Company Registration No. 05417120

ANNINGTON RENTALS (NO.4) LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2019

ANNINGTON RENTALS (NO.4) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2019. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption under the Companies Act 2006. A strategic report has not been prepared in accordance with the exemption entitled to small companies under s414 of the Companies Act 2006.

DIRECTORS

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

A P Chadd

J C Hopkins

A R J Needham

N P Vaughan

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

DIVIDEND

No dividends have been paid or proposed during the year ended 31 March 2019 (2018:£nil).

PRINCIPAL ACTIVITIES

The Company is a subsidiary of Annington Rentals (Holdings) Limited, which is part of the Annington Limited Group. Annington Rentals (Holdings) Limited and its subsidiaries were established with the purpose of creating a series of residential investment portfolios. These portfolios are held with a view to achieving long-term capital growth whilst generating sufficient short-term rental income to cover operating costs..

In March 2018, 207 flats under construction in Uxbridge were purchased in order to enhance the Group's PRS portfolio. During the financial year, a further 73 homes were purchased by the Company under a development agreement. Additionally, work commenced on the development of 135 homes at Brize Norton. Given the scale of the development operations, a review was conducted of the Company's assets and operations, with a view to segregating the business risks associated with the development of investment property sites. A decision was taken to dispose of the Company's tenanted investment properties and to retain development operations within the Company.

The Company continues to look for opportunities to maximise returns through planned acquisitions and strategic sales.

FUTURE DEVELOPMENTS

Future developments and other factors not under the control of the Company, including the effects of Britain exiting the European Union, may impact on the ongoing operations of the business, however, the directors expect the business to continue, for the foreseeable future, in a manner consistent with its recent operations.

FINANCIAL RISK MANAGEMENT

The Company has no external debt and is able to draw funds on another group company if necessary. Please refer to Note 2 to the financial statements regarding this arrangement.

GOING CONCERN

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

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

DIRECTORS' REPORT (continued)

AUDITOR

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

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

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

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

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

A P Chadd
Director
16 August 2019

REGISTERED OFFICE
1 James Street
London, United Kingdom
W1U 1DR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON RENTALS (NO.4) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Annington Rentals (No.4) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related Notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework"(United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

Richard Howe FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 August 2019

INCOME STATEMENT
For the year ended 31 March 2019

	Note	2019 £	2018 £
Continuing operations			
Revenue	4	69,215,335	-
Cost of sales		(69,235,827)	-
Gross loss	4	(20,492)	-
Administrative expenses		-	(828)
Loss on disposal of investment properties	6	(1,676)	(28,062)
Unrealised property revaluation gains/(losses)	10	634,065	(1,967,363)
Operating profit/(loss)	5	611,897	(1,996,253)
Finance costs	7	(4,416,371)	(909,500)
Loss before taxation		(3,807,474)	(2,905,753)
Taxation	8	(380,922)	309,833
Loss for the year from continuing operations		(4,185,396)	(2,595,920)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	1,544,341	(491,879)
Loss attributable to shareholder		(2,641,055)	(3,087,799)

There were no items of other comprehensive income or expense and therefore the loss for the year reflects the Company's total comprehensive loss.

BALANCE SHEET
At 31 March 2019

	Note	2019 £	2018 £
Non-current assets			
Investment properties	10	16,545,000	56,089,174
Current assets			
Inventory	11	21,180,019	-
Receivables	12	42,295	18,859
		21,222,314	18,859
Total assets		37,767,314	56,108,033
Current liabilities			
Trade and other payables	13	(3,778,134)	(2,781,138)
Loan and borrowings	14	(27,495,365)	-
Net current assets		(10,051,185)	(2,762,279)
Non-current liabilities			
Trade and other payables	13	(127,265)	-
Deferred tax	8	(200,460)	(1,091,062)
Loan and borrowings	14	-	(43,428,688)
		(327,725)	(44,519,750)
Total liabilities		(31,601,224)	(47,300,888)
Net assets		6,166,090	8,807,145
Capital and reserves			
Share capital	15	1	1
Retained earnings	16	6,166,089	8,807,144
Total equity		6,166,090	8,807,145

The accompanying notes (1 to 20) should be read in conjunction with these financial statements.

