Company Registration No. 08271384

ANNINGTON LIMITED

Half-Year

Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

ANNINGTON LIMITED

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

CONTENTS

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 2023

HIGHLIGHTS

- The carrying value of the Group's investment properties was £7.4 billion (31 March 2023: £7.8 billion).
- Rental income was £119.7 million (30 September 2022: £107.5 million).
- Adjusted EBITDA was £106.9 million (30 September 2022: £96.4 million).
- Loss after taxation was £332.4 million (30 September 2022: Loss of £464.2 million).
- The Group sold 291 (30 September 2022: 93) properties and recognised total sales proceeds of £74.2 million (30 September 2022: £22.2 million).
- The Court of Appeal has granted Annington leave to appeal against the High Court decision regarding the MoD's attempt to enfranchise eight units which form part of the Married Quarters Estate. The appeal court hearing has been set for a date in July 2024.
- Subsequent to half-year-end, the Group sold 588 units from the Non-MQE portfolio in two bulk sale transactions for £147.7 million.

Portfolio Summary

As at 30 September 2023 (unless otherwise noted), the Group's portfolio consisted of:

	Married Quarters Estate ("MQE") Portfolio	Non-MQE Portfolio
Properties	36,993 (31 March 2023: 37,100) homes leased to the MoD and 175 related assets on 500 Sites	2,258 (31 March 2023: 2,442) 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 length	200 year leases – 173 years unexpired	Assured Shorthold Tenancies ("AST") and flexible leases
Lease type	Repairs and maintenance paid by tenant	Repairs and maintenance paid by tenant or landlord
Fair value	At 30 September 2023: £6,876.1 million (31 March 2023: £7,256.5 million)	At 30 September 2023: £495.2 million (31 March 2023: £536.5 million)

HALF-YEAR REPORT
For the six months ended 30 September 2023

Introduction

Annington is one of the largest providers of privately rented housing in the UK, owning over 39,000 homes with an asset value of £7.4 billion. The portfolio is unique in that 94% of our properties are rented to the Ministry of Defence (‘MoD’) under a 200 year lease entered into in 1996. 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 our last annual report.

Market Environment

The residential property sales market remains challenging. Mortgage affordability is still a concern for house buyers after a series of base rate increases and the pressures of the wider ‘cost of living crisis’. This has resulted in softer demand, falling transactional volumes and a decline in house prices from their peak in November 2022. There are signs, though, that this trend of weakening house prices is starting to reverse, or at least stabilise.

The Bank of England maintained the base rate at 5.25% at the last two monetary policy committee meetings, after 14 consecutive rate rises. This has led to mortgage lenders decreasing their rates to become more competitive. However, affordability remains a constraint and as of October 2023, the Royal Institute of Chartered Surveyors (“RICS”) demand and sales metrics are still in negative territory, although at their least negative since May 2023.

The Office of National Statistics (“ONS”) recently released a provisional estimate of average annual house price inflation for the UK to September 2023 of -0.1%. This represents the first annual fall in the UK’s average house price since April 2012. The ONS further reports that average UK house prices, at £291,000 for September 2023, are in line with where they were in September 2022, though above the recent low in March 2023.

The units returned by the MoD and refurbished by Annington are generally at the affordable end of the UK residential property market, which has seen less volatility in the recent economic climate. These properties also appeal to homebuyers who are more cost-conscious due to current economic conditions.

The same pressures affecting buyer sentiment and ability to transact have also impacted rental prices, as prospective buyers remain in the rental market. According to the ONS Index of Private Housing Rental Prices (“IPHRP”), UK annual rental inflation was reported as 5.7% at September 2023, compared to 3.7% in September 2022, whilst Rightmove reported annual rental price inflation of 10.1% in the 12 months to September 2023. The RICS also reports in their October 2023 survey that although a comfortable majority of respondents noted an increase in demand in the three months to October, this is the most modest reading since 2021.

Service Family Accommodation

Cost and condition remain perennial concerns for Service personnel living in Service Family Accommodation (‘SFA’). The MoD has been making efforts to improve the quality of SFA through additional investment and ongoing repair and maintenance. Based on the findings from a three-year pilot scheme that was concluded at the end of March 2023, in September 2023, the MoD announced the New Accommodation Offer, which will start being implemented from March 2024. The New Accommodation Offer will be based on need rather than rank and those in a long-term established relationship will be entitled to subsidised accommodation on a similar basis to those who are married. There will also be more flexibility for service personnel to request the type of home that works for their family, allowing them to access homes above or below their entitlement.

Valuation

A valuation of investment properties was undertaken by CBRE as at 30 September 2023. At that date, the Group’s investment properties are valued at £7.4 billion (31 March 2023: £7.8 billion) with an unrealised property revaluation loss of £371.7 million being recognised in the income statement for the period (six months to 30 September 2022: loss of £495.9 million), a reduction of 4.8%. The valuation is discussed in more detail in the Finance Report, later in this document.

