Company Registration No. 08271384

ANNINGTON LIMITED

Half-Year

Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

ANNINGTON LIMITED

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

ANNINGTON LIMITED

HALF-YEAR REPORT
For the six months ended 30 September 2024

HIGHLIGHTS

- On 16 December 2024, Annington exchanged contracts for the sale of its interests in the Married Quarters Estate (MQE) to the Ministry of Defence (MoD), with this agreement subsequently completing on 09 January 2025, under which Annington surrendered its 999-year lease over 36,344 units to the MoD, and in return, the MoD paid Annington £5,994.5 million as a surrender premium, rent payments until, and a further top-up payment at, completion, and additional property with an aggregate value of £55 million, such property to be identified within 12 months of the completion date.
- In connection with this sale, all actual or potential claims between Annington and the MoD in connection with the MQE have been settled including the existing proceedings in relation to the MoD's attempts to enfranchise the MQE.
- Rental income was £126.8 million (30 September 2023: £119.7 million).
- Adjusted EBITDA was £113.2 million (30 September 2023: £106.9 million).
- Profit after taxation was £142.9 million (30 September 2023: Loss of £332.4 million).
- The Group sold 310 (30 September 2023: 291) investment properties and recognised £82.4 million (30 September 2023: £74.2 million) in gross sales proceeds.

Portfolio Summary

As at 30 September 2024 (unless otherwise noted), the Group's portfolio consisted of:

	Married Quarters Estate ("MQE") Portfolio	Non-MQE Portfolio
Properties	36,604 (31 March 2024: 36,720) homes leased to the MoD and 175 related assets on 495 Sites	1,583 (31 March 2024: 1,777) homes owned and rented to the general public, the MoD and local authorities, including homes released from the MQE Estate.
Activity	• Provision of Service Family Accommodation	• Refurbishment and sale or rent of properties released by the MoD • Residential investment portfolio • Properties rented on market terms, both individually and in bulk • Redevelopment capability
Lease type	Repairs and maintenance paid by tenant	Repairs and maintenance paid by tenant or landlord
Fair value	At 30 September 2024: £7,067.7 million (31 March 2024: £6,996.7 million)	At 30 September 2024: £325.2 million (31 March 2024: £357.4 million)
Subsequent Event	See below for further details of the Group's agreement to surrender of 36,344 units signed on 16 December 2024 and completed on 9 January 2025	

ANNINGTON LIMITED

HALF-YEAR REPORT
For the six months ended 30 September 2024

Introduction

Annington is one of the largest providers of privately rented housing in the UK, when including properties rented to the Ministry of Defence under a 200 year lease entered into in 1996. The Group owned over 38,000 homes at 30 September 2024, with a fair value of £7.4 billion. As the MoD releases surplus properties back to the Group they are either sold or rented in the open market.

This review covers the key areas of the business and updates performance subsequent to the Group's last annual report.

Update on Enfranchisement, Settlement Agreement and Subsequent Events

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

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

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

At 30 September, the fair value of the MQE, per IFRS 13, did not reflect the value subsequently realised through the MQE sale. The differences between the two values have been outlined in Notes 7 and 17 to the Condensed Consolidated Financial Statements. The pro forma adjustment shows the effect of recognising the surrendered MQE at the subsequently realised value, rather than fair value. The pro forma statements illustrate the financial impact had the asset been included at the subsequently realised value as at 30 September 2024.

30 September 2024 **Unaudited Summary of Pro Forma Adjustment**	**As Reported** **£'000**	**Pro Forma** **Adjustment**	**Pro Forma** **£'000**
Non-current assets - Investment properties	**7,355,928**	(908,695)	6,447,233
Non-current assets - Other non-current assets	**84,960**	-	84,960
Current assets	**211,350**	-	211,350
Total assets	**7,652,238**	(908,695)	6,743,543
Current liabilities	**(279,158)**	-	(279,158)
Non-current liabilities - Loans and borrowings	**(3,547,799)**	-	(3,547,799)
Non-current liabilities - Other non-current liabilities	**(18,440)**	-	(18,440)
Total liabilities	**(3,845,397)**	-	(3,845,397)
Net assets	**3,806,841**	(908,695)	2,898,146
Capital and reserves			
Share capital	**84,756**	-	84,756
Share premium	**480,401**	-	480,401
Merger reserve	**(10,000)**	-	(10,000)
Retained earnings	**3,251,684**	(908,695)	2,342,989
Total equity	**3,806,841**	(908,695)	2,898,146

Update on Enfranchisement, Settlement Agreement and Subsequent Events (continued)

On 8 January, Annington Limited reduced its share capital by reducing the value of each share in issue from £0.01 per share to £0.00000001 per share and reducing its share premium to £nil. The effect of these transactions was to increase retained earnings by £565,156,791.

On 14 January 2025 Annington used £2.4 billion of the sales proceeds to purchase certain bonds issued by the Group, following the completion of tender offers to the holders of such bonds and redeeming certain unsecured bonds pursuant to the terms thereof, in total purchasing and redeeming bonds with a nominal value of £2.6 billion. In addition, the Group repaid the £400 million unsecured term loan and cancelled the undrawn £100 million revolving credit facility. On 21 January 2025, Annington Limited declared a dividend of £1.9 billion, conditional on Annington Homes Limited paying a dividend of the same amount. On the same date, Annington Homes Limited declared an unconditional dividend.

Operational Update

Rent Review

The MQE Beacon Unit Rent Review for December 2023 was concluded in May 2024, achieving an uplift of 36.6% for the tranche under review, equating to an annual increase in rent of £16.7 million, compared to 28.4%, or £11.9 million, for the 2022 Rent Review. This is indicative of the strong rental price growth experienced in the market of late. Including the current year effects of the Site Review discount agreed in December 2021 of £12.5 million, the annualised uplift increases to £29.2 million, compared to £22.6 million after the 2022 Rent Review.