The financial statements of Annington Rentals (No.4) Limited, registered number 05417120, were approved by the Board of Directors and authorised for issue on 16 August 2019.

Signed on behalf of the Board of Directors

A P Chadd

Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Share capital £	Retained earnings £	Total equity £
At 1 April 2017	1	11,894,943	11,894,944
Loss attributable to shareholder, being total comprehensive income for the year	-	(3,087,799)	(3,087,799)
Balance at 31 March 2018	1	8,807,144	8,807,145
Loss attributable to shareholder, being total comprehensive loss for the year	-	(2,641,055)	(2,641,055)
Balance at 31 March 2019	1	6,166,089	6,166,090

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. CORPORATE INFORMATION

Annington Rentals (No.4) Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of its registered office is 1 James Street, London W1U 1DR. Information on the Company's ultimate parent is presented in Note 20.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"), and with the Companies Act 2006.

The financial statements are presented in pound sterling (£). They have been prepared under the historical cost basis except for the modification to a fair value basis for investment properties.

Exemptions for qualifying entities under FRS 101

FRS 101 permits a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied by the Company. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-adopted International Financial Reporting Standards, including an opening Statement of Financial Position;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- certain disclosures in respect of financial instruments;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with wholly-owned members of the Group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Annington Limited, which are publicly available.

Going concern

The Company has no external debt and is able to draw funds via a loan from Annington Rentals (Holdings) Limited that is, since July 2017, ultimately funded by Annington Funding plc ("AFP"). In early July 2017, AFP issued five tranches of corporate, unsecured bonds totalling £3 billion and drew down a term loan totalling £400 million, also unsecured. A £300 million five-year revolving credit facility has been made available to AFP, which is currently undrawn. The Group's forecasts do not indicate any of the covenants associated with the new debt will be breached in the foreseeable future.

After making enquiries and having assessed the responses of the directors of the Company's parent Annington Rentals (Holdings) Limited to their enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and financial statements.

New Standards, interpretations and amendments effective from 1 April 2018

The Company has adopted all the new accounting standards, interpretations and amendments, which have become effective for the year ended 31 March 2019. Those that have impacted the Company's current accounting policies are described below:

IAS 40 *Amendments – Transfers to Investment Property*

The Group has applied these amendments for the first time in the current year. The amendments clarify that a transfer to, or from, an investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify change in use situations including change in use for properties under construction (i.e. a change in use is not limited to completed properties).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

Critical accounting judgements and key estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Valuation of investment properties
The property portfolio, which is carried in the balance sheet at fair value, is valued annually by professionally qualified external valuers. The valuation of the investment properties portfolio is inherently subjective as it utilises, among other factors, comparable sales data and the expected future rental revenues. The valuer exercises professional judgement when determining what market observations are used in the assessment of fair value. If any assumptions made in the valuation prove to be inaccurate, this may mean that the value of the investment properties portfolio differs from the valuation, which could have a material effect on the financial position of the Company. Investment property valuations are a key source of estimation uncertainty for the Company.

Information about the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 10.

Impairment of inventories
Inventory consists of property and land development and is held at the lower of cost and net realisable value. The estimation of the recoverable value of the property and land development, is inherently subjective. This is due to certain assumptions that are required to be made about property market performance in the future as well as cost estimation. As a result, the recoverable value is subject to a degree of uncertainty and is determined on the basis of assumptions which may not prove to be accurate.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to the Company in the current or preceding year.

The Company had no employees of its own during the year (2018: none). The cost of performing work for the Company is borne by another group company, Annington Management Limited.

4. REVENUE

ACCOUNTING POLICY

Revenue from disposal of properties is derived from contracts with customers which occurs from the legal completion of the sale of a property.

Revenue is measured at the fair value of consideration received or receivable.

	2019 £	2018 £
Revenue from disposal of inventory	69,215,335	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

5. OPERATING PROFIT/(LOSS)

ACCOUNTING POLICY

Operating profit/(loss) is stated before finance income and finance costs.

The auditor's remuneration was £15,000 (2018: £12,100) for the audit of the Company's annual financial statements and was borne by another group company in the current and preceding year.