Update on 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. 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 has now been granted, leave to appeal the judgment. The appeal court hearing is currently scheduled for July 2024. During the first six months of the financial year, the Group incurred £1.6 million in costs in relation to these legal proceedings (30 September 2022: £2.3 million).

Operational Update

Rent Review

The MQE Beacon Unit Rent Review for December 2022 was concluded in June 2023, achieving an uplift of 28.4% for the tranche under review, equating to an annual increase in rent of £11.9 million, compared to 10.8%, or £4.6 million, for the 2021 Rent Review. This is indicative of the strong rental price growth experienced in the market of late. Including the effects of the Site Review discount agreed in December 2021, the annualised uplift increases to £22.6 million, compared to £8.4 million after the 2021 Rent Review. The Beacon Unit Rent Review process for December 2023 is underway.

MoD Property Releases

In the six months to 30 September 2023, the MoD handed over 107 units (30 September 2022: 197 units handed over), with termination notices received for a further 274 units to be released before the end of the financial year, taking the forecast number of releases to 381 for the 2023-24 financial year, compared to 298 units released during the 2022-23 financial year. The Group is currently conducting site visits as part of our process of determining the optimal strategy for each site being released.

Refurbishment Costs

The Group incurred £9.9 million of refurbishment costs on investment properties in the six months to 30 September 2023 (30 September 2022: £15.4 million), with the lower expenditure in the period attributed to the timing of unit releases with 641 units released in the last quarter of the 2022 financial year (impacting 2023 costs) compared with 100 units in the last quarter of the 2023 financial year, impacting costs in the current year.

Disposals

The Group sold 291 properties during the first half of the year compared to 93 units in the comparative period, reflecting the phasing of releases from the MQE and the completion of associated refurbishment activity as well as the level of churn in our PRS portfolio. Sales proceeds totalled £74.2 million (30 September 2022: £22.2 million) with an average sales price per unit of approximately £255,000 (30 September 2022: £239,000).

The Group's review of the Non-MQE portfolio identified a number of non-core assets, which were subsequently marketed in competitive processes. Subsequent to the half-year-end, on 8 December 2023, the Group sold 588 Non-MQE units in two bulk-sale transactions. These sales completed for total proceeds of £147.7 million, which is in line with the carrying value.

ESG

During the 2023 financial year the Group undertook its first ESG Materiality Assessment to facilitate the Group's commitment to having a positive social and environmental impact. The Materiality Assessment identified where Annington can, and should, be most impactful and it served as the starting point for formulating our ESG Strategy towards 2035. The ESG Strategy will focus on two main Objectives: Climate Resilience, and People and Communities.

The first step in implementing this strategy will be to fully understand the entire 'carbon story' of the properties Annington refurbishes and to ensure that their ongoing energy usage is a key part of refurbishment decisions. At the end of the last financial year, the Group initiated a project aimed at improving our understanding around the typical heat-loss and thermal performance challenges inherent in former MoD properties. The outcomes will inform Annington's future refurbishment plans and how the Group demonstrates progress against the Climate Resilience Objective.

The People and Communities Objective has equal priority. As part of Annington's continued commitment to being a great place to work and a socially responsible business, the Group took a critical look at the existing corporate values and created a Purpose which clearly articulates our culture. This important piece of work was carried out with contributions from and consultation with staff and the Group is very proud of the new values, which the Directors believe express what Annington stands for and sets the direction for the future.

Outlook

Annington continues to be well positioned to operate within the current more challenging economic environment. The Group benefits from certainty of income, based on the high proportion of rental receipts originating from the MQE portfolio. These cash flows are stable and, with respect to the current tranche subject to the Beacon Unit Rent Review, are market related. This enables the Group to benefit from the current growth in rental market pricing.

Within the rental sector, demand remains high, but there are signs of slowing growth as 18 months of double digit rental price inflation are impacting affordability (*Zoopla September 2023 Market Report*). In the short-term, Zoopla still expects rental increases to outstrip earnings growth due to the sustained demand in the lettings market, however, rental growth is expected to decline in 2024 as earnings growth becomes a more significant constraint on rental price growth.

Affordability is also the constraining factor within the sales market as mortgage affordability concerns continue to affect buyer sentiment. Even though it appears that the peak of the interest rate cycle has been reached, the first cuts in interest rates still look some way off, which may result in further house price falls over the first half of 2024.

The Group will continue to proactively manage properties 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 procurement of fixed schedules of rates to give certainty and cost transparency on refurbishment and redevelopment projects, 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.

