Company Registration No. 05417120

ANNINGTON RENTALS (NO.4) LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2020

ANNINGTON RENTALS (NO.4) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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ANNINGTON RENTALS (NO.4) LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

Annington Rentals (No.4) Limited (the "Company") is a wholly owned subsidiary of Annington Rental (Holdings) Limited. Its principal activity is the development of residential properties with the intention to sell completed properties to other subsidiaries in the wider Annington Limited Group ("Annington" or the "Group") to expand the overall private rental sector offerings. During the year, the Company completed the final block of 87 properties at Uxbridge, these were sold to Annington Rentals (No. 5) Limited for private let. The Company's primary undertaking is now the development of 135 properties at Brize Norton. Brize Norton has been split into 7 construction phases of which 3 have been completed at 31 March 2020 and the remainder all being actively developed or and completed units listed for sale.

The Company made an operating profit for the year of £0.9 million (2019: £0.6 million) and its net assets were £6.3 million at 31 March 2020 (2019: £6.2 million). The directors consider these measures as key indicators of the Company's performance as they represent the company's ability to efficiently develop and sell its properties and the remaining value of properties to be completed and generate turnover.

The Company is financed by another group company and has no third party debt. Finance costs relate to interest charges on its loans due to its immediate parent. The interest rate on these loans is agreed time to time between the two parties and has no fixed date of repayment.

PRINCIPAL RISKS AND UNCERTAINTIES

The table below outlines the principal risks and uncertainties:

Area of Potential Uncertainty	Risk / Opportunity	Strategy
The Company's residential development projects are exposed to the current and future demand for new housing.	As with all new-build developments, the goal is to deliver the right product to market at the right time.	Regular management meetings consider changes to requirements and pricing before committing to further avoidable costs. This has resulted in slowing down development if it appears that completed stock will outstrip demand.

STRATEGIC REPORT (continued)

STAKEHOLDERS

Statement on s172 of the Companies Act 2006

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

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

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

Stakeholder:	**How we consult and consider stakeholder interests**	**More information**
Customers	We maintain regular engagement with solicitors and agents and make available a customer helpline to facilitate feedback.	See the Valuing our customers and partners section of our Corporate Responsibility Plan, later in this report.
Shareholders	The company is a wholly owned subsidiary of Annington Rentals (Holdings) Limited, which is within the Annington Limited Group.	See the Annington Limited Report and Accounts for more information on the Group's Board Composition and Ownership Structure and Note 19 for further information on this entity.
Suppliers	The Board is comprise of executive directors. Via the management team's regular contact with suppliers, we maintain strong relationships and open lines of communication. We consider the interest of suppliers in many ways and this is evidenced by the Company's commitment to health and safety and the Considerate Contractors scheme.	See the Valuing our customers and partners section of our Corporate Responsibility Plan, later in this report.
Employees	The Annington Group has a small number of employees and goes to great lengths to ensure the welfare and concerns of staff are taken into account when making decisions impacting on them. The Group communicates with employees through a weekly report detailing all relevant business, market and staff news. Directors meet weekly and regular feedback is passed through a monthly managers' meeting. We also hold a quarterly Staff Forum where all staff are invited to attend and participate. Employees are anonymously surveyed on a bi-annual basis to gauge attitudes and sentiments to a range of factors, issues, and concerns. Regular contact and communication with employees has been a particular priority during the COVID-19 lockdown.	See the Caring for People section of our Corporate Responsibility Plan, later in this report.
The community	The majority of our portfolio is located on or near to MoD bases. We make efforts to support the communities in which they are located.	See the Investing in Communities and Charitable Contributions sections of our Corporate Responsibility Plan, later in this report.
The environment	We consider the impact on the environment based not only on safety but also on benefit to the community. Decisions are taken in line with our Sustainable Procurement Policy to reduce our impact on the environment.	See the section on Respecting the Environment within our Corporate Responsibility Plan, later in this report.

CORPORATE RESPONSIBILITY

The Company is a subsidiary of Annington Limited. The Company coordinates its Corporate Social Responsibility work with the rest of the Annington Limited Group ("the Group"). References below to the Group also describe the Company's activities in these areas.

Building Opportunities Corporate Responsibility Plan

For the Group, acting responsibly and being successful commercially go hand in hand. To be a sustainable business, how we do business is as important as what is delivered.

