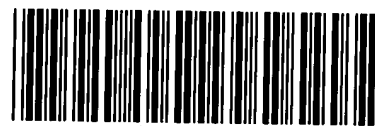


TELEREAL SECURED FINANCE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

THURSDAY



A6D0OKKI

A06

17/08/2017

#245

COMPANIES HOUSE

TELEREAL SECURED FINANCE HOLDINGS LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 6
Consolidated Statement of Comprehensive Income	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13 - 23

TELEREAL SECURED FINANCE HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their strategic report for the year ended 31 March 2017. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and business review

The group is the issuer (the "Issuer") of £500,000,000 of fully amortising secured bond debt with a final maturity date in December 2033. Interest accrues on the bonds at a fixed rate of 4.01% per annum. The proceeds of the bonds were lent to Telereal General Property Limited Partnership and Telereal 112 Limited (together, the "Borrowers") under an Issuer Borrower Facility Agreement ("IBFA") and interest is charged to the Borrowers at a fixed rate of 4.01% per annum plus a fee of £1,000 per annum. The IBFA debt is secured on the freehold and leasehold properties owned by the Borrowers.

Interest on the bonds is payable quarterly in arrears in pounds sterling and in each case on 10 March, June, September and December in each year. Interest receivable on the IBFA loans is received on the same basis.

Telereal Secured Finance PLC, the subsidiary undertaking, has elected into a specific ("permanent") tax regime whereby the company is taxed on its "retained profits" rather than the profit shown in its accounts. Retained profits broadly represent the company's cash-based surplus.

The profit after taxation for the year ended 31 March 2017 was £1,000 (year ended 31 March 2016: £nil).

The consolidated balance sheet set out on page 8 discloses total equity of £3,000 as at 31 March 2017 (2016: £2,000).

Principal risks and uncertainties

Financial risk management

The group's loan notes pay interest at a fixed rate which eliminates the adverse effects of interest rate movements.

The directors consider that credit risk associated with the ability of the Borrowers to meet their obligations under the terms of the loan agreement is low.

The Borrowers' primary source of income is from British Telecommunications ("BT"). There is a risk that BT may become insolvent in the future, resulting in a significant drop in income received from the Borrowers, impacting on the group's ability to repay the bond debt. The directors consider that the risk of BT becoming insolvent is low owing to the nature of the regulatory controls under which the company operates. In the unlikely event that BT became insolvent, it is probable that the government would appoint another operator to fulfil BT's obligations in respect of national infrastructure. In those circumstances, it is likely that the new operator would take over a large proportion of the leases previously held by BT with the Borrowers. The long term contract held with BT, expiring December 2031 also provides comfort that the Borrowers will be able to meet their obligations. The directors monitor the performance of BT and act accordingly to mitigate this risk.

Tax risk

The group is exposed to tax risks resulting from changes in tax legislation and the interpretation of tax legislation, which may expose the group to a reduction in post-tax income. The tax affairs of the group are in good order and the directors and senior management of the group are committed to maintaining an open and transparent dialogue with HM Revenue & Customs.

The directors do not believe that there are any other significant risks and uncertainties to disclose.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**


Financial key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using key performance indicators for the group is not necessary or appropriate for an understanding of the development, performance or position of the business of the group.

This report was approved by the board on

27 JUL 2017

and signed on its behalf.



Aaron Burns
Company Secretary

TELEREAL SECURED FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the audited financial statements of the group and company for the year ended 31 March 2017.

Dividends

The directors do not propose the payment of a dividend (2016: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

Adam Dakin
Graham Edwards
Russell Gurnhill
Warren Persky
Wilmington Trust SP Services (London) Limited

Future developments

The directors do not anticipate any significant change to the current activity in the foreseeable future.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006), commonly known as Directors and Officers insurance, in relation to certain losses and liabilities which the directors may incur (or have incurred) to third parties in the course of their professional duties, were in force for the directors for their periods of directorship and at the date of this report.

Matters covered in the strategic report

Principal activities, business review and details of financial risk management can be found on page 1 in the Strategic Report and form part of this report by cross-reference.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

This report was approved by the board on

27 JUL 2017

and signed on its behalf.



Aaron Burns
Company Secretary

TELEREAL SECURED FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TELEREAL SECURED FINANCE HOLDINGS LIMITED

Report on the financial statements

Our opinion

In our opinion, Telereal Secured Finance Holdings Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 March 2017;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TELEREAL SECURED FINANCE HOLDINGS LIMITED (CONTINUED)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.


Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of **PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
London

27 July 2017

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Turnover	4	1	1
Gross profit		<u>1</u>	<u>1</u>
Interest receivable	6	17,312	18,312
Interest payable	7	(17,312)	(18,312)
Profit before taxation		<u>1</u>	<u>1</u>
Tax on profit	8	-	(1)
Profit and total comprehensive income for the year		<u><u>1</u></u>	<u><u>-</u></u>

All amounts relate to continuing operations.

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED
REGISTERED NUMBER: 08589189

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £000	2016 £000
Current assets			
Debtors: amounts falling due after more than one year	10	400,260	418,400
Debtors: amounts falling due within one year	10	19,087	24,390
Cash at bank and in hand		19	18
		<u>419,366</u>	<u>442,808</u>
Creditors: amounts falling due within one year	11	(19,103)	(24,406)
Net current assets		<u>400,263</u>	<u>418,402</u>
Total assets less current liabilities		<u>400,263</u>	<u>418,402</u>
Creditors: amounts falling due after more than one year	12	(400,260)	(418,400)
Net assets		<u>3</u>	<u>2</u>
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		3	2
Total equity		<u>3</u>	<u>2</u>

The financial statements on pages 7 to 23 were approved and authorised for issue by the board and were signed on its behalf on

27 JUL 2017



Mignon Clarke-Whelan
 Authorised signatory
 For and on behalf of Wilmington Trust SP Services
 (London) Limited
 Corporate Director



Warren Persky
 Director

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED
REGISTERED NUMBER: 08589189

COMPANY BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	9	13	13
		<u>13</u>	<u>13</u>
Current assets			
Cash at bank and in hand		4	4
		<u>4</u>	<u>4</u>
Creditors: amounts falling due within one year	11	(17)	(17)
		<u>(13)</u>	<u>(13)</u>
Net current liabilities		(13)	(13)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		-	-
		<u>-</u>	<u>-</u>
Total equity		<u>-</u>	<u>-</u>

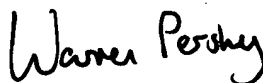
The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

The financial statements on pages 7 to 23 were approved and authorised for issue by the board and were signed on its behalf on

27 JUL 2017



Mignon Clarke-Whelan
 Authorised signatory
 For and on behalf of Wilmington Trust SP Services
 (London) Limited
 Corporate Director



Warren Persky
 Director

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 April 2015	-	2	2
Profit for the year	-	-	-
Profit and total comprehensive income for the year	-	-	-
At 1 April 2016	-	2	2
Profit for the year	-	1	1
Profit and total comprehensive income for the year	-	1	1
At 31 March 2017	-	3	3

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £000	Total equity £000
At 1 April 2015	-	-
	<hr/>	<hr/>
Profit and total comprehensive income for the year	-	-
	<hr/>	<hr/>
At 1 April 2016	-	-
	<hr/>	<hr/>
Profit and total comprehensive income for the year	-	-
	<hr/>	<hr/>
At 31 March 2017	-	-
	<hr/>	<hr/>

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the financial year	1	-
Adjustments for:		
Interest payable	17,312	18,312
Interest receivable	(17,312)	(18,312)
Taxation	-	1
Increase in amounts owed to related undertakings	-	(1)
Net cash generated from operating activities	1	-
Cash flows from investing activities		
Interest received	17,365	18,368
Related party undertakings loans repaid	23,390	24,430
Net cash from investing activities	40,755	42,798
Cash flows from financing activities		
Repayment of loans	(23,390)	(24,430)
Interest paid	(17,365)	(18,368)
Net cash used in financing activities	(40,755)	(42,798)
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents at beginning of year	18	18
Cash and cash equivalents at the end of year	19	18
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	19	18
	19	18

The notes on pages 13 to 23 form part of these financial statements.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies

General

The company is a private company limited by shares incorporated and domiciled in England and Wales. The address of the company's registered office, which is also the company's principal place of business is provided in note 17. The principal activities of the group are described in the Strategic Report on page 1.

Basis of preparation of financial statements

The financial statements of the group have are prepared on a going concern basis under the historical cost convention, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The company's functional and presentational currency is the pound sterling (rounded to the nearest thousand pounds).

Disclosure exemptions

The parent company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102, the disclosure is included within the consolidated group numbers:

(i) preparation of a statement of cash flows on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.

The following principal accounting policies have been applied consistently to all years presented unless stated otherwise:

Basis of consolidation

The financial statements consolidate the accounts of Telereal Secured Finance Holdings Limited and its subsidiary, Telereal Secured Finance PLC. Transactions and balances between the company and its subsidiary are eliminated on consolidation.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with subsidiaries are eliminated to the extent of the company's interest in the entity.