MoD Property Releases

In the six months to 30 September 2024, the MoD handed over 116 units (30 September 2023: 107 units handed over), with termination notices received for a further 260 units to be released before the end of the financial year, taking the forecast number of releases to 376 for the 2024-25 financial year, compared to 380 units released during the 2023-24 financial year. The Group is currently conducting site visits as part of the process of determining the optimal strategy for each site being released.

Refurbishment Costs

The Group incurred £5.7 million of refurbishment costs on investment properties in the six months to 30 September 2024 (30 September 2023: £9.9 million), with the lower expenditure in the period attributed to the timing of unit releases. With 642 units released in the last quarter of the 2022 financial year, and a further 298 units released throughout the 2023 financial year (impacting 2023 and 2024 costs), there were a much a higher volume of ongoing refurbishment projects in the period ending 30 September 2023 compared to the current period.

Disposals

The Group sold 310 properties during the first half of the year compared to 291 units in the comparative period. Sales proceeds totalled £82.4 million (30 September 2023: £74.2 million) with an average sales price per unit of approximately £266,000 (30 September 2023: £255,000).

ESG

During the 2024 financial year, the Group undertook its second ESG Assessment. The Assessment compared the Group to its ESG position in 2021 and illustrated performance in ESG activities versus the amount of public disclosure. The results revealed the key areas on which the Group needed to focus and the areas where most progress had been made and work is underway to act on these findings. The Group undertook its third carbon foot-printing exercise and further refined its data collection for Scope 3 emissions categories, particularly regarding Use of Sold Products. The Group made its second submission to the Carbon Disclosure Project ("CDP") and published its third ESG Performance Report which referenced the GRI standards for the first time. The Group's project at Marlborough Close, Devizes which it refurbished to EPC A was shortlisted in the Property Week ESG Edge Awards in the category 'Retrofit Fit Project of the Year – Residential'.

In line with best practice, the Group also introduced a *new* recycling target in addition to a diversion-from-landfill target and also furthered its understanding of its impact on biodiversity because of its operations and instigated a project designed to help develop a Nature Creation target on community land on new refurbishment projects.

Market Environment and Outlook

Growing population of renters and lack of supply driving demand

The demand for private rented accommodation continues to grow as population growth and the ongoing undersupply of new housing stock results in upward pressure on rents. The RICS monthly survey reported a negative balance of new landlord instructions in the 25 months to September 2024, illustrating this trend. Additionally, an estimated 48,000 Buy-to-Let homes were sold in H1 2024, bringing the total sold since 2016 to 526,000. UK rental prices increased 8.4% in the 12 months to September 2024, compared to the recent peak of 9.2% recorded in March 2024.

Growth will continue to be underpinned by the continued supply and demand imbalance but is expected to be constrained by lower inflation and tenant affordability. CBRE forecast UK rental growth of 6.1% for 2024 and 17.9% over 2024 to 2028.

House prices recovering across the board as falling mortgage rates boost sentiment

Market sentiment has been steadily improving since the base rate settled at 5.25% in summer 2023 and has now been boosted by the initial cut. Across the UK, house prices rose by 3.6% in the first half of 2024, according to the ONS. This is a stronger recovery than the market had expected and takes the year-on-year growth to 2.7%. The net balance of buyers and sellers in the market returned to positive territory in June and has remained positive in the following two months, marking a potential turning point in market activity.

The forecast for mortgage rates is expected to lead to improvement in market sentiment which should result in a continued recovery in house prices. CBRE forecast a 2.1%. rise in UK house prices in 2024 and 18.9%. rise between 2024 and 2028.

Outlook

The Group continues to proactively manage properties which have been released by the MoD, determining the best strategy for each site before returning them to the national housing stock, whether through the rental market or by making them available for purchase. Active management of the Group’s operations, including assessment of opportunities to enhance values, active management of tenancies and rental levels and a dynamic approach to disposal route and pricing, will continue to be the primary focus.

Following the receipt of proceeds from the settlement with the MoD, the Group has a significant cash balance, the portfolio of non-MQE assets and will receive a further £55 million of properties from the MoD. The Group continues to be one of the UK’s largest investors in the single family private rented sector with a long-term business plan to continue investing in similar UK residential real estate assets using proceeds from the transaction.

With over two decades of experience in the UK private rental and housing markets, Annington is a well established real estate investor with a deep, technical skillset and proven track record. The sale of the MQE unlocks opportunities for Annington to capitalise on its experience and build a leading UK long-term real estate portfolio. With the support of its shareholders, Annington will continue to be a property investment company and Annington’s objective continues to be to acquire stable quality assets with an attractive yield which will likely focus on single family homes but may also include other residential/living sector real estate investments.

Key Performance Indicators

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

Financial KPI	30 September 2024 £ millions	30 September 2023 £ millions	Management commentary
Gross rental income	126.8	119.7	Gross rental income has increased by £7.1 million or 5.9% in the six months ended 30 September 2024 with rent increases arising from the 2023 Beacon Unit Rent Review and the new Site Review Discount applied to three of the four tranches of the MQE; offset by unit sales and releases.
Net rental income margin	96.7%	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. Both rental income and property operating costs have increased during the first half of the year compared to that of the comparative period, resulting in a stable net rental income margin.
Adjusted EBITDA	113.2	106.9	Adjusted EBITDA is used to measure the normalised earnings of the business by removing exceptional and irregular items of profit and loss and aims to make comparisons more meaningful across different periods. Adjusted EBITDA has predominantly increased due to the growth in gross rental income.
Adjusted EBITDA margin	89.2%	89.3%	Similar to the Adjusted EBITDA, Adjusted EBITDA margin is used to measure the normalised earnings of the business. This metric measures the rate of conversion of gross rental income into Adjusted EBITDA. The margin has remained broadly constant despite the increase in income, due to higher overhead costs.
Free cash flow	110.7	90.4	This measure is used to assess the cash generated to be utilised on discretionary purchases or dividends. Free cash flow has increased by £20.3 million, principally driven by higher proceeds from the sale of investment properties, with 310 properties sold in the current period compared to 291 in the same period in the prior year. More details are provided in the finance report.