Key Performance Indicators

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

Financial KPI	30 September 2023 £ millions	30 September 2022 £ millions	Management commentary
Gross rental income	119.7	107.5	Gross rental income has increased by £12.2 million or 11.3% in the six months ended 30 September 2023 with rent increases arising from the 2022 Beacon Unit Rent Review and the new Site Review Discount applied to two of the four tranches of the MQE; offset by unit sales and releases.
Net rental income margin	96.3%	96.2%	Net rental income margin measures the profitability of the Group’s rental operations, expressing net rent as a percentage of gross rental income. 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 fairly stable net rental income margin.
Adjusted EBITDA	106.9	96.4	Adjusted EBITDA is used to measure the normalised earnings of the business by removing exceptional and irregular items of profit and loss and aims to make comparisons more meaningful across different periods. Adjusted EBITDA has increased mainly due to the increase in gross rental income.
Adjusted EBITDA margin	89.3%	89.7%	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 decreased slightly despite the increase in income, due to higher overhead costs.
Free cash flow	90.4	31.8	This measure is used to assess the cash generated to be utilised on discretionary purchases or dividends. Free cash flow has increased by £58.6 million, principally driven by higher proceeds from the sale of investment properties, with 291 properties sold in the current period compared to 93 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 2023 has increased by 11.3% or £12.2m, from £107.5 million for the six months ended 30 September 2022 to £119.7 million for the six months ended 30 September 2023.

	2023 (£m)	2022 (£m)	Increase %
MQE	**108.2**	97.1	11.4%
Non-MQE	**11.5**	10.4	10.6%
Total	**119.7**	**107.5**	**11.3%**

MQE rent increased by £11.1 million (11.4%) over the same period last year. This is mainly a result of the Site Review uplift (£4.2 million) and the Beacon Unit Rent Reviews for 2021 and 2022 (£7.5 million), partially offset by loss of rent on released units (£0.6 million).

Non-MQE rent has increased from £10.4 million for the six months ended 30 September 2022 to £11.5 million for the six months ended 30 September 2023. The increase in income is a result of the addition of c.180 properties to the portfolio since September 2022 (c.£0.7 million) as well as like-for-like increases in rent (£1.5 million), including rental arrears for a number of bulk leases following the conclusion of the rent review in the period. These increases were offset by the reduction in income as a result of the disposal of properties within the portfolio (£1.1 million).

Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 September 2023 was £106.9 million, an increase of 10.9% over the same period last year at £96.4 million. The increase is driven by the growth in gross rental income discussed above but is partly offset by an increase in administrative expenses. This increase in costs is mostly attributable to the non-cash accrual of the executive long-term incentive plan.

Property disposals

Property disposals	**30 September 2023**		**30 September 2022**	
	Units	Sales (£m)	Units	Sales (£m)
Non-MQE Portfolio – Surplus Estate	255	67.2	79	18.0
Non-MQE Portfolio – Rentals Portfolio	36	7.0	12	2.9
Total investment properties	**291**	**74.2**	**91**	**20.9**
Inventory units	-	-	2	1.3
Total properties	**291**	**74.2**	**93**	**22.2**

The sales profile is a function of units held and available for sale. This, in turn, largely depends on timing of MQE releases and the extent of refurbishment works to be carried out to bring houses back to market. The Group sold 291 properties for a total of £74.2 million during the first half of the year at an average sales price of c.£255,000 compared to 93 units in the comparative period for £22.2 million (average sales price c.£239,000). The majority of the properties disposed of in the current and prior period relate to properties released from the MQE portfolio.

Exceptional item: Enfranchisement Proceedings costs

During the first six months of the financial year, the Group incurred an additional £1.6 million in costs in relation to the legal proceedings which arose because of the MoD’s attempts to enfranchise eight properties within the MQE (30 September 2022: £2.3 million). These proceedings have been discussed earlier in this report. 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. To date, £16.3 million has been spent relating to this matter, which includes a payment of £2.25 million on account for an element of the MoD’s costs.

Free cash flow

Free cash flow for the six months ended 30 September was £90.4 million (30 September 2022: £31.8 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. This has been partially offset by higher interest payments as a result of the increase in interest rates relating to the floating rate term loan, and new tranches of bonds issued in August 2022 carrying a higher coupon rate than those they replaced.

The Group ended the period with cash and cash equivalents of £277.1 million (31 March 2023: £186.7 million), £153 million of which is being held to repay the remaining 2024 bonds. The remaining cash is being retained to assist with future liability management exercises and to fund the working capital requirements of the Group.

No interim dividend has been proposed by the Board (30 September 2022: £100 million approved and paid).

Half-year property valuation

The Group's policy on the valuation of the portfolio is to complete an external valuation as part of the year end procedures. The Group does not normally undertake an external valuation for half-year reporting, however, for 30 September 2023, in light of continuing market volatility, it was again considered appropriate to obtain an interim valuation to support the half-year results.

As at 30 September, the book value was £7.4 billion (31 March 2023: £7.8 billion), with a downwards revaluation of £371.7 million (30 September 2022: loss of £495.9 million) being recorded within the income statement, a reduction of 4.8%. This principally reflects wider market trends impacting yields and discount rates applied to property and other long-term investments over the last six months. Offsetting this have been increases in the underlying rental income streams, discussed above.

The Special Assumption of Vacant Possession Value ('SAVPV') was also updated at the same date. At 30 September 2023, the SAVPV of the Group's MQE portfolio was estimated at £10,228.1 million (31 March 2023: £10,453.9 million), based on underlying market trends in house prices over that period. The SAVPV of the MQE reflects a 48.7% premium over market value (31 March 2023: 44.1% premium).