The Group's commitment to corporate responsibility is based on a firm belief that it will help maintain a commercial advantage, manage risks within operations, increase efficiency and enhance the Group's reputation with key stakeholders.

Having recognised the changing demands of society, regulations and the need for companies to reduce their environmental impact, the Group monitors its approach to sustainability to ensure it is aligned with the views of key stakeholders. To help manage the various social and environmental initiatives that take place across the Group and to align them with the Group's business priorities, management has captured these activities within a strategic framework, the Building Opportunities Corporate Responsibility Plan. The four cornerstones of this framework are its people, the environment, its customers and partners, and its communities.

Caring for people

Management values employees' commitment and in return provides excellent opportunities for personal and professional development. Employees are encouraged to invest in their development through formal training programmes, challenging work assignments and participating in annual appraisal and development reviews. The Group's employees have a wide range of professional skill sets so training is assessed and tailored to meet specific individual needs with individual development plans. The nature of the training is, therefore, very broad and includes both technical and soft skill based training as well as continuing professional development (CPD). In the financial year, the Group invested an average of £1,061 (2019: £2,442) per employee with 100% attending training programmes. During the year, there was a move to provide more training courses online in order to make it more convenient for employees to complete courses. This was used extensively during the COVID-19 lockdown.

Management is committed to encouraging and achieving a working environment where equality and diversity are recognised, encouraged and valued. At 31 March 2020, there were 44 employees (2019: 42) with employee turnover at 11.6% (2019: 5.3%) and the overall gender split of the workforce is as follows:

	Male	Female	Total
The Board	6	1	7
Senior executive team	2	2	4
All employees	25	19	44

The health and welfare of employees are taken seriously. The Group has a policy of flexible and remote working for anyone experiencing personal difficulties but following the COVID-19 pandemic, it is likely that more people will make use of this. To help ensure the wellbeing and safety of employees, there are a number of initiatives including encouraging employees to take regular BUPA medical checks; providing safety guidelines around winter driving and good practice tips on a range of issues such as healthy eating and fitness.

Prior to the COVID-19 lockdown, the Group anticipated issues that might arise. The Group ensured that all employees were provided with equipment to do their jobs safely and securely from home, whether they be mobile phones, laptops, scanners or printers and, in some cases, even furniture. If employees needed any other support during lockdown it was provided. Daily bulletins and updates on the business were produced as well as consolidated news reports. Regular contact with all employees was available through a variety of zoom meetings and events as well as the opportunity to learn about a diverse range of subjects through a weekly programme of Lunch and Learn events.

There has been an increase in reportable incidents with 3 reportable contractor incidents (2019: Nil) occurring in the year. These incidents may not have been severe, however we ensure that they are recorded as part of our commitment to ensuring health and safety standards are maintained. Despite the policies and procedures in place, unfortunately, this year we experienced an incident reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (2019: Nil). These incidents were investigated so that we can avoid a recurrence of similar incidents in the future. There were no reported employee work incidents during the year (2019: Nil).

STRATEGIC REPORT (continued)
CORPORATE RESPONSIBILITY (continued)

Respecting the environment

The Group and its Board of Directors recognises and understands that the nature of the business has environmental and social impacts and that it has a responsibility to consider and minimise these impacts where possible. There is guidance as to how the Group, its suppliers and its contractors should operate to achieve this. All of our environmental policies have been adopted by the Board, reviewed regularly, and updated as new circumstances arise.

Given the geographic spread of the Group's portfolio and proximity to MoD bases, there may be some concern about contamination resulting from previous uses. However, historically, only two sites released by the MoD have been found to have any traces of contamination. In both instances, remediation strategies were implemented resulting in the removal of any contaminants and the affected areas being signed off as 'clean and inert'.

The Group complies with all legislation and Health and Safety regulations with regard to the handling of hazardous/contaminated material. Given the age of some of the properties, there have been instances where asbestos has been found. Any such materials have been, and will continue to be, professionally removed and disposed of or, where advised to do so, left in situ but appropriately treated, recorded and labelled.