Set out above are a number of measures the Group uses to monitor performance against its objectives. Certain of these measures are not defined within IFRS and are defined and reconciled in Appendix 1.

Finance Report

Gross rental income

Gross rental income for the six months ended 30 September 2024 has increased by 5.9% or £7.1million, from £119.7 million for the six months ended 30 September 2023 to £126.8 million for the six months ended 30 September 2024.

6 months to:	30 September 2024 (£m)	30 September 2023 (£m)	Increase/ (decrease) %
MQE	**120.6**	**108.2**	11.5%
Non-MQE	**6.2**	**11.5**	(46.1%)
Total	**126.8**	**119.7**	**5.9%**

MQE rent increased by £12.4 million (11.5%) over the same period last year. This is mainly a result of the Site Review uplift (£6.2 million) and the Beacon Unit Rent Reviews for 2022 and 2023 (£7.3 million), partially offset by loss of rent on released units (£1.1 million).

Non-MQE rent has decreased from £11.5 million for the six months ended 30 September 2023 to £6.2 million for the six months ended 30 September 2024. The decrease in income is a result of the disposal of c.732 properties from the portfolio since September 2023 (c.£4.7 million) and the settlement of a rental review relating to one of the Group's larger bulk lease in the six months ended 30 September 2023 that related to previous financial years (£1.5 million). These decreases were offset by the full period impact of c.100 new lets in the comparative period (£0.4million) and like-for-like increases in rent (£0.5million).

Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 September 2024 was £113.2 million, an increase of 5.9% over the same period last year at £106.9 million. The increase is driven by the growth in gross rental income discussed above but is partly offset by inflationary increases in administrative expenses.

Property disposals

The Group sold 310 units in the first half of the year (30 September 2023: 291) from the Non-MQE Portfolio. Profit on disposal of investment properties amounted to £16.0 million in the period (30 September 2023: £10.9 million) - £5.1 million higher than the comparative period. The profit on investment property disposals is reflective of the sales proceeds being in excess of a book value determined by CBRE at March 2024.

Exceptional item: Legal proceedings

During the first six months of the financial year, the Group incurred an additional £2.4 million in costs in relation to the legal proceedings in which the Group has requested judicial reviews of the Government's actions, the bulk of which cost relates to an action which arose following the MoD's attempts to enfranchise properties within the MQE (30 September 2023: £1.6 million). Due to the unusual circumstances surrounding this case and it being outside the scope of normal operations, the possible impact on the MQE and the substantial amounts being spent to defend the Group's position, these costs have been shown separately on the face of the income statement. Please refer to the Update on Enfranchisement, Settlement Agreement and Subsequent Events section above which details the circumstances which will lead to a conclusion of these costs in the current financial year.

Free cash flow

Free cash flow for the six months ended 30 September was £110.7 million (30 September 2023: £90.4 million). The increase in free cash flow primarily reflects the higher cash receipts from property disposals in the current period, as well as higher rent receipts.

The Group ended the period with cash and cash equivalents of £155.0 million (31 March 2024: £196.4 million). The majority of the cash is being held to provide liquidity and to fund the working capital requirements of the Group.

On 04 November 2024, a dividend of £30 million was declared and paid on 26 November 2024. (30 September 2023: No dividend).

Investment Property

On 09 January 2025, Annington sold its interest in the MQE to the MoD for £6.1 billion. Please refer to Note 17 which includes a pro forma balance sheet outlining the impact of using the MQE settlement price of £6.1 billion, in place of the MQE fair value of £7.1 billion as at 30 September 2024. As at 30 September 2024, the total investment property fair value was £7.4 billion (31 March 2024: £7.4 billion).

Financing

In July 2024, the Group paid £152 million from cash reserves, to settle the 2024 Euro bond and redeemed the associated cross currency swaps. The Group's debt, mainly consisting of bonds issued on the London Stock Exchange through Annington Funding plc ("AFP"), was therefore reduced to £3.7 billion from £3.9 billion at March 2024.

The weighted average maturity of the Group's debt at 30 September is 12.0 years (down from 12.1 years at 31 March 2024) with a weighted average cost of 3.48% (31 March 2024: 3.75%).

The Group's covenants attaching to the bonds are set out below.

Covenant	**Test**	**Limit for Bonds**	**Limit for Loans**	**30 September 2024**	**31 March 2024**
Limitation on Debt	Total debt / Total assets	<65%	<65%	48.0%*	49.7%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%	-	-
Interest Cover Ratio	Consolidated EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)	1.55x	1.47x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	205.6%*	198.8%

* The Group's LTV as of 30 September was 48.0% and unencumbered assets were 205.6% in accordance with IFRS. Please refer to Note 17, which includes a pro forma balance sheet outlining the effect of reporting the MQE settlement value, rather than fair value as at 30 September 2024. With reference to this pro forma, the Group's pro forma LTV at 30 September 2024 would be 53.3% and unencumbered assets would be 180.4%.

Cash retained in the business generated interest income of £3.8 million in the six months to 30 September 2024 (2023: £4.5 million), reflecting lower cash balances and a slight decrease in deposit rates available.

Please refer to the above subsequent events section which outlines how the funds from the post period settlement of the MQE have been used to significantly reduce the outstanding debt of the Group.

Principal risks and uncertainties

There are a number of principal risks and uncertainties faced by the Group which could have a material impact on the Group, causing actual results to differ from expected and historical performance. These principal risks and uncertainties have been set out in detail within the Strategic Report of the Annual Report and Accounts for 31 March 2024 and further, detailed risks have been provided from time to time in Offering Circulars issued by Annington Funding plc, the most recent of which was issued on 27 July 2022. Following the sale of Annington's interests in the MQE to the MoD, many of the principal risks and uncertainties which relate specifically to the MQE will be reduced or eliminated. Both the Annual Report and Accounts and the Offering Circular referenced above are available at www.annington.co.uk.

