Company Registration No. 05809949

ANNINGTON RENTALS (NO. 6) LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2023

ANNINGTON RENTALS (NO. 6) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2023. 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:

Stephen Leung
Adrian Needham
Ian Rylatt
David Tudor-Morgan (Appointed 2 May 2023)

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

DIVIDENDS

No dividends have been paid or proposed during the year (2022: £nil).

PRINCIPAL ACTIVITES

The Company is a subsidiary of Annington Rentals (Holdings) Limited, which is part of the Annington Limited Group (the "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. The Company continues to look for opportunities to maximise returns through planned acquisitions and strategic sales.

FUTURE DEVELOPMENTS AND 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 the parent entity or wider Annington Limited group for support to continue as a going concern for the foreseeable future. The Directors have assessed the parent entity and the Group's ability to provide this support.

The Group, through Annington Funding plc, has issued £3.8 billion of unsecured corporate bonds in eight tranches. The Group has a further fully drawn £400 million term loan and an undrawn revolving credit facility of £100 million, both expiring in 2028.

The Group meets its day-to-day working capital requirements from both rental income and property sales. Forecast revenue increases are highly predictable and reflect the recent high levels of residential rental growth seen across the UK. In uncertain economic environments, such that there is uncertainty over the level of demand for properties, comfort is gained that the rental income is sufficient to meet debt service requirements without the need for sales. A significant number of Units could become void and the Group would still be able to service its debt obligations from the remaining rental income.

Following a successful liability management exercise in August 2022 Annington has c. £152.0 million of EUR bonds expiring July 2024. As at March 2023, the Group held £186.7 million of cash at bank. The Group does not plan to make a distribution from this balance, with cash instead being held to repay the remaining circa £152 million of 2024 bonds and to fund the working capital requirements of the Group. Annington continues to generate cash through the sale of released properties and other non-core assets. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are set out in the Financial Review section within the Annington Limited Annual Report and Financial Statements for the year ended 31 March 2023. The Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for repurchasing debt, reinvestment or potential dividends to shareholders. Were this not possible, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance. The Board has taken into account the effects of current market conditions, including rising inflation and interest rates, a depressed UK residential sales market and the war in Ukraine. Possible downside effects considered included falling house prices, falling rental values and increased arrears from tenants. In all circumstances, cash reserves and rental receipts from the MoD were sufficient to fund the ongoing operations of the Group.

DIRECTORS' REPORT

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.

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 13 to the financial statements regarding this arrangement.

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

I Rylatt
Director
31 July 2023

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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; 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 MEMBER OF ANNINGTON RENTALS (NO. 6) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Annington Rentals (No. 6) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 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 17.

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON RENTALS (NO. 6) LIMITED (continued)

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.

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

The valuation of investment property is an area of judgement due to the use of assumptions and estimates to derive the valuation and therefore we have identified this as a potential fraud risk. The risk is specifically focussed on those judgements which carry the greatest risk of misstatement being the setting of discount rates and rental inflation. In response to this specific risk we have assessed management's design and implementation of controls over the inputs provided to CBRE and their review of the valuation outputs. We worked with our real estate valuation and analytics specialists to challenge the assumptions used including the benchmarking to available market data seeking appropriate rationale and evidence ensuring, where appropriate, that the assumptions were within an acceptable range. We also tested the integrity and logic of the CBRE valuation model.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ANNINGTON RENTALS (NO. 6) LIMITED (continued)

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

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

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.

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.