Where possible, the Group will recycle material on site. Concrete is one of the predominant materials found on the MQE estate and following the demolition of six blocks of apartments at Brize Norton, constructed largely from reinforced concrete panels, the steel reinforcement was separated from the concrete and the arisings crushed to achieve a certified type 1 material. This has been used in the construction of footpaths and non-adoptable highways and can also be utilised as a bed and backfill for drainage and services. Approximately 2,500 tonnes of material has been generated for re-use. Through crushing this material and reusing it on-site, a total of 250 lorry journeys have been saved.

The Group has enacted policies over the supply of materials and development practices; our Sustainable Procurement Policy outlines that materials and products are to be ethically sourced and have a low environmental impact while also maintaining our technical standards. Management has developed the supply chain, allowing for more visibility and control over the materials sourced for current and future projects. In addition, our Environmental Policy guides management and our employees on reducing the consumption of utilities and materials as well as minimising the amount of waste produced on site that cannot be recycled. At Brize Norton, construction continues on the 135 units being built utilising a timber frame system, which is considered inherently more sustainable than conventional construction methods.

The Group incorporates sustainable design principles in all its projects in order to reduce the negative impacts on the environment, minimising waste and reducing the consumption of non-renewable resources and creating healthy, productive environments. In doing so we have taken the performance of the properties - whether new or refurbished - well beyond the requirements enforced through Building Regulations or Planning Control.

At Brize Norton, the Company is adding eight bat boxes and 34 bird boxes to ensure that wildlife displaced by the demolition and construction work have a suitable habitat in which to roost. The rehoming of wildlife that are affected by demolition of properties has been a regular feature of the Group's developments.

The Group's use of energy and resources are monitored. The Company's obligation to report carbon usage under the Streamlined Energy & Carbon Reporting regulations is covered by the Annington Limited Group's reporting of greenhouse gas data, as disclosed within Annington Limited's Directors' Report for 31 March 2020.

Valuing our customers and partners

The Group takes its responsibilities to the communities and environments in which it operates seriously and seeks to work only with partners and suppliers that subscribe to its business standards and values.

Where possible, effort is concentrated on improving the 'street scene' to make the communities in which houses are situated more desirable places to live. This can include landscaping, installing off-road parking and upgrading the external appearance of properties. Thorough checks are performed on the electrical, plumbing and heating systems and any defects or issues that might affect a mortgage are rectified.

The Group strives to make home buying as trouble-free as possible for home buyers by managing the sale process for their properties, through regular engagement with agents and solicitors, aiming to ensure all buyers receive a consistent, fair and timely process. Where appropriate, buyers are offered the Annington Seal of Approval incentive, providing the buyer with the comfort that the electrical, heating and internal water systems have been professionally checked and serviced and that, should they fail within the 28 day period from legal completion, the Group will repair them free of charge. The Group has set a target of responding and dealing with any customer service issues arising within 14 days and have achieved this in 77% (2019: 79%) of cases.

STRATEGIC REPORT (continued)
CORPORATE RESPONSIBILITY (continued)

Valuing our customers and partners (continued)

The Group continues to assist its customers by participating in the Help to Buy scheme. This Government backed scheme aims to help first time buyers, and those looking to move home, purchase residential property in the UK. The Government lends buyers of new build homes up to 20% of the cost of a newly built home, leaving the purchaser to find a 5% cash deposit and a 75% mortgage to make up the balance of the purchase price.

Although the majority of our activity is refurbishing homes, when we do build new homes, we act as a responsible developer, abiding by the Consumer Code for Home Builders to make the home buying process fairer and more transparent for buyers. Where possible, we look to achieve "Secured by Design" accreditation.

Many of the Group's suppliers and contractors have been partners for years. We believe that our partners are an extension of who we are as a Group and we are committed to treating them fairly. We select the right partners who have years of experience in the industry so they deliver the best results for our customers and our business.

We require suppliers and contractors to share our commitment to quality, health and safety and environmental issues. We are committed to providing a safe working environment, with both our and our contractors' safety management systems complying with UK Health and Safety legislation. We monitor and assess how well our policies and systems are being implemented through commissioning monthly independent third party health and safety checks on active sites, in addition to requiring contractors to undertake their own regular health and safety checks, as part of their contractual obligations.

Investing in communities

The Group is passionate about strengthening local communities by supporting charities and over the past 24 years the Group has made charitable donations and provided funding in support of a diverse range of good causes both in cash and in kind.