Financing

The Group's debt was maintained at £4.2 billion (31 March 2023: £4.2 billion), mainly consisting of bonds issued on the London Stock Exchange through Annington Funding plc ("AFP"). The weighted average maturity of the Group's debt at 30 September is 11.8 years (down from 12.3 years at 31 March 2023) with a weighted average cost of 3.64% (31 March 2023: 3.39%).

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

Covenant	Test	Limit for Bonds	Limit for Loans	30 September 2023	31 March 2023
Limitation on Debt	Total debt / Total assets	<65%	<65%	52.9%	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)	1.38x	1.37x
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%	187.3%	193.6%

The Group's LTV as of 30 September is 52.9% (31 March 2023: 51.2%). The Group's policy continues to be the maintenance of a BBB equivalent rating. No interim dividend is proposed by the Board and any decision in relation to future dividends will be made after year-end, taking into account the Group's forecasted operational requirements and the maintenance of financial policies.

Cash retained in the business generated interest income of £4.5 million in the six months to 30 September 2023 (2022: £0.6 million), reflecting higher cash balances and the increased deposit rates available.

Subsequent Events

The Group's review of the Non-MQE portfolio identified a number of non-core assets, which were subsequently marketed in competitive processes. Subsequent to the half-year-end, on 8 December 2023, the Group sold 588 Non-MQE units in two bulk-sale transactions. These sales completed for total proceeds of £147.7 million, which is in line with the carrying value. These transactions reduce the carrying value of the Group's investment properties and increase cash balances and, on a pro forma basis, assuming these transactions completed on 30 September 2023, the LTV would have been 51.9%. The proceeds from these disposals will be held on-balance sheet.

Board Update

The Board welcomes to the Group Chris Severson, who is employed by Terra Firma as Operating Managing Director and who joins the Board of Annington Limited as a non-executive Director. Chris was appointed to the Board on 31 October 2023 and has over 20 years' experience in senior management roles across a number of industries, including FMCG, construction, financial services and telecommunications.

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 2023 and further, detailed risks were provided in the subsequent Offering Circular issued by Annington Funding plc on 27 July 2022. The risks and uncertainties previously disclosed have been reviewed and the risks themselves remain unchanged, however, in the current environment, there is increased uncertainty surrounding the broader market environment and a heighted risk of occurrence for certain of the items, including but not limited to economic risks and legislative risks. Both the Annual Report and Accounts and the Offering Circular referenced above are available at www.annington.co.uk.

ANNINGTON LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2023

	Note	Six months ended 30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000
Property rental income	2	**119,697**	107,485
Property operating expenses	2	**(4,390)**	(4,098)
Net rental income		**115,307**	103,387
Other operating income	3	**1,557**	1,585
Administrative expenses		**(8,512)**	(7,291)
Other operating expenses		**(335)**	(232)
Enfranchisement Proceedings costs	3	**(1,575)**	(2,316)
Profit/(loss) on disposal of investment properties	4	**10,903**	(1,323)
Unrealised property revaluation losses	7, 11	**(371,685)**	(495,864)
Profit on disposal of inventory		**-**	507
Share of results of joint ventures after taxation	8	**(139)**	156
Operating loss	3	**(254,479)**	(401,391)
Finance income	5	**4,516**	7,056
Finance costs	5	**(80,479)**	(69,336)
Loss before taxation		**(330,442)**	(463,671)
Taxation	6	**(1,974)**	(553)
Loss for the period after taxation		**(332,416)**	(464,224)
Loss attributable to shareholder		**(332,416)**	(464,224)

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

ANNINGTON LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2023

	Note	Six months ended 30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000
Loss for the period		**(332,416)**	(464,224)
Items that may subsequently be recycled through the income statement			
Fair value (losses)/gains on cash flow hedge	12	**(1,794)**	10,326
Reclassification of fair value gains/(losses) included in profit and loss		**2,037**	(6,138)
Reclassification of discontinued cash flow hedge		**-**	(3,144)
Total other comprehensive income		**243**	1,044
Total comprehensive loss for the period		**(332,173)**	(463,180)
Total comprehensive loss attributable to shareholder		**(332,173)**	(463,180)