DocuSigned by:

HWildman

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Helen Wildman ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 July 2023

INCOME STATEMENT
For the year ended 31 March 2023

	Note	2023 £	2022 £
Property rental income	4	**6,554,478**	6,415,654
Property operating expenses		**(889,417)**	(940,508)
Net rental income	4	**5,665,061**	5,475,146
Other income		**15,727**	11,028
Profit on disposal of investment properties	6	**2,905,454**	2,552,643
Unrealised property revaluation (losses)/gains	9	**(1,808,060)**	9,514,139
Operating profit	5	**6,778,182**	17,552,956
Finance costs	7	**(1,597,692)**	(2,242,455)
Profit before taxation		**5,180,490**	15,310,501
Taxation charge	8	**-**	-
Profit for the year after taxation		**5,180,490**	15,310,501
Profit attributable to shareholder		**5,180,490**	15,310,501

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

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 2023

	Note	2023 £	2022 £
Non-current assets			
Investment properties	9	**88,739,606**	106,052,544
Current assets			
Trade and other receivables	10	**674,836**	100,277
Cash and cash equivalents	11	**27,866**	12,311
		702,702	112,588
Investment properties held for sale	9	**1,669,169**	2,179,257
Total assets		**91,111,477**	108,344,389
Current liabilities			
Trade and other payables	12	**(184,715)**	(185,996)
Loans and borrowings	13	**(23,039,864)**	(45,451,985)
		(23,224,579)	(45,637,981)
Net current liabilities		**(20,852,708)**	(43,346,136)
Total liabilities		**(23,224,579)**	(45,637,981)
Net assets		**67,886,898**	62,706,408
Capital and reserves			
Share capital	14	**1**	1
Capital reserve		**55,000,000**	55,000,000
Retained earnings	15	**12,886,897**	7,706,407
Total equity		**67,886,898**	62,706,408

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

The financial statements of Annington Rentals (No. 6) Limited, registered number 05809949, were approved by the Board of Directors and authorised for issue on 31 July 2023.

Signed on behalf of the Board of Directors

S Leung
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2023

	Share capital £	Capital reserve £	Retained earnings £	Total equity £
At 1 April 2021	1	55,000,000	(7,604,094)	47,395,907
Profit attributable to shareholder, being total comprehensive income	-	-	15,310,501	15,310,501
Balance at 31 March 2022	1	55,000,000	7,706,407	62,706,408
Profit attributable to shareholder, being total comprehensive income	-	-	5,180,490	5,180,490
Balance at 31 March 2023	**1**	**55,000,000**	**12,886,897**	**67,886,898**

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

The Capital reserve relates to contributions from the parent company, Annington Rentals (Holdings) Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

1. CORPORATE INFORMATION

Annington Rentals (No. 6) 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 Company's principal activities are set out in the Directors' report on page 2. 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 17.

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 UK-adopted International Financial Reporting Standards;
- 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 operates in the real estate sector in the United Kingdom. In certain circumstances, the Company may have reason to look to the parent entity or wider Annington Limited group for support to continue as a going concern for the foreseeable future. The Directors have assessed the parent entity and the Group's ability to provide this support.

The Group, through Annington Funding plc, has issued £3.8 billion of unsecured corporate bonds in eight tranches. The Group has a further fully drawn £400 million term loan and an undrawn revolving credit facility of £100 million, both expiring in 2028.

The Group meets its day-to-day working capital requirements from both rental income and property sales. Forecast revenue increases are highly predictable and reflect the recent high levels of residential rental growth seen across the UK. In uncertain economic environments, such that there is uncertainty over the level of demand for properties, comfort is gained that the rental income is sufficient to meet debt service requirements without the need for sales. A significant number of Units could become void and the Group would still be able to service its debt obligations from the remaining rental income.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Following a successful liability management exercise in August 2022 Annington has c. £152.0 million of EUR bonds expiring July 2024. As at March 2023, the Group held £186.7 million of cash at bank. The Group does not plan to make a distribution from this balance, with cash instead being held to repay the remaining circa £152 million of 2024 bonds and to fund the working capital requirements of the Group. Annington continues to generate cash through the sale of released properties and other non-core assets. The debt has a number of covenants to comply with under both the bonds and loan facility. The covenants attaching to the debt are set out in the Financial Review section within the Annington Limited Annual Report and Financial Statements for the year ended 31 March 2023. The Group's forecasts do not indicate any of these covenants will be breached in the foreseeable future. Further, the Group's forecasts do indicate that sufficient cash flow will be generated to cover payments of interest on its debt and generate significant additional free cash flows to allow for repurchasing debt, reinvestment or potential dividends to shareholders. Were this not possible, cash reserves and the undrawn revolving credit facility provides additional liquidity to the Group to allow the continued operation for the foreseeable future. The Group is satisfied that sufficient actions are available to mitigate any potential adverse impact on covenant compliance. The Board has taken into account the effects of current market conditions, including rising inflation and interest rates, a depressed UK residential sales market and the war in Ukraine. Possible downside effects considered included falling house prices, falling rental values and increased arrears from tenants. In all circumstances, cash reserves and rental receipts from the MoD were 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.