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for 'Other services' as this information is included in the consolidated financial statements of Annington Limited.

6. LOSS ON DISPOSAL OF INVESTMENT PROPERTIES

ACCOUNTING POLICY

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

	2019	2018
	£	£
Selling costs	(1,676)	(28,062)

During the year, disposals of 40 properties were completed as part of discontinued operations, disclosed in note 9 (2018: nil properties).

The selling costs incurred in the current year related to disposals in previous years. The costs in the 2018 year were incurred to ensure contracts were in place for the future disposal of investment properties to a Housing Association.

7. FINANCE COSTS

ACCOUNTING POLICY

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

	2019	2018
	£	£
Interest payable on intercompany balances	4,416,371	909,500

8. TAXATION

ACCOUNTING POLICY

The taxation expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if:

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

	2019 £	2018 £
Current tax		
United Kingdom corporation tax at 19% (2018: 19%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	890,602	360,111
Total taxation for the year	890,602	360,111

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The tax for the year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

8. TAXATION (continued)

	Note	2019 £	2018 £
Loss before taxation from continuing operations		(3,804,474)	(2,905,753)
Profit/(loss) before taxation from discontinuing operations		272,817	(542,158)
Loss before income tax		(3,531,657)	(3,447,911)
Tax credit at the standard rate		671,015	655,103
Factors affecting the current tax for the year:			
Group relief claimed		(277,875)	(124,543)
Disposal of investments		1,083,159	(5,332)
Effect of tax rate differential between current and deferred tax		12,681	(34,267)
Effect of indexation		(298,842)	69,290
Expenses not deductible for tax		(513,611)	(199,689)
Effect of capital expenditure		214,075	(451)
Total taxation credit for the year		890,6012	360,111
Income tax (expense)/credit from continuing operations		(380,922)	309,833
Income tax credit from discounted operation	9	1,271,524	50,278
Total taxation for the year		890,602	360,111

From 1 April 2017, the headline rate of corporation tax was reduced from 20% to 19%, and will be further reduced to 17% from 1 April 2020, with these rates substantively enacted at the current balance sheet date.

Deferred tax

The movement in deferred tax is as set out below:

	2019 £	2018 £
Deferred tax liability at 1 April	(1,091,062)	(1,451,173)
Credit to income statement	890,602	360,111
Deferred tax liability at 31 March	(200,460)	(1,091,062)
Deferred tax (liability)/asset from continuing operations	(200,460)	180,462
Deferred tax liability from discontinuing operations	-	(1,271,524)
	(200,460)	(1,091,062)

Deferred tax balance relates to temporary differences between the tax base and the carrying value of investment properties. Deferred tax balances at 31 March 2019 are measured at 17% (2018: 17%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

9. DISCONTINUED OPERATIONS

ACCOUNTING POLICY

In October 2018, the Company entered into a sale agreement to dispose of investment properties in Uxbridge, London. These properties formed all of the Company's bulk letting operations. The disposal was effected in order for the Company to focus on other aspects of the business being development of investment properties. The disposal was completed on 1 October 2018.

The results of the discontinued operations, which have been included in the profit for the current and preceding year, were as follows:

	Note	Period ended 1 October 2019 £	Year ended 31 March 2018 £
Property rental income		308,055	306,076
Property operating expenses		(6,754)	(1,035,223)
Net rental income/(loss)		301,301	(729,147)
Sale proceeds		11,900,000	-
Carrying value of properties disposed		(11,900,000)	-
Profit/(loss) on disposal of investment properties		-	-
Revaluation gain of investment property		-	254,000
Finance costs		(28,484)	(67,011)
Profit/(loss) before taxation		272,817	(542,158)
Taxation	8	1,271,524	50,278
Profit/(loss) after taxation		1,544,341	(491,879)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

10. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Investment properties comprise property that is held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes and other professional fees. Subsequent to initial recognition, investment properties are recognised at fair value at balance sheet date. This is determined annually by professionally qualified external valuers on a portfolio basis such that individual property calculations are not performed. Changes in fair value are included in the income statement for the period in which they arise. No depreciation is provided in respect of investment properties.