I Rylatt
Director
23 January 2025

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CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2024

	Note	**Six months ended 30 September 2024 (unaudited) £'000**	30 September 2023 (unaudited) £'000
Property rental income	2	**126,806**	119,697
Property operating expenses	2	**(4,196)**	(4,390)
Net rental income		**122,610**	115,307
Other operating income	3	**1,948**	1,557
Administrative expenses		**(9,790)**	(8,512)
Other operating expenses		**(148)**	(335)
Enfranchisement proceedings costs	3	**(2,379)**	(1,575)
Profit on disposal of investment properties	4	**16,013**	10,903
Unrealised property revaluation gain/(loss)	7, 11	**93,440**	(371,685)
Loss on disposal of inventory		**(12)**	-
Share of results of joint ventures after taxation	8	**80**	(139)
Operating profit/(loss)	3	**221,762**	(254,479)
Finance income	5	**3,839**	4,516
Finance costs	5	**(76,560)**	(80,479)
Profit/(loss) before taxation		**149,041**	(330,442)
Taxation	6	**(6,122)**	(1,974)
Profit/(loss) for the period after taxation		**142,919**	(332,416)
Profit/(loss) attributable to shareholder		**142,919**	(332,416)

The accompanying Notes (1 to 17) should be read in conjunction with these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Profit/(loss) for the period		**142,919**	(332,416)
Items that may subsequently be recycled through the income statement			
Cash flow hedge:			
Fair value losses on cash flow hedge	12	**(1,396)**	(1,794)
Gains arising on cash flow hedge reclassified to income statement		**1,723**	2,037
Reclassification of discontinued cash flow hedge		**33**	-
Total other comprehensive income		**360**	243
Total comprehensive gain/(loss) for the period		**143,279**	(332,173)
Total comprehensive gain/(loss) attributable to shareholder		**143,279**	(332,173)

The accompanying Notes (1 to 17) should be read in conjunction with these financial statements.

ANNINGTON LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2024

	Note	30 September 2024 (unaudited) £'000	31 March 2024 (audited) £'000
Non-current assets			
Investment properties	7	**7,355,928**	7,324,864
Plant and equipment		**603**	751
Right-of-use assets		**3,723**	3,927
Investment in joint ventures	8	**989**	909
Deferred tax assets		**79,645**	79,645
		7,440,888	7,410,096
Current assets			
Trade and other receivables		**10,178**	12,813
Cash and cash equivalents		**155,010**	196,435
		165,188	209,248
Investment properties held for sale	7	**46,162**	42,433
Total assets		**7,652,238**	7,661,777
Current liabilities			
Trade and other payables		**(39,073)**	(41,576)
Rental income received in advance		**(55,179)**	(52,811)
Lease liabilities	10	**(490)**	(459)
Loans and borrowings	9	**(169,206)**	(148,177)
Provisions	11	**(15,210)**	(16,646)
		(279,158)	(259,669)
Non-current liabilities			
Trade and other payables		**(6,470)**	(4,481)
Loans and borrowings	9	**(3,547,799)**	(3,716,130)
Lease liabilities	10	**(3,217)**	(3,396)
Deferred tax liabilities		**(177)**	(177)
Provisions	11	**(8,576)**	(10,637)
Derivative financial instruments	12	**-**	(3,725)
		(3,566,239)	(3,738,546)
Total liabilities		**(3,845,397)**	(3,998,215)
Net assets		**3,806,841**	3,663,562
Capital and reserves			
Share capital		**84,756**	84,756
Share premium		**480,401**	480,401
Merger reserve		**(10,000)**	(10,000)
Hedging reserve		**-**	(360)
Retained earnings		**3,251,684**	3,108,765
Total equity		**3,806,841**	3,663,562

The accompanying Notes (1 to 17) should be read in conjunction with these financial statements.

The financial statements on pages 10-30 were approved by the Board of Directors on 23 January 2025 and signed on its behalf by:

S Leung
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2024

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023	84,756	480,401	(10,000)	(319)	3,212,147	3,766,985
Total comprehensive income/(loss) for the period	-	-	-	243	(332,416)	(332,173)
At 30 September 2023 (unaudited)	84,756	480,401	(10,000)	(76)	2,879,731	3,434,812
At 1 April 2024	**84,756**	**480,401**	**(10,000)**	**(360)**	**3,108,765**	**3,663,562**
Total comprehensive income for the period	**-**	**-**	**-**	**360**	**142,919**	**143,279**
At 30 September 2024 (unaudited)	**84,756**	**480,401**	**(10,000)**	**-**	**3,251,684**	**3,806,841**

The accompanying Notes (1 to 17) should be read in conjunction with these financial statements.

ANNINGTON LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Cash generated from operations	14	**112,928**	101,787
Net tax (paid)/refunded		**(5,400)**	103
Net cash inflow from operating activities		**107,528**	101,890
Investing activities			
Net proceeds from sale of investment properties		**80,445**	72,705
Development and acquisition of investment properties	7	**(47)**	-
Refurbishment expenditure on investment properties	7	**(5,663)**	(9,923)
Purchase of plant and equipment		**(28)**	(663)
Interest received		**3,839**	4,516
Net cash inflow from investing activities		**78,546**	66,635
Financing activities			
Repayments made on borrowings		**(146,934)**	-
Payments made on settlement of swaps		**(5,088)**	-
Interest and other financing costs		**(75,061)**	(77,976)
Interest payments on lease obligations		**(115)**	(25)
Principal payments on lease obligations		**(256)**	(153)
Net cash outflow from financing activities		**(227,454)**	(78,154)
Net (decrease)/increase in cash and cash equivalents		**(41,380)**	90,371
Cash and cash equivalents at the beginning of the period		**196,435**	186,718
Exchange differences on cash and cash equivalents		**(45)**	(2)
Cash and cash equivalents at the end of the period		**155,010**	277,087

The accompanying Notes (1 to 17) should be read in conjunction with these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2024

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2024 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the United Kingdom and the accounting policies, significant judgements and key estimates, as set out in the Group's Annual Report and Accounts 2024. The Group's Annual Report and Accounts 2024 can be found on the Group's website www.annington.co.uk. The half-year condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom.