Unrealised losses are eliminated in the same way as unrealised gains to the extent there is no evidence of impairment.

Turnover

Management fees from the Borrowers are recognised in the consolidated statement of comprehensive income in the period in which they are earned.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies (continued)

Interest receivable and payable

Interest income arises from the group's fixed rate loans to the Borrowers.

Interest receivable and payable are recognised in the consolidated statement of comprehensive income for all interest bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

The application of this method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Taxation

A specific ("permanent") tax regime applies to companies from accounting periods commencing on or after 1 January 2007 if the company has elected into it. The specific tax regimes were introduced largely because of the potential impact to securitisation companies arising as a result of the introduction of new standards in relation to interest costs and income. Under this regime the company is taxed on its "retained profits" rather than the profit shown in its accounts. Retained profits broadly represents the company's cash-based surplus. Telereal Secured Finance PLC has permanently elected into this regime.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Timing differences are differences between the company's taxable profits and its results stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies (continued)

Financial instruments

(i) Financial assets

Basic financial assets, including cash at bank and in hand and amounts due from related undertakings, are recognised initially at transaction price, unless the transaction constitutes a financing arrangement, e.g. significantly deferred credit terms, where the transaction is measured at the present value of future receipts discounted at the market rate of interest. Such assets are held at amortised cost using the effective interest rate method.

Financial assets are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

The impairment loss is measured as the difference between an asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated statement of comprehensive income.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party, or control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to related undertakings, are recognised initially at transaction price, unless the transaction constitutes a financing arrangement, where the debt instrument is measured at the present value of future payments discounted at the market rate of interest. Such liabilities are held at amortised cost using the effective interest rate method.

Debt instruments (other than those wholly repayable or receivable within one year), including secured issued bonds, are subsequently carried at amortised cost, using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade payables are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Receivables

Management reviews receivables and makes judgements on the recoverability of these receivables with reference to the age of outstanding amounts, credit status of the counterparty and the status of any outstanding dispute.

3. Financial risk management

The group's activities expose it to a variety of financial risks: cash flow and interest rate risks, credit risk and liquidity risk. The group has in place a policy of risk management that seeks to limit the adverse effects of interest rate movements by fixing the same interest rate it pays on the bonds it issued and it receives on the loans to the Borrowers.

Credit risk

Credit risk arises principally from the advances to the Borrowers. The directors consider that the credit risk associated with the advances to the Borrowers is low, as the funding is secured by way of a fixed charge on the assets of the Borrowers. While the directors accept that the Borrowers are exposed to potential reductions in the value of its properties and could also experience a reduction in its rental income, the contracts between the Borrowers and British Telecommunications Plc ("BT") provides significant protection against these risks. In this respect, the directors consider that the credit risk associated with BT's ability to discharge its obligations under the contract with the Borrowers is low.

Cash flow and fair value interest rate risk

The group has lent the proceeds from the issue of debt to the Borrowers, on fixed rate terms which match the fixed rate and amortising profile of the secured bonds plus a fee of £1,000 per annum. As such, the group's income and cash flows are largely independent of changes in market interest rates.

The fair value of the group's fixed rate borrowings and fixed rate advances to the Borrowers will vary according to movements in market interest rates. However, these fair value movements will not affect the group's cash flows unless the relevant instrument is repaid or redeemed before it matures.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash in order to be able to meet liabilities as they fall due. Owing to the nature of the group's borrowing and its advances to the Borrowers, the group's cash inflows and outflows are closely matched and highly predictable.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Management fees receivable from the Borrowers	1	1

All turnover arose within the United Kingdom.

5. Auditors' remuneration and directors' emoluments

	2017 £000	2016 £000
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	4	4
Fees payable for the audit of the subsidiary undertaking's annual accounts	10	7
	14	11

The audit fee was borne on the group's behalf by Telereal Services Limited, which is considered to be a related party of the company because the Boards of the companies and their parent companies share the same nucleus of directors.

The directors did not receive any emoluments in respect of their services to the company and its subsidiary (2016: £nil). The average number of employees excluding directors was nil (2016: nil) and aggregate employment costs were £nil (2016: £nil). Key management compensation was £nil (2016: £nil).