Since 1996, the Group has provided discounts to Armed Forces personnel wishing to buy a former MoD property. Furthermore, support to this important group of stakeholders has also been provided in the form of numerous charitable donations to a variety of military charities. In October 2018, as an articulation of the Group's historic and ongoing support to this important group, the Group formalised its commitment to the Armed Forces community by signing the Armed Forces Covenant. Importantly, the Group's Covenant pledges include a range of incentives to Service and ex-Service personnel wishing to buy or rent an Annington property, as well as the following:

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

Charitable contributions

All charity partners and projects are assessed against four key principles and are aligned with our corporate identity and culture – we seek out focused, approachable, caring and experienced partners. It is our intention that our charitable support will:

- Make a tangible and measurable difference to those receiving our help.
- Work to alleviate disadvantage; we will focus on those groups with inherent disadvantages be it through disability, poverty, diminished circumstance or fractured family life.
- Create a sense of community; we will fund sectors or issues identified by our staff with the aim of engaging their interest and involvement.
- Create opportunities for beneficiaries aimed at improving their lives.

During the year, the Group has continued to support the "Eyes On, Hands On" project with the Commonwealth War Graves Commission (CWGC) for which a total of four years of funding has been committed; this is notable for being the first time the CWGC has partnered with a corporate entity. This involves the creation of a nationwide army of volunteers maintaining some 300 war memorials and plaques throughout the UK. Unfortunately, the project had to be temporarily suspended due to the COVID-19 pandemic.

It is worth noting that many of the charities the Group supports have been badly affected by the COVID-19 pandemic, largely because of limitations on their ability to raise funds and how they can operate in the communities they serve at this time. We made a decision at the outset that we would continue to support our existing charity partners.

STRATEGIC REPORT (continued)
CORPORATE RESPONSIBILITY (continued)

Charitable contributions (continued)

During the year, the Group has worked with:

- *Reading Force* – A charity for Service families that was inspired by one military family's experience of the lasting power of shared reading, and which was shorlisted in 2019 for the prestigious Soldiering On Awards. The service that the charity offers has experienced increased demand during the lockdown.
- *Waterloo Uncovered* – We agreed to sponsor the charity's 2019 and 2020 Digs and sent a team to visit the Dig in July 2019 where a number of very significant finds were made. As the 2020 Dig has now been cancelled, we have agreed that the sponsorship will be derestricted to allow Waterloo Uncovered to develop an online training and personal development offering.
- *The Outward Bound Trust* – To allow for continuity of funding, the Group has taken over the sponsorship of the Annington Challenge from the Annington Trust. In 2019, a record of 65 youngsters tackled one of the testing outdoor adventure courses which make up the Annington Challenge, a member of staff joined as an Ambassador. To recognise our contribution, we were awarded the Outstanding Contribution Award from the Outward Bound Trust's Trustee, HRH Princess Beatrice. The Outward Bound Trust has been hit harder than most with the COVID-19 pandemic and closed all its centres and programmes. As a result, the Annington Challenge has not gone ahead in summer 2020 but the Group has agreed that our donation funding the event will be derestricted to support the organisation's broader operations.
- *TOTS (Turn on the Subtitles)* – TOTS is partnering with the National Literacy Fund to get all broadcasters of children's programming to make same language subtitles the default in order to decrease rates of illiteracy.
- *The Winch* – A charity based in Camden which aims to help each child succeed, regardless of their circumstances, by giving them the opportunities and support they need.
- *Scotty's Little Soldiers* – Scotty's Little Soldiers aims to provide relief from the effects of bereavement to young people suffering the loss of a parent serving with the British Armed Forces. The Group's support effectively funds the costs of a Head of Support which the CEO of Scotty's Little Soldiers has described as "the single most impactful activity since the charity started". The charity has faced increased demand for its services during lockdown.
- *The Silver Line* – The Silver Line, now part of Age UK, is a free confidential helpline providing information, friendship and advice to older people, open 24 hours a day, every day of the year. The effects of the current pandemic have increased demand for this service by 40%.
- *Royal British Legion Industries (RBLI)* – RBLI is a national charity supporting the Armed Forces, people with disabilities and people who are unemployed. It aims to improve lives by inspiring those they help and supporting them to find work and lead independent lives. The Group has contributed to the creation of a veterans village which HM The Queen opened in November 2019.