New Standards, interpretations and amendments effective from 1 April 2022

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2022, have had a material impact on Company's financial statements.

The IFRIC agenda decision regarding lessor forgiveness of lease payments, effective from September 2022, has been considered in the preparation of these financial statements and have not had a material impact on the financial statements.

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 9.

Critical accounting judgements and key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty

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 9.

Management has determined that no critical accounting judgements exist within the above source of estimation uncertainty.

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 (2022: none). The cost of performing work for the Company is borne by another group company, Annington Management Limited.

4. PROPERTY AND NET RENTAL INCOME

ACCOUNTING POLICY

Revenue recognition

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

	2023 £	2022 £
Property rental income	**6,554,478**	6,415,654

Net rental income

Net rental income comprises property rental income less property operating expenses. Property operating expenses are expensed as incurred and property operating expenditure not recovered from tenants is charged to the income statement.

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

5. OPERATING PROFIT

ACCOUNTING POLICY

Operating profit is stated before finance income and finance costs.

The auditor's remuneration was £18,400 (2022: £16,900) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

6. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

ACCOUNTING POLICY

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

	2023 £	2022 £
Sales proceeds	**19,536,250**	18,440,210
Selling costs	**(295,735)**	(539,518)
Net disposal proceeds	**19,240,515**	17,900,692
Carrying value of properties disposed	**(16,335,061)**	(15,348,049)
	2,905,454	2,552,643

During the year, the Company disposed of 70 properties (2022: 75 properties).

7. FINANCE COSTS

ACCOUNTING POLICY

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

	2023 £	2022 £
Interest payable on intercompany balances	**1,597,692**	2,242,455

8. TAXATION

ACCOUNTING POLICY

Tax is recognised in the income statement and 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 is provided using the balance sheet (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.

	2023 £	2022 £
Current tax		
United Kingdom corporation tax at 19% (2021: 19%)	-	-
Total taxation for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

8. TAXATION (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2022: 19%). The tax for the current and previous year differs from the standard tax rate for the reasons set out in the reconciliation below:

	2023 £	2022 £
Profit before taxation	**5,180,490**	15,310,501
Tax charge at the standard rate	**(984,293)**	(2,908,995)
Factors affecting the current tax for the year:		
Group relief claimed	**714,973**	549,540
Profit on disposal of investment properties not taxable	**552,036**	485,002
Movement in bad debt provision disallowed for tax	**(2)**	115
Revaluation of investment properties	**(343,532)**	1,807,686
Capitalised refurbishment costs deductible for tax	**60,818**	66,652
Total taxation for the year	**-**	-

The rate of Corporation Tax for the UK remains at 19% for the year ended 31 March 2023. The UK Corporation Tax Rate will be 25% effective from April 2023.

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

9. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

9. INVESTMENT PROPERTIES (continued)

2023	Investment properties £	Investment properties held for sale £	Total £
Valuation			
Fair value at 1 April	**106,052,544**	**2,179,257**	**108,231,801**
Additions	**320,095**	**-**	**320,095**
Disposals	**(14,155,804)**	**(2,179,257)**	**(16,335,061)**
Transfer to investment properties held for sale	**(1,708,593)**	**1,708,593**	**-**
Unrealised property revaluation losses	**(1,768,636)**	**(39,424)**	**(1,808,060)**
Total fair value at 31 March	**88,739,606**	**1,669,169**	**90,408,775**

Properties would have been included on an historical cost basis at £77,250,727 (2022: £92,990,573).