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

ANNINGTON LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2023

	Note	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Non-current assets			
Investment properties	7	**7,169,495**	7,738,244
Plant and equipment		**749**	308
Right-of-use assets		**4,448**	1,162
Investment in joint ventures	8	**2,128**	2,138
Deferred tax assets		**56,425**	56,425
Derivative financial instruments	12	**-**	475
		7,233,245	7,798,752
Current assets			
Trade and other receivables		**13,545**	15,013
Cash and cash equivalents		**277,087**	186,718
		290,632	201,731
Investment properties held for sale	7	**212,092**	67,068
Total assets		**7,735,969**	8,067,551
Current liabilities			
Trade and other payables		**(41,529)**	(47,052)
Rental income received in advance		**(49,033)**	(45,683)
Loans and borrowings	9	**(150,242)**	-
Lease liabilities	10	**(397)**	(293)
Provisions	11	**(17,320)**	(20,763)
		(258,521)	(113,791)
Non-current liabilities			
Trade and other payables		**(3,414)**	(2,731)
Loans and borrowings	9	**(4,026,751)**	(4,177,694)
Lease liabilities	10	**(3,888)**	(785)
Deferred tax liabilities		**(63)**	(63)
Provisions	11	**(7,201)**	(5,502)
Derivative financial instruments	12	**(1,319)**	-
		(4,042,636)	(4,186,775)
Total liabilities		**(4,301,157)**	(4,300,566)
Net assets		**3,434,812**	3,766,985
Capital and reserves			
Share capital		**84,756**	84,756
Share premium		**480,401**	480,401
Merger reserve		**(10,000)**	(10,000)
Hedging reserve		**(76)**	(319)
Retained earnings		**2,879,731**	3,212,147
Total equity		**3,434,812**	3,766,985

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

The financial statements on pages 10-29 were approved by the Board of Directors on 11 December 2023 and signed on its behalf by:

S Leung
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2023

	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/(loss) for the period	-	-	-	1,044	(464,224)	(463,180)
Dividends paid	-	-	-	-	(100,000)	(100,000)
At 30 September 2022 (unaudited)	84,756	480,401	(10,000)	2,294	3,375,092	3,932,543
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)**

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 2023

	Note	Six months ended 30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000
Cash generated from operations	14	**101,787**	94,766
Net tax refunded/(paid)		**103**	(2,600)
Net cash inflow from operating activities		**101,890**	92,166
Investing activities			
Proceeds from sale of investment properties		**72,705**	19,908
Development and acquisition of investment properties	7	**-**	(95)
Refurbishment expenditure on investment properties	7	**(9,923)**	(15,411)
Purchase of plant and equipment		**(663)**	(22)
Distributions from joint ventures	8	**-**	15
Interest received		**4,516**	551
Net cash inflow from investing activities		**66,635**	4,946
Financing activities			
Debt issuance costs		**-**	(4,004)
Proceeds from new borrowings		**-**	515,104
Repayment of borrowings		**-**	(497,567)
Amount paid on swap termination		**-**	(10.188)
Dividends paid		**-**	(100,000)
Interest and other financing costs		**(77,976)**	(65,065)
Interest payments on lease obligations		**(25)**	(24)
Principal payments on lease obligations		**(153)**	(363)
Net cash outflow from financing activities		**(78,154)**	(162,107)
Net increase/(decrease) in cash and cash equivalents		**90,371**	(64,995)
Cash and cash equivalents at the beginning of the period		**186,718**	181,787
Exchange differences on cash and cash equivalents		**(2)**	35
Cash and cash equivalents at the end of the period		**277,087**	116,827

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 2023

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2023 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 2023. The Group's Annual Report and Accounts 2023 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 2023, 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 2023 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 2023. 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)**
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

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

Going concern

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

Seasonality

The Group's business is not deemed to be highly seasonal. It is therefore not necessary to disclose the consolidated income statement for the full year ended 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

2. PROPERTY AND NET RENTAL INCOME

Property rental income – Revenue recognition

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

	Six months ended	
	30 September 2023 (unaudited) £'000	**30 September 2022 (unaudited) £'000**
Property rental income	**119,697**	107,485

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 LOSS

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

	Six months ended	
	30 September 2023 (unaudited) £'000	**30 September 2022 (unaudited) £'000**
Depreciation of plant and equipment	**63**	87
Depreciation of right-of-use assets	**356**	410
Loss on disposal of plant and equipment	**21**	-
Loss/(gain) on disposal of right-of-use assets	**1**	(1)
Other operating income		
Dilapidation income	**1,541**	1,565
Net profit from property management	**-**	2
Sundry income	**16**	18
Total other operating income	**1,557**	1,585

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

3. OPERATING LOSS (continued)

Enfranchisement Proceedings costs

As previously reported, Annington has received notices from the MoD attempting to enfranchise a total of eight units within the MQE. Annington's position is that the MoD has no legal right to enfranchise any properties within the MQE and that the MoD's decision-making in issuing the enfranchisement notices was in breach of its public law duties. 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. On 11 October 2023, Annington was granted permission to appeal the judgement handed down by the High Court of Justice on limited grounds.

The costs relating to the Enfranchisement Proceedings are outside the normal scope of the Group's operations and are expected to be material. Legal costs of £1.6 million (30 September 2022: £2.3 million) have been incurred in the six months to 30 September 2023 and have been (and further costs will continue to be) disclosed separately in the income statement due to their exceptional nature.