In addition to cash donations, which in 2020 totalled £507,693 (2019: £535,517), the Group allows each employee to take up to three days paid leave to undertake volunteering work. The Group actively encourages employees to get involved in supporting and raising funds for charity. In the year, six employees completed the 100km Frontline Walk in aid of ABF The Soldiers Charity, raising more than £43,000. Others provided practical assistance decorating the The Winch's property in Camden, helping with groundworks at the Caenhill Countryside Centre in Devizes, volunteering to be Silver Line Phone Friends with an elderly person.

STRATEGIC REPORT (continued)
CORPORATE RESPONSIBILITY (continued)

Modern Slavery and Human Trafficking

The Company is a subsidiary of Annington Limited and is covered by the Annington Group's statement on Modern Slavery and Human Trafficking as set out below. References below to the Group (or "Annington") also describe the Company's activities in these areas.

Annual Slavery and Human Trafficking Statement

This statement is made pursuant to Part 6 of the 2015 Modern Slavery Act ('the Act') and sets out the steps Annington Limited and its subsidiaries have taken to ensure that slavery and human trafficking is not taking place in our supply chains or in any part of the business.

Modern slavery is a term used to encompass slavery, servitude, forced and compulsory labour, bonded and child labour and human trafficking. Victims are coerced, deceived and forced against their free will into providing work or services. Human trafficking is where a person arranges or facilitates the travel of another person with a view to that person being exploited. Modern slavery is a crime and a violation of fundamental human rights.

Annington conducts an annual review of its business and operations including risks associated with modern slavery. This work identified that Annington remains a low risk business but that the areas of highest risk exists around our contracting activities and the possible use of slave/trafficked labour on site or within the Group's supply chain. When considering the risks associated with the various areas of the business, the Group's established policies covering Slavery and Human Trafficking, Whistle-Blowing, Supplier Code of Conduct and Sustainable Procurement form the backbone of the review.

Within Annington's core refurbishment and new build operations, the scale of work carried out each year varies considerably due to two factors. Firstly, the numbers of sites and homes returned to Annington by the MoD and secondly, the condition in which they are handed back. In order to manage this and the fact that the release of properties to Annington is entirely at the discretion of the MoD, Annington has determined that the most effective and efficient method of procuring the refurbishment work is to outsource it to pre-selected contractors and suppliers. The year April 2019 to March 2020 saw the MoD hand a number of properties back to Annington.

During the year Annington ensured that it remained compliant with the legislation by ensuring all new contractors completed the pre-qualification questionnaire which covers modern slavery legislation and that all engaged contractors certify that they have the relevant policies and procedures in place and that they will abide by the Annington Supplier Code of Conduct.

Annington continues to raise awareness of slavery and trafficking issues amongst its staff and contractors through training. Training on slavery and human trafficking for all staff is delivered as part of the Group's annual training programme, so that they can understand the risks involved and know how to make the organisation aware of issues so they can be addressed.

Annington will continue to monitor and assess its performance in this area through the following measures:-

- Engagement with contractors to raise awareness of the Modern Slavery Act and the Group's Supplier Code of Conduct. This is done continuously through pre-commencement meetings with contractors to ensure they are aware of our policies and are abiding by their own policies.
- Continuing to focus on the supplier due diligence process to ensure that the Group engages appropriately with any new suppliers and contractors.

Annington strictly prohibits the use of modern slavery and human trafficking in our operations and supply chain and is committed to implementing systems and controls and delivering training aimed at ensuring that modern slavery is not taking place anywhere within its organisation or in any of its supply chains. The Property Director has responsibility for ensuring that the contractors and suppliers used in the refurbishment of properties comply with Annington's policies, including our Slavery and Human Trafficking policy. The Commercial Director has responsibility to the Annington board for oversight of the Act across the Group.

This statement represents Annington's statement in accordance with Section 54 of the Modern Slavery Act 2015 for the financial year 1 April 2019 to 31 March 2020 and has been approved by the Board of Directors.

STRATEGIC REPORT (continued)

GOING CONCERN

The Company operates in the real estate sector in the United Kingdom. In certain circumstances, the Company may have reason to look to parent entity or wider Annington Limited group ('The Group') support to continue as a going concern for the foreseeable future. The company has assessed parent entity and wider group's ability to provide this support.