The condensed consolidated financial statements have not been audited. The financial information included in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the Group's audited statutory accounts for the year ended 31 March 2024 has been released/delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

New and amended standards applicable to the reporting period

The Group has adopted all new accounting standards, interpretations and amendments, which have become effective for the period ended 30 September 2024. The application of these has had no material impact on the Group's financial statements.

New standards, interpretations and amendments not yet effective

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

New/Amended Standards and Interpretations		**Effective date (annual periods beginning on or after)**
SASB Standards Amendments	Amendments to enhance international applicability	1 January 2025
IFRS 9 and IFRS 7 Amendments	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
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.

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 Strategic Report, as well as in this section.

As noted in Note 17, subsequent to the period end, the Group surrendered its leases of 36,344 units within the MQE for consideration of £5,994.5 million and certain other items. Subsequently the group redeemed and repurchased debt with a nominal value of £3,011.5 million and Annington Limited has declared a dividend of £1,900.0 million. After payment of the dividend, the Group retains cash of approximately £1.4 billion to fund its future investment programme and working capital.

At the date of this report, the Group has outstanding debt of £742.8 million with a weighted average cost of debt of 3.1% and is able to invest its cash balance at rates currently in advance of that rate, generating net interest income. Any future investment will be assessed on the basis that it allows the Group to ensure continued compliance with the obligations under our existing debt and meet forecasted working capital requirements and to make payments of principal and interest on its remaining outstanding bonds as and when they fall due.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

After making enquiries, the directors have assessed that the Group has and will continue to generate sufficient cash and cash flows to settle their obligations as and when they fall due. 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 condensed consolidated financial statements.

Seasonality

The Group's business is not deemed to be highly seasonal. It is therefore not necessary to disclose the consolidated income statement for the full year ended 31 March 2024.

2. PROPERTY AND NET RENTAL INCOME

Property rental income – Revenue recognition

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

	Six months ended	
	30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Property rental income	**126,806**	119,697

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.

3. OPERATING PROFIT/(LOSS)

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

	Six months ended	
	30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Depreciation of plant and equipment	**176**	63
Depreciation of right-of-use assets	**311**	356
Loss on disposal of plant and equipment	**-**	21
Loss on disposal of right-of-use assets	**1**	1
Other operating income		
Dilapidation income	**1,947**	1,541
Sundry income	**1**	16
Total other operating income	**1,948**	1,557

3. OPERATING PROFIT/(LOSS) (continued)

Enfranchisement Proceedings costs

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

The costs relating to the Enfranchisement Proceedings are outside the normal scope of the Group's operations and are material. Legal costs of £2.4 million (30 September 2023: £1.6 million) have been incurred in the six months to 30 September 2024 and have been disclosed separately in the income statement due to their exceptional nature.

As outlined in Note 17, the settlement process has brought an end to all ongoing legal proceedings between Annington and the MoD. As at the date of signing the contingent liability, as reported at 31 March 2024, in relation to the payment of counterparty Enfranchisement Proceeding costs, has now been extinguished. At 30 September 2024, this contingent liability, first reported at March 2023 of up to £9 million and anticipated to have subsequently increased, existed in relation to these costs. However, given the status of the appeal as at 30 September 2024, the Group was unable to reliably estimate the extent of the MoD's costs to that date.

4. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

Gains or losses on the sale of properties are accounted for on a legal completion of contract basis. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

	Six months ended	
	30 September 2024 (unaudited) £'000	**30 September 2023 (unaudited) £'000**
Sales proceeds	**82,447**	74,172
Selling costs	**(2,001)**	(1,459)
Net disposal proceeds	**80,446**	72,713
Carrying value of properties disposed	**(64,740)**	(61,549)
Late cost adjustments incurred on units sold	**307**	(261)
	16,013	10,903

During the period, the Group disposed of 310 properties (30 September 2023: 291 properties).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2024 (continued)

5. FINANCE INCOME AND COSTS

	Six months ended 30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Finance income		
Interest receivable	**3,839**	4,516
Total finance income	**3,839**	4,516
Finance costs		
Interest payable on unsecured fixed rate notes	**59,433**	64,674
Amortisation of discount and issue costs and finance expenses	**914**	1,320
Interest payable on bank loans	**14,226**	13,182
Foreign exchange gains on financing	**(1,271)**	(2,021)
Losses arising on designated hedging instruments in cash flow hedges reclassified from equity to income statement	**1,723**	2,037
Unwinding of discount on provisions	**952**	810
Other finance expenses	**468**	407
Finance costs on lease transactions	**115**	70
Total finance costs	**76,560**	80,479

6. TAXATION

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

The Group's effective tax rate has been assessed as 11.0% (30 September 2023: 5.5%).

7. INVESTMENT PROPERTIES

The Group's standard accounting policy is to complete an external valuation of the portfolio as part of the year end and does not normally undertake an interim valuation for the half-year results. IFRS allows for a higher degree of estimation for interim reporting and historically, the Group has used previous year end valuations adjusted for additions and disposals as an estimate of book values for interim reporting. Due to the volatility in the market, it was considered appropriate for a full valuation to be undertaken as at 30 September 2023 and 30 September 2024 to ensure the reported value of the investment properties reflected the market conditions at those dates.

Subsequent to period end, the MQE portfolio was surrendered to the MoD for £6.1 billion. Please refer to Note 17 for further details of a pro forma balance sheet showing the impact of this on the Group's investment properties carrying value.