4. PROFIT/(LOSS) 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 2023 (unaudited) £'000	**30 September 2022 (unaudited) £'000**
Sales income	**74,172**	20,875
Selling costs	**(1,459)**	(573)
Net income from disposals	**72,713**	20,302
Carrying value of properties disposed	**(61,549)**	(18,169)
Profit on disposal of current period sales	**11,164**	2,133
Change in estimated costs provided on sold units	**(261)**	(3,456)
Profit/(loss) on disposal of investment properties	**10,903**	(1,323)

During the year, disposals of 291 properties (30 September 2022: 91 properties) were completed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

5. FINANCE INCOME AND COSTS

	Six months ended 30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000
Finance income		
Interest receivable	**4,516**	551
Gain on bond refinance	**-**	6,505
Total finance income	**4,516**	7,056
Finance costs		
Interest payable on unsecured fixed rate notes	**64,674**	60,998
Amortisation of discount and issue costs and finance expenses	**1,320**	1,213
Interest payable on bank loans	**13,182**	5,865
Foreign exchange (gains)/losses on financing	**(2,021)**	6,129
Transfer to/(from) equity for cash flow hedge	**2,037**	(6,138)
Unwinding of discount on provisions	**810**	726
Other finance expenses	**407**	536
Finance costs on lease transactions	**70**	7
Total finance costs	**80,479**	69,336

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 5.5% (30 September 2022: 8.8%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

7. INVESTMENT PROPERTIES

The Group's 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. For this year, due to the volatility in the market during recent months and particularly around the end of the half-year period, it was considered appropriate for a full valuation to be undertaken as at 30 September 2023 to ensure the reported value of the investment properties reflect the market conditions at that date.

30 September 2023 (unaudited)	**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	**9,923**	**-**	**9,923**
Disposals	**(24,516)**	**(37,539)**	**(62,055)**
Change in utilities obligation	**92**	**-**	**92**
Transfer to investment properties held for sale	**(166,627)**	**166,627**	**-**
Unrealised property revaluation (losses)/gains	**(387,621)**	**15,936**	**(371,685)**
Total carrying value at 30 September 2023	**7,169,495**	**212,092**	**7,381,587**

31 March 2023 (audited)	**Investment properties £'000**	**Investment properties held for sale £'000**	**Total £'000**
Valuation			
Carrying value at 1 April 2022	8,518,259	15,105	8,533,364
Additions – development and acquisitions	143	-	143
Additions - refurbishment expenditure	32,247	-	32,247
Transfer from inventory	4,025	-	4,025
Disposals	(68,687)	(15,105)	(83,792)
Change in utilities obligation	358	-	358
Transfer to investment properties held for sale	(73,826)	73,826	-
Unrealised property revaluation losses	(674,275)	(6,758)	(681,033)
Total carrying value at 31 March 2023	7,738,244	67,068	7,805,312

Properties would have been included on an historical cost basis at £1,360.5 million (31 March 2023: £1,405.8 million).

7. INVESTMENT PROPERTIES (continued)

As at 30 September 2023 there were 788 (31 March 2023: 251) investment properties classified as held for sale, with disposal expected within the next 12 months.

	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Reconciliation of fair value to carrying value:		
Fair value as estimated by the external valuer	**7,371,267**	7,792,965
Add: amounts included in utilities provision	**10,320**	12,347
Carrying value for financial reporting purposes	**7,381,587**	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 11) 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.

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 2023 by an external valuer, Rupert Driver BSc MRICS of CBRE Limited ('CBRE').

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 2017, 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 third 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 2023 was Level 3 significant unobservable inputs (31 March 2023: 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 £239.5 million. Conversely, had the MQE Portfolio valuation discount rates decreased by 0.2%, the valuation, all other factors remaining constant, would have increased by £254.6 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 2023 (unaudited)	**Fair value £'000**	**Unobservable inputs**	**Input**
MQE			
Fair value	**6,876,070**		
Valuation technique		**Discounted cash flow**	
		Annualised gross rent (£'000 p.a.)	**211,509**
		Estimated future rent increase (20 year average on passing rent) (%)	**4.08% p.a.**
		Long-term House Price Inflation (%)	**3.00% p.a.**
		Discount rates (%)	**6.20-7.20%**
Non-MQE - Surplus Estate			
Fair value	**171,095**		
Valuation technique		**Discounted cash flow & vacant possession market comparison**	
		Discount rate for bulk disposal (%)	**6.00%**
		Net yield on rented units (%)	**4.35-5.50%**
		Discount to SAVPV (%)	**17.50%**
Non MQE – Rentals Portfolio			
Fair value	**324,102**		
Valuation technique		**Vacant possession market comparison**	
		Net yield (%)	**4.10-5.50%**
		Discount to SAVPV (%)	**10.00-20.00%**
Fair value at 30 September 2023	**7,371,267**		

31 March 2023 (audited)	**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 on passing rent) (%)	3.93% p.a.
		Long-term House Price Inflation (%)	3.00% p.a.
		Discount rates (%)	5.875 – 7.125%
		Discount to SAVPV (%)	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 (%)	10.000 – 20.00%
Fair value at 31 March 2023	7,792,965		

A reduction of c.£360 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.