Critical to the Group's future as a going concern is the ability to service and repay its debt. For the foreseeable future, at least until the maturity of the Euro denominated tranche of Notes in 2024, the Group only needs to pay the interest on the debt. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are:

Covenant	Test	Limit for Bonds	Limit for Loans
Limitation on Debt	Total debt / Total assets	<65%	<65%
Limitation on Secured Debt	Secured debt / Total assets	<40%	<40%
Interest Cover Ratio	EBITDA / Interest	1.0x (dividend lockup at 1.3x)	1.15x (dividend lockup at 1.3x)
Unencumbered Assets	Unencumbered assets / Unsecured Debt	>125%	>125%

On 26 March 2020, an agreement to amend the terms of the £400 million unsecured term loan was entered into. The maturity of the term loan and the revolving credit facility is now extended to March 2025, from July 2022, whilst the undrawn revolving credit facility is reduced to £100 million. This agreement became effective on 1 April 2020, with the modifications applicable from that date.

The Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for reinvestment or potential dividends to shareholders. Further, were this not possible, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance in the event of any reasonably foreseeable unfavourable outcome to the ongoing site review process.

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

The Group receives cash on a quarterly basis in relation to its long-term rental of investment properties. The lengthy timeframes for the rent review and site review processes mean that the effects of market movements are averaged over these cycles and significant movements will take a while to impact the results of the Group. For example, the effect of the Site Review on rent will become effective for the first tranche in December 2021 with one further tranche per year until December 2024. The forecast receipts of rent in the year ahead will be sufficient to meet short-term cash requirements. In making these forecasts and considering the issue of going concern, the Board has taken into account the effects of the UK's exit from the European Union and of COVID-19. Possible downside effects considered included falling house prices, falling rental values, increased arrears from tenants. In all circumstances, cash reserves and rental receipts from the MoD were sufficient to fund the ongoing operations of the group.

After making enquiries, including seeking assurances from the company's parent entity and receiving confirmation that it will provide financial assistance if required, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

OUTLOOK

Future developments and other factors not under the control of the Company, including the effects of the economic downturn following the Covid-19 pandemic lockdown, as well as Britain's finalisation of trade deals with 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 historical operations and in line with the Government's new Covid-19 operational safety protocols.

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

A P Chadd
Director
21 August 2020

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

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.

RESULTS AND DIVIDEND

The Company's profit for the year after taxation is £0.1 million (2019: loss of £2.6 million). No dividends have been paid or proposed during the year (2019: £nil).

FUTURE DEVELOPMENTS AND GOING CONCERN

Future developments and other factors not under the control of the Company, including the effects of Britain exiting the European Union and those of the COVID-19 pandemic, 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 historical operations.

After making enquiries, the directors have reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and the Financial Statements.

Further details regarding the adoption of the going concern basis are to be found in the Strategic Report.

GREENHOUSE GAS REPORTING

The Company, as a member of the Annington Limited Group, is included within the Group's reporting of greenhouse gas data, as disclosed within Annington Limited's Directors' Report for 31 March 2020.

STRATEGIC REPORT

The Company's principal activities and financial risk management are set out in the Strategic Report.

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

21 August 2020

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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 MEMBERS 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 2020 and of its profit 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 19.

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.

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

Responsibilities of directors

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

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

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 strategic report and 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.

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
21 August 2020

INCOME STATEMENT
For the year ended 31 March 2020

	Note	2020 £	2019 £
Continuing operations			
Revenue	4	36,138,503	69,215,335
Cost of sales		(35,096,457)	(69,235,827)
Gross profit/(loss)		1,042,046	(20,492)
Other operating expenses		(43,277)	-
Loss on disposal of investment properties	6	-	(1,676)
Unrealised property revaluation gains	10	-	634,065
Operating profit	5	998,769	611,897
Finance costs	7	(1,048,178)	(4,416,371)
Loss before taxation		(49,409)	(3,804,474)
Taxation credit/(charge)	8	200,460	(380,922)
Profit/(loss) for the year from continuing operations		151,051	(4,185,396)
Discontinued operations			
Profit for the year from discontinued operations	9	-	1,544,341
Profit/(loss) attributable to shareholder		151,051	(2,641,055)