30 September 2024 (unaudited)	**Investment properties £'000**	**Investment properties held for sale £'000**	**Total £'000**
Valuation			
Carrying value at 1 April 2024	**7,324,864**	**42,433**	**7,367,297**
Additions – development and acquisitions	**47**	**-**	**47**
Additions – refurbishment expenditures	**5,663**	**-**	**5,663**
Disposals	**(27,995)**	**(36,745)**	**(64,740)**
Change in utilities obligation	**383**	**-**	**383**
Transfer to investment properties held for sale	**(39,052)**	**39,052**	**-**
Unrealised property revaluation gains	**92,018**	**1,422**	**93,440**
Total carrying value at 30 September 2024	**7,355,928**	**46,162**	**7,402,090**

31 March 2024 (audited)	**Investment properties £'000**	**Investment properties held for sale £'000**	**Total £'000**
Valuation			
Carrying value at 1 April 2023	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 2024	7,324,864	42,433	7,367,297

Properties would have been included on an historical cost basis at £1,197.8 million (31 March 2024: £1,239.8 million).

As at 30 September 2024 there were 229 (31 March 2024: 272) investment properties classified as held for sale, with disposal expected within the next 12 months.

	30 September 2023 (unaudited) £'000	**31 March 2024 (audited) £'000**
Reconciliation of fair value to carrying value:		
Fair value as estimated by the external valuer	**7,392,903**	7,354,080
Add: amounts included in utilities provision	**9,187**	13,217
Carrying value for financial reporting purposes	**7,402,090**	7,367,297

7. INVESTMENT PROPERTIES (continued)

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 11) relating to properties still held by the Group.

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

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

The Group's freehold and long leasehold interests in its investment properties were valued as at 30 September 2024 by an external valuer, CBRE Limited ('CBRE') on the basis of IFRS 13 , Fair Value Measurement and the RICS Valuation - Global Standards 2017, as amended, except where it was not, in practical terms, feasible to comply due to the large number of properties involved. Fair Value Measurement is defined as: "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." "Fair Value", for the purpose of financial reporting under IFRS 13, is effectively the same as "Market Value", which is defined in the Red Book as: "The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The fair value measurement objective is to determine an exit price at the measurement date from the perspective of a market participant that holds an asset. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset. The output of the negotiations with the MoD, which would not have been known to market participants at 30 September 2024, is a later commercial decision and should not be reflected in fair value at that date. Please refer to Note 17 for a pro forma balance sheet illustrating this.

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.

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

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

The fair value measurement hierarchy level for all investment properties as at 30 September 2024 was Level 3 significant unobservable inputs (31 March 2024: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior period.

Had the MQE Portfolio valuation discount rates increased by 0.2%, the valuation, all other factors remaining constant, would have decreased by £240.1 million. Conversely, had the MQE Portfolio valuation discount rates decreased by 0.2%, the valuation, all other factors remaining constant, would have increased by £255.8 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.

7. INVESTMENT PROPERTIES (continued)

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:

30 September 2024 (unaudited)	**Fair value £'000**	**Unobservable inputs**	**Input**
MQE			
Fair value	**7,067,715**		
Valuation technique		**Discounted cash flow**	
		Annualised gross rent (£'000 p.a.)	**238,350**
		Estimated future rent increase (20 year average on passing rent) (%)	**3.67% 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	**148,175**		
Valuation technique		**Discounted cash flow & vacant possession market comparison**	
		Net yield on rented units (%)	**4.50-5.50%**
		Discount to SAVPV (%)	**18.20%**
Non MQE – Rentals Portfolio			
Fair value	**177,013**		
Valuation technique		**Vacant possession market comparison**	
		Net yield (%)	**4.60-5.75%**
		Discount to SAVPV (%)	**14.9-21.6%**
Fair value at 30 September 2024	**7,392,903**		

31 March 2024 (audited)	**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 on passing rent) (%)	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 c.£369.3 million, approximately 5% of the Fair Value of the MQE Portfolio (as calculated in accordance with accounting standards), was applied to that portfolio to account for the risks associated with the liquidity and marketability of the MQE arising from the Enfranchisement Proceedings, as at 30 September 2024. At 31 March 2024, a similar 5% reduction amounted to c.£366.9 million.

8. INVESTMENT IN JOINT VENTURES

The Group's joint venture undertakings as at 30 September 2024 are shown below:

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

Each of these entities operates within the United Kingdom.

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 2023	1,138	1,000	2,138
Share of loss for the year	(414)	-	(414)
Impairments	(815)	-	(815)
At 31 March 2024 (audited)	(91)	1,000	909
Share of profit for the period	**80**	**-**	**80**
At 30 September 2024 (unaudited)	**(11)**	**1,000**	**989**

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

9. LOANS AND BORROWINGS

	30 September 2024 (unaudited) £'000	31 March 2024 (audited) £'000
Amounts falling due within one year		
Unsecured notes	**169,206**	148,177
Total current loans and borrowings	**169,206**	148,177
Amounts falling due between one and five years		
Unsecured notes	**598,156**	169,163
Unsecured bank loans	**399,155**	399,162
	997,311	568,325
Amounts falling due after five years		
Unsecured notes	**2,550,488**	3,147,805
Total non-current loans and borrowings	**3,547,799**	3,716,130
Total loans and borrowings	**3,717,005**	3,864,307

At 30 September 2024, the Group held seven tranches of corporate, unsecured bonds totalling c.£3.3 billion and a term loan of £400.0 million, also unsecured. A revolving credit facility of £100.0 million is also available to the Group, which remains undrawn. The weighted average maturity of the Group's debt at that date was 12.0 years (31 March 2024: 12.1 years) with a weighted average cost of 3.48% (31 March 2024: 3.75%).

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

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

As outlined in Note 17, on 9 January 2025, Annington completed the sale of its interests in the MQE to the MoD. On 14 January On 14 January 2025 Annington used £2.4 billion of the sales proceeds to purchase certain bonds issued by the Group, following the completion of tender offers to the holders of such bonds and redeeming certain unsecured bonds pursuant to the terms thereof, in total purchasing and redeeming bonds with a nominal value of £2.6 billion. In addition, the Group repaid the £400 million unsecured term loan and cancelled the undrawn £100 million revolving credit facility.