8. INVESTMENT IN JOINT VENTURES

The Group's joint venture undertakings as at 30 September 2023 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 2022	1,053	1,000	2,053
Distributions	(15)	-	(15)
Share of profit for the year	100	-	100
At 31 March 2023 (audited)	1,138	1,000	2,138
Share of loss for the period	**(10)**	**-**	**(10)**
At 30 September 2023 (unaudited)	**1,128**	**1,000**	**2,128**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

9. LOANS AND BORROWINGS

	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Amounts falling due within one year		
Unsecured notes	**150,242**	-
Total current loans and borrowings	**150,242**	**-**
Amounts falling due between one and five years		
Unsecured notes	**480,716**	632,688
Unsecured bank loans	**399,051**	398,833
	879,767	1,031,521
Amounts falling due after five years		
Unsecured notes	**3,146,984**	3,146,173
Total non-current loans and borrowings	**4,026,751**	4,177,694
Total loans and borrowings	**4,176,993**	4,177,694

At 30 September 2023, the Group held eight tranches of corporate, unsecured bonds totalling c.£3.8 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 11.8 years (31 March 2023: 12.3 years) with a weighted average cost of 3.64% (31 March 2023: 3.39%).

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

10. LEASE LIABILITIES

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

	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Maturity analysis		
Amounts falling due within one year	**645**	330
Amounts falling due between one and five years	**1,842**	484
Amounts falling due after five years	**3,140**	442
Minimum lease payments	**5,627**	1,256
Less: future finance charges	**(1,342)**	(178)
Present value of lease obligations	**4,285**	1,078
Current	**397**	293
Non-current	**3,888**	785
Total lease liabilities	**4,285**	1,078

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 2023	87	491	25,687	26,265
Unwinding of discount	-	13	797	810
Change in estimated obligation				
- through profit and loss	129	-	(253)	(124)
- through right-of-use assets	-	190	-	190
- through investment properties	-	-	92	92
Utilised	-	-	(2,712)	(2,712)
At 30 September 2023 (unaudited)	**216**	**694**	**23,611**	**24,521**
Current provision	216	500	16,604	17,320
Non-current provision	-	194	7,007	7,201
	216	**694**	**23,611**	**24,521**

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.

There is a contingent liability in respect of base dependent units for their supply of water and sewage treatment and where it is possible that an obligation to separate these units may arise in the future. No obligation currently exists with respect to these properties as they have not been released by the MoD. Instead, there is a possible future obligation should releases occur and Annington become obligated to provide for the private utilities adoption. This amounts to £267.3 million (31 March 2023: £264.1 million). Upon technical completion of utilities adoption, the Group is eligible to a refund from the MoD for each utility until such point as the MoD is no longer obliged to supply the relevant utilities. At the balance sheet date, the total potential value of these refunds amounted to £4.9 million (31 March 2023: £8.9 million).

Warranty provision

The warranty provision relates to the estimated costs to repair any defects that come to light during the warranty period on the sale of new build properties. The Group is legally obligated to rectify property defects 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Financial (liabilities)/assets carried at fair value through OCI		
Cross currency swaps that are designated in hedge accounting relationships	**(1,319)**	475

Reconciliation of movements

	30 September 2023 (unaudited) £'000	Revaluation adjustment £'000	31 March 2023 (audited) £'000
Cross currency swaps	**(1,319)**	(1,794)	475
Total derivative financial (liabilities)/assets	**(1,319)**	(1,794)	475

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has the following financial instruments:

	Note	30 September 2023 (unaudited) £'000	31 March 2023 (audited) £'000
Financial assets			
Cash and receivables:			
Trade and other receivables excluding prepayments		**10,152**	10,168
Cash and cash equivalents		**277,087**	186,718
Assets measured at fair value through OCI			
Cross currency swaps	12	**-**	475
Total financial assets		**287,239**	197,361
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables		**44,571**	49,424
Loans and borrowings	9	**4,176,993**	4,177,694
Liabilities measured at fair value through OCI			
Cross currency swaps	12	**1,319**	-
Total financial liabilities		**4,222,883**	4,227,118

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 2023 (continued)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group held the following derivative and non-derivative financial assets and liabilities at 30 September 2023

	30 September 2023 (unaudited)		
	Par value of debt £'000	Balance sheet value £'000	Fair value £'000
Level 2			
Non-derivative financial liabilities			
Unsecured notes	**3,818,552**	**3,777,942**	**2,912,283**
Unsecured term loan	**400,000**	**399,051**	**400,000**
	4,218,552	**4,176,993**	**3,312,283**
Derivative financial liability			
Cross currency swaps	**-**	**1,319**	**1,319**
	4,218,552	**4,178,312**	**3,313,602**

	31 March 2023 (audited)		
	Par value of debt £'000	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 asset			
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 with reference to comparable sector bond pricing.

