7,367,297**	7,805,312
Expressed as a percentage		**3.2%**	2.7%

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

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

GOVERNANCE	
Describe the Board's oversight of climate-related risks and opportunities.	The Group's Chief Executive has ultimate responsibility for sustainability, including climate change, and chairs the Sustainability Taskforce (ST). As the Group begins to consider the implications of climate-related risks and opportunities, the terms of reference, including the relationship with the Board, operating structure, frequency of meetings and outputs of the CRT will be reviewed to ensure ESG matters have an appropriate level of governance and are integrated within the business.
Describe management's role in assessing and managing climate-related risks and opportunities.	The Group's Property Strategy & Technical Manager (who reports, through the Head of Project Management, to the Chief Operating Officer) will be responsible for embedding environmental considerations throughout the Group's design and build process. The Sustainability Manager is also responsible for communicating and implementing the Sustainability strategy within the Group, which includes climate related considerations and mitigating activities. If required, additional specialist resource will be utilised to ensure climate-related issues, including current and potential future policy, are identified and the implications for the Group are clearly understood.
STRATEGY	
Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term.	Regulatory and financial related climate-change risk has been identified by the Group as a principal risk. Further information can be found in the Principal Risks and Uncertainties section of this report. The Group is at the start of a process to better understand climate-related risks to its business over the short, medium, and long-term. A review identified the following potential impacts relevant to the Group's business from physical climate change risks associated with changing weather patterns and increased frequency of extreme weather events that lead to increased risks of flooding and overheating: • Disruption on site; • Disruption to the Group's supply chain; and • Impact on comfort levels in the homes the Group builds and refurbishes. Flood risk assessments are conducted for any new developments. The Group is also alert to the forthcoming changes to building regulations in regard to mitigating against overheating and is planning accordingly. In addition, noting the MoD's responsibility for maintenance of the MQE, the Group nevertheless considers that there is a high level of transition risk as the UK moves to a low-carbon economy. This includes risks that arise from: • Policy changes resulting in new legislative requirements. For example, the impact of the Future Homes Standard and associated updates of the Building Regulations will require house building and renovations to result in increasing levels of energy efficiency and a move towards renewable energy for heating by 2025; • Carbon taxes and resulting increasing energy and material costs; and

	• Consumer preferences and expectations. The Group will be engaging with its supply chain partners and relevant expert bodies to improve its understanding of the financial risks to the business.
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Going forward, the Group will undertake a climate-related risk and opportunity assessment, which will identify the impacts on the business strategy and financial planning.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	As part of the climate-related risk and opportunity assessment, the business will identify appropriate future climate scenarios to assess against.
RISK MANAGEMENT	
Describe the organisation's processes for identifying and assessing climate related risks.	A full ESG review has been completed and the resulting recommendations related to climate risk are being fully assessed with the input of outside consultants. Once completed, The Group plans to integrate the findings into a Group-wide risk management framework and assessment to ensure robust management measures are in place.
Describe the organisation's processes for managing climate-related risks.	As the Group begins to fully understand its climate-related risks and opportunities, these will be fed into the annual ESG risk assessment which will form part of its integrated risk management process.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Group maintains a risk register which is updated and reviewed by the Board. The Audit Committee has specific responsibility for monitoring financial reporting, external audit programmes and providing assurance to the Board on financial, operational and compliance controls. The senior leadership team is responsible for implementing Group policies, tracking risk management performance, identifying principal risks and allocating resources for effective risk management and mitigation.
METRICS AND TARGETS	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	Once the climate-related risk and opportunities assessment has been completed for the Group, appropriate metrics will be identified to assess the risks and opportunities going forward.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	The Group measures Scope 1 and Scope 2 GHG emissions and these are reported in its Annual Report & Accounts as part of the annual SECR disclosure. Scope 3 emissions pertaining to business travel via employee-owned vehicles are included in this measurement and reported in the SECR disclosure. During the reporting period, the Group initiated its second carbon foot-print project aimed at helping the Group more fully understand its operational and organisational boundaries. Scope 3 categories were expanded to include Waste from Operations, Employee Commuting, Business Travel, Purchased Goods and Services, Capital Goods, Transport and Distribution and Use of Sold Products.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The results of the second carbon foot-printing project described above will be used to help the Group develop its ESG/Sustainability Strategy.

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