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

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

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

	Investment properties
2019	**£**
Valuation	
Fair value at 1 April	56,089,174
Additions - capital expenditure	5,630,681
Disposals	(11,900,000)
Transfer to inventory	(33,908,920)
Unrealised property revaluation gains	634,065
Total fair value at 31 March	16,545,000

Properties would have been included on an historical cost basis at £15,921,192 (2018: £14,721,094).

	2019	**2018**
	£	**£**
The net book value of investment properties and investment properties held for sale comprises:		
Freehold	16,545,000	56,089,174

Substantially all direct property operating expenses related to properties that generated income during the year and amounted to £6,754.

Each of the company's freehold interests in its investment properties was valued as at 31st March 2019 by an External Valuer, Martin Angel FRICS of Allsop Valuations Limited ("AVL"), a subsidiary of Allsop LLP ("Allsop"). The valuation, which was prepared on a portfolio basis, was subject to the existing leases, under-leases and tenancies as advised, but was otherwise valued with vacant possession.

The valuer's opinion was derived with reference to recent market transactions on arm's length terms. It was undertaken in accordance with the requirements of IFRS 13, Fair Value Measurement and the RICS Valuation - Global Standards 2017, as amended.

This is a 'Regulated Purpose Valuation'. Allsop, and latterly AVL, have provided annual valuations of elements of the portfolio in the past, but this is the first year in which a valuation has been provided of the entire portfolio. Both have a policy of rotating the valuer not less frequently than every seven years. In accordance with that policy this is the first year in which Martin Angel has resumed responsibility for the valuation work.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

10. INVESTMENT PROPERTIES (continued)

AVL have confirmed that, in relation to their most recent financial year, the proportion of Allsop's total fee income arising from the Annington Group was less than 5%, which may be regarded as minimal.

Assumptions and valuation models used by the valuers are derived from market based evidence for comparable transactions, taking into account factors such as a property's location, size, potential yield and prevailing discount rates. These are based on their professional judgement and market observation.

The fair value measurement hierarchy level for all investment properties as at 31 March 2019 was Level 3 significant unobservable inputs (2018: Level 3). There were no transfers between the levels of the fair value hierarchy during the current or prior year.

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

2019	Fair value £	Unobservable inputs	Range
Assured shorthold & other bulk tenancies			
Fair value	16,545,000		
Valuation technique		Vacant possession market comparison	
		Blended HPI (%)	(1.6)% - 5.2%
		Rental/discount rates (%)	0.0% - 12.2%
Fair value at 31 March 2019	16,545,000		

The 2018 valuation was derived from applying the valuation movements of a sample of properties across the remainder of the portfolio. Key assumptions used in that valuation were:

2018	Fair value £	Unobservable inputs	Range
Assured shorthold & other bulk tenancies			
Fair value	56,089,174		
Valuation technique		Vacant possession market comparison	
		Blended HPI (%)	(1.8)% - 5.9%
		Rental (premium)/discount rates (%)	(2.4)% -12.1%
Fair value at 31 March 2018	56,089,174		

All other factors remaining constant, the valuation would increase with an increase in blended House Price Index ("HPI"), while increases in discount rates would result in a fall in the valuation and vice versa. There are interrelationships 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, (e.g. blended HPI increases and discount rates decrease), valuation movements can be amplified whereas if they move in the same direction they may offset reducing the overall net valuation movement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

10. INVESTMENT PROPERTIES (continued)

Operating lease arrangements

At 31 March 2019, the Company had contracted with tenants for the following future minimum lease payments:

	2019 £	2018 £
Within one year	-	616,112
In two to five years	-	2,464,446
After five years	-	15,120,898
	-	18,201,456

The previous year operating leases relate to the properties disposed which is disclosed within the discontinued operations, note 9.

Contractual obligations

Refer to note 17 for disclosure of contractual obligations as part of development of investment properties.

11. INVENTORY

ACCOUNTING POLICY

Inventory consists of land and buildings held for development and is valued at the lower of cost and net realisable value. Cost represents the acquisition price including legal and other professional costs associated with the acquisition together with subsequent development costs net of amounts transferred to costs of sale. Net realisable value is the expected selling price less estimated costs to sell, including sales and marketing costs.