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

BALANCE SHEET
At 31 March 2020

	Note	2020 £	2019 £
Non-current assets			
Investment properties	10	-	16,545,000
Current assets			
Inventory	11	23,194,755	21,180,019
Receivables	12	54,060	42,295
		23,248,815	21,222,314
Total assets		23,248,815	37,767,314
Current liabilities			
Trade and other payables	13	(800,898)	(3,778,134)
Loan and borrowings	14	(15,232,138)	(27,495,365)
Net current assets/(liabilities)		7,215,779	(10,051,185)
Non-current liabilities			
Trade and other payables	13	(898,638)	(127,265)
Deferred tax	8	-	(200,460)
		(898,638)	(327,725)
Total liabilities		(16,931,674)	(31,601,224)
Net assets		6,317,141	6,166,090
Capital and reserves			
Share capital	15	1	1
Retained earnings	16	6,317,140	6,166,089
Total equity		6,317,141	6,166,090

The accompanying notes (1 to 19) 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 21 August 2020.

Signed on behalf of the Board of Directors

A P Chadd

Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital £	Retained earnings £	Total equity £
At 1 April 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
Profit attributable to shareholder, being total comprehensive income for the year	-	151,051	151,051
Balance at 31 March 2020	1	6,317,140	6,317,141

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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, United Kingdom, W1U 1DR. Information on the Company's ultimate parent is presented in Note 19.

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 balance sheet;
- 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

After making enquiries, the directors have reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and the Financial Statements.

Further details regarding the adoption of the going concern basis are to be found in the Strategic Report.

New Standards, interpretations and amendments effective from 1 April 2019

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2019, have had a material impact on the company.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty

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 (2019: 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.

	2020 £	2019 £
Revenue from disposal of inventory	36,138,503	69,215,335

The Company generates all of its revenue, profits before taxation and net assets from residential property development sales in England and Wales.

5. OPERATING PROFIT

ACCOUNTING POLICY

Operating profit is stated before finance income and finance costs.

The auditor's remuneration was £19,900 (2019: £15,000) 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.

	2020 £	2019 £
Selling costs	-	(1,676)

During the year, there were no disposals of investment properties (2019: 40 properties).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

7. FINANCE COSTS

ACCOUNTING POLICY

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

	2020 £	2019 £
Interest payable on intercompany balances	1,048,178	4,416,371

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

8. TAXATION

	2020	2019
	£	£
Current tax		
United Kingdom corporation tax at 19% (2019: 19%)	-	-
Deferred tax		
Deferred taxation: origination and reversal of temporary differences	200,460	890,602
Total taxation for the year	200,460	890,602

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 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:

	Note	2020	2019
		£	£
Loss before taxation from continuing operations		(49,409)	(3,804,474)
Profit before taxation from discontinuing operations		-	272,817
Loss before income tax		(49,409)	(3,531,657)
Tax credit at the standard rate		9,388	671,015
Factors affecting the current tax for the year:			
Group relief claimed		111,731	(277,875)
Disposal of investments		-	1,083,159
Effect of tax rate differential between current and deferred tax		-	12,681
Effect of indexation		-	(298,842)
Expenses not deductible for tax		(121,119)	(513,611)
Effect of capital expenditure		-	214,075
Deferred tax release due to NRCGT exemption		200,460	-
Total taxation credit for the year		200,460	890,602
Income tax credit/(expense) from continuing operations		200,460	(380,922)
Income tax credit from discounted operation	9	-	1,271,524
Total taxation for the year		200,460	890,602

The rate of Corporation Tax for the UK had previously been set at 17% and this had been enacted at the time of preparing the March 2019 financial statements, accordingly the deferred tax at 31 March 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. In March 2020, this was enacted, with calculations of both current and deferred tax balances using the 19% rate for 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

8. TAXATION (continued)

Deferred tax

The movement in deferred tax is as set out below:

	2020 £	2019 £
Deferred tax liability at 1 April	(200,460)	(1,091,062)
Credit to income statement	200,460	890,602
Deferred tax liability at 31 March	-	(200,460)
Deferred tax liability from continuing operations	-	(200,460)
	-	(200,460)

Deferred tax balance relates to temporary differences between the tax base and the carrying value of investment properties. Deferred tax balances at 31 March 2020 are measured at 19% (2019: 17%).