10. LEASE LIABILITIES

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

	30 September 2024 (unaudited) £'000	31 March 2024 (audited) £'000
Maturity analysis		
Amounts falling due within one year	**702**	680
Amounts falling due between one and five years	**2,037**	2,605
Amounts falling due after five years	**1,980**	1,691
Minimum lease payments	**4,719**	4,976
Less: future finance charges	**(1,012)**	(1,121)
Present value of lease obligations	**3,707**	3,855
Current	**490**	459
Non-current	**3,217**	3,396
Total lease liabilities	**3,707**	3,855

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

11. PROVISIONS

	Warranty Provision £'000	Make good provision £'000	Utilities provision £'000	Total £'000
At 1 April 2024	114	711	26,458	27,283
Unwinding of discount		17	935	952
Change in estimated obligation				
- through profit and loss	-	-	(308)	(308)
- through investment properties	-	-	383	383
Utilised	(39)	-	(4,485)	(4,524)
At 30 September 2024 (unaudited)	**75**	**728**	**22,983**	**23,786**
Current provision	75	-	15,135	15,210
Non-current provision	-	728	7,848	8,576
	75	**728**	**22,983**	**23,786**

Utilities provision

At the point of purchase in 1996 the Married Quarters Estate included certain sites that are dependent on the related technical base for the provision of utilities. The MoD undertook to supply utilities to those sites for the period they are rented to the MoD and for released units, until at least the 25th anniversary of the purchase. Where there have been releases of property that are currently base dependent or there is a constructive obligation to provide for the adoption of certain utilities on units which are not base dependent, a provision has been made to separate these units where the Group has a committed present obligation to separate these units, including units that have already been sold to third parties. The provision has been discounted in accordance with the relevant borrowing costs of the Group.

As outlined in Note 17, on 9 January 2025, Annington completed the sale of its interests in the MQE to the MoD. Subsequent to the date of the balance sheet, the contingent liability ceased in respect of future releases possibly being base dependent units for their supply of water and sewage treatment. As at 31 March 2024 this contingent liability was £263.9 million and was estimated to be £269.3 million as at 30 September 2024.

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.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2024 (unaudited) £'000	31 March 2024 (audited) £'000
Financial liabilities carried at fair value through OCI		
Cross currency swaps that are designated in hedge accounting relationships	-	(3,725)

Reconciliation of movements

	30 September 2024 (unaudited) £'000	Repayments £'000	Revaluation adjustment £'000	31 March 2024 (audited) £'000
Cross currency swaps	-	5,121	(1,396)	(3,725)
Total derivative financial liabilities	-	5,121	(1,396)	(3,725)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has the following financial instruments:

	Note	30 September 2024 (unaudited) £'000	31 March 2024 (audited) £'000
Financial assets			
Cash and receivables:			
Trade and other receivables excluding prepayments		**8,325**	11,156
Cash and cash equivalents		**155,010**	196,435
Total financial assets		**163,335**	207,591
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables		**45,252**	45,776
Loans and borrowings	9	**3,717,005**	3,864,307
Liabilities measured at fair value through OCI			
Cross currency swaps	12	**-**	3,725
Total financial liabilities		**3,762,257**	3,913,808

Fair values

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2024 (continued)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group held the following derivative and non-derivative financial assets and liabilities at 30 September 2024

	30 September 2024 (unaudited)		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured notes	**3,354,269**	**3,317,850**	**2,707,972**
Unsecured term loan	**400,000**	**399,155**	**400,000**
	3,754,269	**3,717,005**	**3,107,972**

	31 March 2024 (audited)		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured notes	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 liability			
Cross currency swap	-	3,725	3,725
	3,902,485	3,868,032	3,297,875

Unsecured bonds

The volume of market trades of the Group's bonds is not considered sufficient to be an active market. Therefore, listed bonds have been fair valued with reference to comparable sector bond pricing.

Unsecured term loan

This loan relates to a £400.0 million term unsecured bank loan, maturing in February 2028. Further details, including covenant information can be found in the Group's annual report.

14. NOTE TO THE CONDENSED CASH FLOW STATEMENT

	Six months ended 30 September 2024 (unaudited) £'000	Six months ended 30 September 2023 (unaudited) £'000
Profit/(loss) after taxation	**142,919**	(332,416)
Adjustment for:		
Taxation	**6,122**	1,974
Finance costs	**76,560**	80,479
Finance income	**(3,839)**	(4,516)
Share of results of joint ventures after taxation	**(80)**	139
Profit on disposal of property assets	**(16,013)**	(10,903)
Loss on disposal of plant and equipment and right-of-use assets	**1**	22
Unrealised property revaluation (gains)/losses	**(93,440)**	371,685
Depreciation expense	**487**	419
Movements in working capital:		
Decrease/(increase) in debtors	**1,058**	(1,514)
Increase/(decrease) in creditors	**3,677**	(870)
Decrease in provisions	**(4,524)**	(2,712)
Net cash inflow from operating activities	**112,928**	101,787

15. ANALYSIS OF CHANGES IN NET DEBT

	30 September 2024 (unaudited) £'000	Cash flow £'000	Non-cash items: Amortisation of bond issue costs and interest accrued £'000	Non-cash items: Fair value adjustments and exchange movements £'000	Non-cash items: Finance lease liability additions & disposals £'000	31 March 2024 (audited) £'000
Cash and cash equivalents	**155,010**	(41,380)	-	(45)	-	196,435
Unsecured notes	**(3,317,850)**	146,935	(922)	1,282	-	(3,465,145)
Unsecured term loan	**(399,155)**	-	7	-	-	(399,162)
Lease liabilities	**(3,707)**	371	(115)	-	(108)	(3,855)
Total loans and borrowings	**(3,720,712)**	147,306	(1,030)	1,282	(108)	(3,868,162)
Net debt	**(3,565,702)**	105,926	(1,030)	1,237	(108)	(3,671,727)

16. RELATED PARTY DISCLOSURES

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

The Group has maintained ongoing relations with its joint ventures, with no specific transactions in the reporting period.

17. SUBSEQUENT EVENTS

On 4 November 2024, the Group declared an dividend of £30 million which was paid on 26 November 2024 (30 September 2023: No dividend).