	2019 £	2018 £
Work in progress	21,180,019	-

The cost of inventories recognised as an expense and included in cost of sales amounted to £69,235,827 (2018: nil).

12. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

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

Trade receivables and contract assets

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

	2019 £	2018 £
Amounts falling due within one year		
Other taxation	37,295	18,801
Other debtors	5,000	58
	42,295	18,859

The carrying value of receivables approximates the fair value. As at the reporting date, the expected credit loss allowance was nil (2018: nil).

13. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

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

	2019 £	2018 £
Amounts falling due within one year		
Trade payables	641,880	986
Retentions payable	966,603	-
Other taxation	-	670
Accruals	2,169,651	2,779,482
	3,778,134	2,781,138
Amounts falling due after one year		
Retentions payable	127,265	-
	127,265	-

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

14. LOANS AND BORROWINGS

ACCOUNTING POLICY

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

	2019	2018
	£	£
Amounts falling due within one year		
Amounts due to group undertakings	27,495,365	-

	2019	2018
	£	£
Amounts due between one and five years		
Amounts due to group undertakings	-	43,428,688

Amounts due to group undertakings are unsecured, bear interest at 8.02% and have a fixed repayment date of 31 March 2020.

15. SHARE CAPITAL

	2019	2018
	£	£
Authorised, issued and fully paid		
1 ordinary share of £1	1	1

1 ordinary share of £1 was issued at par on incorporation.

16. RETAINED EARNINGS

Retained earnings include all current and prior year retained profits and losses. The components of this are:

	2019	2018
	£	£
Distributable earnings	7,734,633	3,669,137
Non-distributable earnings	(1,568,544)	5,138,007
	6,166,089	8,807,144

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019 (continued)

17. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company has entered into construction contracts for the development of its investment properties and has agreed to make contributions to community infrastructure projects as part of this development. The total of the contracted costs to be incurred in the future amounts to £17.9 million.

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

18. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary within the Annington Limited Group and is included in the consolidated financial statements of Annington Limited. The Company has taken advantage of the exemption provided by paragraph 8(k) of FRS 101 not to make disclosure of transactions with other wholly-owned entities that are part of the same group.

19. POST BALANCE SHEET EVENTS

In May 2019, the Company completed the construction of the final block of flats at Uxbridge. This block of 87 apartments was then transferred to Annington Rentals (No.5) Limited, a fellow subsidiary of the Annington Group.

On 5 April 2019, Annington Limited's immediate parent entity, Annington Holdings (Guernsey) Limited (AHGL), restructured itself to become an Open Ended Investment Company (OEIC). This will permit new classes of shareholders to invest in the Annington Group. As a result of its conversion to an OEIC, AHGL is advised that it will qualify as a Collective Investment Vehicle (CIV) under the Non Resident Capital Gains Tax (NRCGT) legislation. Groups headed by a CIV which have a genuine diversity of ownership (GDO) pursuant to the Authorised Investment Funds (Tax) Regulations 2006 may apply for an exemption under the NRCGT rules from paying capital gains tax on property disposals, electing instead to pay capital gains tax on distributions by the CIV (an Exemption Election). AHGL has confirmed to the Board of Annington Limited that it is an OEIC and qualifies as a CIV under the NRCGT legislation. AHGL has also confirmed that it is anticipated that it will meet the GDO condition in the near term. Once the GDO condition has been met, AHGL has confirmed that it is intended that an exemption election will be made. Following the election, Annington Limited and its subsidiaries will be exempt from capital gains tax on property disposals. A consequence of this will be the deferred tax liability at 31 March 2019, will be derecognised. Removing the deferred tax liability would have the additional effect of removing the deferred tax asset to the extent that it is not recoverable in the foreseeable future.

20. CONTROLLING PARTY

Annington Rentals (Holdings) Limited, a company incorporated in the United Kingdom, is the immediate parent company.

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

Annington Limited is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. The Annual Report and Financial Statements for Annington Limited are available on request from the registered office at 1 James Street, London W1U 1DR.