As at 31 March 2023, there were 10 (2022: 10) investment properties classified as held for sale, as disposal is expected within the next 12 months.

	2023 £	2022 £
The net book value of investment properties and investment properties held for sale comprises:		
Freehold	**88,898,656**	105,928,552
Long leasehold	**1,510,119**	2,303,249
	90,408,775	108,231,801

Direct property operating expenses relating to properties that generated income during the year amounted to £888,661 (2022: £937,277), while those relating to properties that did not generate income during the year amounted to £756 (2022: £3,231).

Each of the Company's freehold and long leasehold interests in its investment properties was valued at 31 March 2023 by an external valuer, Rupert Driver BSc MRICS of CBRE Limited ("CBRE"). The valuation, which was prepared on a portfolio basis, was subject to the existing leases and tenancies as advised but otherwise 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 2022, as amended, except where it was not, in practical terms, feasible to comply due to the large number of properties involved.

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

Assumptions and valuation models used by the valuers are 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 2023 was Level 3 significant unobservable inputs (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

9. INVESTMENT PROPERTIES (continued)

2023	Fair value £	Unobservable inputs	Range
Assured shorthold & other bulk tenancies			
Fair value	**90,408,775**		
Valuation technique		**Discounted cash flow & vacant possession market comparison**	
		Net yield (%)	**4.3% - 4.4%**
		Discount to SAVPV (%)	**15.0% - 20.0%**
Fair value at 31 March 2023	**90,408,775**		

The 2022 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:

2022	Fair value £	Unobservable inputs	Range
Assured shorthold & other bulk tenancies			
Fair value	108,231,801		
Valuation technique		Discounted cash flow & vacant possession market comparison	
		Net yield (%)	3.7% - 3.9%
		Discount to SAVPV (%)	5.0% - 7.0%
Fair value at 31 March 2022	108,231,801		

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.

Operating lease arrangements

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

At 31 March 2023, the Company had contracted with tenants for the following future minimum lease payments:

	2023 £	2022 £
Within one year	**1,623,497**	2,779,994
In two to five years	**905,121**	837,262
	2,528,618	3,617,256

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

10. TRADE AND OTHER 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.

	2023	2022
	£	£
Amounts falling due within one year		
Trade receivables	**24,051**	14,745
Prepayments	**20,318**	25,955
Other receivables	**2,590**	-
Accrued income	**627,877**	59,577
	674,836	100,277

The carrying value of receivables approximates the fair value. The carrying value of receivables approximates the fair value. As at the reporting date, the expected credit loss allowance was £1,283 (2022: £2,787).

11. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprises cash on hand and demand deposits, and short-term, highly liquid balances that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are limited to instruments with a maturity of less than three months.

	2023	2022
	£	£
Cash and cash equivalents	**27,866**	12,311

12. 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.

	2023	2022
	£	£
Trade payables	**47,348**	63,658
Other creditors	**10,688**	-
Accruals and deferred income	**126,679**	122,338
	184,715	185,996

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023 (continued)

13. 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.

	2023	2022
	£	£
Amounts due within one year		
Amounts due to group undertakings	**23,039,864**	45,451,985

Amounts due to group undertakings are unsecured, with an interest rate to be agreed from time-to-time between the parties and have no fixed repayment date. On 31 March 2021, the parties agreed to an interest rate of 4.055% effective from 1 April 2020 until such time that a new rate is agreed.

14. SHARE CAPITAL

	2023	2022
	£	£
Authorised, issued and fully paid		
1 ordinary share of £1	**1**	1

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

15. RETAINED EARNINGS

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

	2023	2022
	£	£
Realised gains/(losses)	**3,098,115**	(6,385,171)
Unrealised gains	**9,788,782**	14,091,578
	12,886,897	7,706,407

16. 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.

17. 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.