Cross currency swaps

The fair value of derivative financial instruments is based on the present value of estimated future cash flows, which are discounted using the applicable yield curves derived from quoted interest rates as at 30 September 2023.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

14. NOTE TO THE CONDENSED CASH FLOW STATEMENT

	Six months ended 30 September 2023 (unaudited) £'000	Six months ended 30 September 2022 (unaudited) £'000
Loss after taxation	**(332,416)**	(464,224)
Adjustment for:		
Taxation	**1,974**	553
Finance costs	**80,479**	69,336
Finance income	**(4,516)**	(7,056)
Share of results of joint ventures after taxation	**139**	(156)
(Profit)/loss on disposal of property assets	**(10,903)**	1,323
Loss/(gain) on disposal of plant and equipment and right-of-use assets	**22**	(1)
Unrealised property revaluation losses	**371,685**	495,864
Depreciation expense	**419**	497
Movements in working capital:		
Decrease in inventory	**-**	1,151
Increase in debtors	**(1,514)**	(1,459)
(Decrease)/increase in creditors	**(870)**	320
Decrease in provisions	**(2,712)**	(1,382)
Net cash inflow from operating activities	**101,787**	94,766

15. ANALYSIS OF CHANGES IN NET DEBT

	30 September 2023 (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 2023 (audited) £'000
Cash and cash equivalents	**277,087**	90,371	-	(2)	-	186,718
Unsecured notes	**(3,777,942)**	-	(1,102)	2,021	-	(3,778,861)
Unsecured term loan	**(399,051)**	-	(218)	-	-	(398,833)
Lease liabilities	**(4,285)**	178	(70)	-	(3,315)	(1,078)
Total loans and borrowings	**(4,181,278)**	178	(1,390)	2,021	(3,315)	(4,178,772)
Net debt	**(3,904,191)**	90,549	(1,390)	2,019	(3,315)	(3,992,054)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2023 (continued)

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.

A loan attracting a below market rate of interest between the Group's parent entity, Annington Holdings (Guernsey) Limited, and a Non-Executive Director of the company had been issued in the prior year and continued to exist during the period.

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

17. SUBSEQUENT EVENTS

The Group's review of the Non-MQE portfolio identified a number of non-core assets, which were subsequently marketed in competitive processes. Subsequent to the half-year-end, on 8 December 2023, the Group sold 588 Non-MQE units in two bulk-sale transactions. These sales completed for total proceeds of £147.7 million, which is in line with the carrying value. These transactions reduce the carrying value of the Group's investment properties and increase cash balances and, on a pro forma basis, assuming these transactions completed on 30 September 2023, the LTV would have been 51.9%.

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; and
- the half-year report includes a fair review of important events and their impact during the six months.

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

Approved by

S Leung

Director

11 December 2023

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 2023 (unaudited) £'000	Six months ended 30 September 2022 (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	**119,697**	107,485
Net rental income margin			
Gross rental income as presented on the face of the income statement	I/S	**119,697**	107,485
Property operating expenses as presented on the face of the income statement.	I/S	**(4,390)**	(4,098)
Net rental income		**115,307**	103,387
Divided by Gross rental income		**119,697**	107,485
Expressed as a percentage		**96.3%**	96.2%
Adjusted EBITDA			
Adjusted EBITDA is calculated as:			
Operating loss before financing and tax as presented on the face of the income statement, adjusted for:	I/S	**(254,479)**	(401,391)
Amortisation, depreciation or impairment (including other non-cash write downs) of assets	Note 3	**419**	497
Revaluation losses on investment properties	I/S	**371,685**	495,864
Loss/(profit) attributable to joint ventures	I/S	**139**	(156)
Dilapidation income	Note 3	**(1,541)**	(1,565)
(Profit)/loss on disposal of investment properties	I/S	**(10,903)**	1,323
Profit on disposal of inventory	I/S	**-**	(507)
One-off items (Enfranchisement Proceedings costs shown in the income statement)	I/S	**1,575**	2,316
		106,895	96,381

APPENDIX 1: ALTERNATIVE PERFORMANCE MEASURES – DEFINITIONS AND CALCULATION

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

	Reference	Six months ended 30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000
Adjusted EBITDA Margin			
Adjusted EBITDA margin is calculated as:			
Adjusted EBITDA as calculated above	Above	**106,895**	96,381
Divided by gross rental income as presented on the face of the income statement	I/S	**119,697**	107,485
Expressed as a percentage		**89.3%**	89.7%
Free cash flow			
Free cash flow is calculated as:			
Net increase/(decrease) in cash and cash equivalents, adjusted for:	C/F	**90,371**	(64,995)
Purchase of investment properties, as shown in the investing cash flows	C/F	**-**	95
Increase in borrowings net of debt issuance costs, as shown in the Financing cash flows	C/F	**-**	(511,100)
Repayment of borrowings and swap terminations, as shown in the Financing cash flows	C/F	**-**	507,755
Dividends paid	C/F	**-**	100,000
Net rental income		**90,371**	31,755
Net rental yield			
Net rental yield is calculated as:			
Net rental income, as calculated above	Above	**115,307**	103,387
Divided by carrying value of investment properties	B/S	**7,381,587**	8,039,186
Expressed as a percentage		**1.6%**	1.3%

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