Annington Limited's immediate parent entity, Annington Holdings (Guernsey) Limited (AHGL) has confirmed to the Board of Annington Limited that to attract new investment into the Annington Group it is an Open Ended Investment Company (OEIC). Further AHGL has informed Annington Limited that it qualifies as a Collective Investment Vehicle (CIV) and has made an exemption election under the Non Resident Capital Gains Tax (NRCGT) legislation. An exemption election, designed to prevent multiple layers of taxation within a structure which would otherwise be borne by all investors, may be made by a CIV which has a genuine diversity of ownership (GDO) pursuant to the Authorised Investment Funds (Tax) Regulations 2006. The effect of which is that the CIV's investors and subsidiaries do not pay capital gains tax on property disposals, electing instead to pay capital gains tax on distributions by the CIV. AHGL has confirmed that it has met the GDO condition and the election took effect from 6 April 2019.

Following the election, the investors in AHGL have assumed liability for capital gains taxes covering AHGL and all its subsidiaries. Annington Limited and its subsidiaries will be exempt from capital gains tax on property disposals from the above effective date. A consequence of this is the derecognition within these accounts of the deferred tax liabilities relating to capital gains tax as at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (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 preceding year, were as follows:

	Note	Period ended 1 October 2019 £
Property rental income		308,055
Property operating expenses		(6,754)
Net rental income		301,301
Sale proceeds		11,900,000
Carrying value of properties disposed		(11,900,000)
Profit on disposal of investment properties		-
Finance costs		(28,484)
Profit before taxation		272,817
Taxation	8	1,271,524
Profit after taxation		1,544,341

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (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 £
2020	
Valuation	
Fair value at 1 April	16,545,000
Additions - capital expenditure	1,281,043
Transfer to inventory	(17,826,043)
Total fair value at 31 March	-

Properties would have been included on an historical cost basis at £nil (2019: £15,921,192).

	2020 £	2019 £
The net book value of investment properties and investment properties held for sale comprises:		
Freehold	-	16,545,000

During the year, the decision was made that the Brize Norton investment properties would be retained solely as a development project and sold upon completion or transferred for rental purposes. Given this significant change in use, Brize Norton was reclassified as inventory; refer to Note 11.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

10. INVESTMENT PROPERTIES (continued)

The 2019 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:

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 (premium)/discount rates (%)	0.0% - 12.2%
Fair value at 31 March 2019	16,545,000		

All other factors remaining constant, the valuation would increase with an increase in blended House Price Index ("HPI"), while increase 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.

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.

	2020 £	2019 £
Work in progress	23,194,755	21,180,019

The cost of inventories recognised as an expense and included in cost of sales amounted to £35,006,978 (2019: £69,235,827).

Contractual obligations

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

12. RECEIVABLES

ACCOUNTING POLICY

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

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

Trade receivables

The Company applies the simplified approach in measuring expected credit losses for its trade receivables. 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.

	2020	2019
	£	£
Amounts falling due within one year		
Other taxation	7,055	37,295
Other debtors	37,150	5,000
Prepayments	9,855	-
	54,060	42,295

The carrying value of receivables approximates the fair value. As at the reporting date, the expected credit loss allowance was £nil (2019: £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.

	2020	2019
	£	£
Amounts falling due within one year		
Trade payables	11,423	641,880
Retentions payable	40,000	966,603
Accruals	749,475	2,169,651
	800,898	3,778,134
Amounts falling due after one year		
Retentions payable	898,638	127,265
	1,699,536	3,905,399

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (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.

	2020	2019
	£	£
Amounts falling due within one year		
Amounts due to group undertakings	15,232,138	27,495,365

Amounts due to group undertakings are unsecured, interest bearing at 8.02% (2019: 8.02%) and became due on 31 March 2020 (2019: 31 March 2020). On 1 April 2020, the borrowings were replaced by loans of the same value that are unsecured, with an interest rate to be agreed from time-to-time between the parties and have no fixed repayment date.

15. SHARE CAPITAL

	2020	2019
	£	£
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:

	2020	2019
	£	£
Distributable earnings	6,317,140	7,734,633
Non-distributable earnings	-	(1,568,544)
	6,137,140	6,166,089

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020 (continued)

17. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company has entered into construction contracts for the development of its inventory 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 £0.7 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. 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, United Kingdom, W1U 1DR.