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

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

The reported value of the Group's investment properties is a fair value under IAS 40, as calculated in accordance with IFRS13 (see note 7). The value for which the Group agreed to sell the MQE is a result of negotiations with the MoD and represents a commercial decision to accept an offer which is below the previously assessed fair value of the MQE portfolio in recognition of a number of factors. The outcome of these negotiations would therefore not have been known to market participants at 30 September 2024 and represents a later commercial decision, which should not be factored into in fair value at that date.

Noting this, the following adjustment and pro forma balance sheet are included to illustrate the impact of the sales agreement post period end. The pro forma adjustment shows the effect of recognising the surrendered MQE at the subsequently realised value, rather than fair value. The pro forma statements illustrate the financial impact had the asset been included at the subsequently realised value as at 30 September 2024.

30 September 2024 **Unaudited Summary of Pro Forma Adjustment**	**As Reported** **£'000**	**Pro Forma** **Adjustment**	**Pro Forma** **£'000**
Non-current assets			
Investment properties	**7,355,928**	(908,695)	6,447,233
Other non-current assets	**84,960**	-	84,960
	7,440,888	(908,695)	6,532,193
Current assets	**211,350**	**-**	211,350
Total assets	**7,652,238**	(908,695)	6,743,543
Current liabilities	**(279,158)**	-	(279,158)
Non-current liabilities			
Loans and borrowings	**(3,547,799)**	-	(3,547,799)
Other non-current liabilities	**(18,440)**	-	(18,440)
	(3,566,239)	-	(3,566,239)
Total liabilities	**(3,845,397)**	-	(3,845,397)
Net assets	**3,806,841**	(908,695)	2,898,146
Capital and reserves			
Share capital	**84,756**	-	84,756
Share premium	**480,401**	-	480,401
Merger reserve	**(10,000)**	-	(10,000)
Retained earnings	**3,251,684**	(908,695)	2,342,989
Total equity	**3,806,841**	(908,695)	2,898,146

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2024 (continued)

17. SUBSEQUENT EVENTS (continued)

30 September 2024 – Equity Unaudited Summary of Pro Forma Adjustment	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2024	**84,756**	**480,401**	**(10,000)**	**(360)**	**3,108,765**	**3,663,562**
Historical comprehensive income/(loss) for the period	**-**	**-**	**-**	**360**	**142,919**	**143,279**
Pro Forma Adjustment	**-**	**-**	**-**	**-**	**(908,695)**	**(908,695)**
At 30 September 2024 Pro Forma	**84,756**	**480,401**	**(10,000)**	**-**	**2,342,989**	**2,898,146**

On 8 January, Annington Limited reduced its share capital by reducing the value of each share in issue from £0.01 per share to £0.00000001 per share and reducing its share premium to £nil. The effect of these transactions was to increase retained earnings by £ 565,156,791.73.

On 14 January 2025 Annington used £2.4 billion of the sales proceeds to purchase certain bonds issued by the Group, following the completion of tender offers to the holders of such bonds and redeeming certain unsecured bonds pursuant to the terms thereof, in total purchasing and redeeming bonds with a nominal value of £2.6 billion. In addition, the Group repaid the £400 million unsecured term loan and cancelled the undrawn £100 million revolving credit facility.

On 21 January 2025, Annington Limited declared a dividend of £1.9 billion, conditional on Annington Homes Limited paying a dividend of the same amount. On the same date, Annington Homes Limited declared an unconditional dividend.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the United Kingdom;
- the half-year report includes a fair review of important events and their impact during the six months and a description of principal risk and uncertainties for the remaining months of the year; and
- the half-year report includes a fair review of the information required of related parties' transactions.

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

Approved by

S Leung

Director

23 January 2025

APPENDIX 1: 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	Six months ended 30 September 2024 (unaudited) £'000	Six months ended 30 September 2023 (unaudited) £'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	**126,806**	119,697
Net rental income margin			
Gross rental income as presented on the face of the income statement	I/S	**126,806**	119,697
Property operating expenses as presented on the face of the income statement.	I/S	**(4,196)**	(4,390)
Net rental income		**122,610**	115,307
Divided by Gross rental income		**126,806**	119,697
Expressed as a percentage		**96.7%**	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	**221,762**	(254,479)
Amortisation, depreciation or impairment (including other non-cash write downs) of assets	Note 3	**487**	419
Revaluation (gains)/losses on investment properties	I/S	**(93,440)**	371,685
Profit attributable to joint ventures	I/S	**(80)**	139
Dilapidation income	Note 3	**(1,947)**	(1,541)
Profit on disposal of investment properties	I/S	**(16,013)**	(10,903)
Profit on disposal of inventory	I/S	**12**	-
One-off items (Enfranchisement Proceedings costs shown in the income statement)	I/S	**2,379**	1,575
		113,160	106,895

APPENDIX 1: ALTERNATIVE PERFORMANCE MEASURES – DEFINITIONS AND CALCULATION

Appendix 1: Alternative Performance Measures – Definitions and Calculation (continued)

	Reference	Six months ended 30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000
Adjusted EBITDA Margin			
Adjusted EBITDA margin is calculated as:			
Adjusted EBITDA as calculated above	Above	**113,160**	106,895
Divided by gross rental income as presented on the face of the income statement	I/S	**126,806**	119,697
Expressed as a percentage		**89.2%**	89.3%
Free cash flow			
Free cash flow is calculated as:			
Net increase/(decrease) in cash and cash equivalents, adjusted for:	C/F	**(41,380)**	90,371
Purchase of investment properties, as shown in the investing cash flows	C/F	**47**	-
Repayment of borrowings and swap terminations, as shown in the Financing cash flows	C/F	**152,022**	-
Net rental income		**110,689**	90,371
Net rental yield			
Net rental yield is calculated as:			
Net rental income, as calculated above	Above	**122,610**	115,307
Divided by carrying value of investment properties	B/S	**7,402,090**	7,381,587
Expressed as a percentage		**1.7%**	1.6%

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