6. Interest receivable

	2017 £000	2016 £000
Interest receivable from the Borrowers	17,312	18,312

7. Interest payable

	2017 £000	2016 £000
Interest payable to bondholders	17,312	18,312

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. Taxation

	2017 £000	2016 £000
Corporation tax		
UK corporation tax charge on profit for the year	-	1

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2016 - higher than) the standard rate of corporation tax under the securitisation regime in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	1	1
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	-	-
Effects of:		
Other	-	1
Total tax charge for the year	-	1

Factors that may affect future tax charges

There have been no changes to the securitisation regime that will affect the future tax charges.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost	
At 1 April 2016	13
At 31 March 2017	13
Net book value	
At 31 March 2017	13

Details of the investment in share capital are as follows:

Name of Company	Holding	Proportion of issued capital class held	Nature of business
Telereal Secured Finance PLC	Ordinary Shares	100%	Issuer of securitised bonds and lending to related parties

The company is incorporated in England and Wales and registered at 140 London Wall, London EC2Y 5DN. In the opinion of the directors the value of the investment is not less than the amount at which it is shown in the company's balance sheet.

10. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Due after more than one year				
Borrower term advances	400,260	418,400	-	-
	<u>400,260</u>	<u>418,400</u>	<u>-</u>	<u>-</u>
Due within one year				
Borrower term advances	18,140	23,390	-	-
Prepayments and accrued income	947	1,000	-	-
	<u>19,087</u>	<u>24,390</u>	<u>-</u>	<u>-</u>

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

10. Debtors (continued)

The Borrowers are Telereal General Property Limited Partnership and Telereal 112 Limited, both related parties as at 31 March 2017. The terms of repayment match those of the secured issued bonds.

The maturity profile of the carrying amount of the group's long term debtors, receivable by instalments, is as follows:

	2017 £000	2016 £000
More than 1 year but not more than 2 years	19,520	18,140
More than 2 years but not more than 5 years	67,670	63,030
More than 5 years	313,070	337,230
	<u>400,260</u>	<u>418,400</u>

11. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Secured issued bonds	18,140	23,390	-	-
Amounts owed to related companies	16	16	17	17
Accruals and deferred income	947	1,000	-	-
	<u>19,103</u>	<u>24,406</u>	<u>17</u>	<u>17</u>

12. Creditors: Amounts falling due after more than one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Secured issued bonds	400,260	418,400	-	-
	<u>400,260</u>	<u>418,400</u>	<u>-</u>	<u>-</u>

The maturity profile of the carrying amount of the group's long term creditors, repayable by instalments, is as follows:

	2017 £000	2016 £000
More than 1 year but not more than 2 years	19,520	18,140
More than 2 years but not more than 5 years	67,670	63,030
More than 5 years	313,070	337,230
	<u>400,260</u>	<u>418,400</u>

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

13. Loans and borrowings

In 2013, the group raised £500,000,000 of secured bond debt ("the bonds") due December 2033, listed on the Irish Stock Exchange. The debt is ultimately secured on the freehold and leasehold properties owned by Telereal General Property Limited Partnership and Telereal 112 Limited (together, the "Borrowers"). Interest accrues on the bonds at the fixed rate of 4.01% per annum. The proceeds of the bonds were lent to the Borrowers and interest is charged to the Borrowers at the rate of 4.01% plus a fee of £1,000 per annum. Interest on the bonds is payable quarterly in arrears in pounds sterling and in each case on 10 March, June, September and December in each year. Interest receivable on the loans to the Borrowers is received on the same basis.

	31 March 2016 £000	Repaid £000	31 March 2017 £000
Fixed interest bonds 2033	441,790	(23,390)	418,400

Under the terms of the Borrowers Deed of Charge, security is granted for the bonds to the Borrowers Security Trustee on trust by way of a fixed charge on the assets of the Borrowers, including properties and certain financial instruments.

14. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
1 (2016: 1) Ordinary share of £1	-	-

15. Financial instruments

Numerical financial instruments disclosures are set out below. Additional narrative disclosures are set out in note 3.

	2017 Book value £000	2017 Fair value £000	2016 Book value £000	2016 Fair value £000
Fair value of borrowings				
Secured issued bonds	418,400	448,111	441,790	434,297
Accrued interest	947	947	1,000	1,000
Amounts owed to related companies	16	16	16	16
	<u>419,363</u>	<u>449,074</u>	<u>442,806</u>	<u>435,313</u>

The fair values of the borrowings are their market value, adjusted to exclude amounts included within 'Creditors: amounts falling due within one year' in respect of accrued interest payable.

Any changes to the fair value of the group's borrowings do not affect the amounts reported in the group's balance sheet or statement of comprehensive income.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

15. Financial instruments (continued)

The fair values and book values of the group's other financial assets and liabilities, excluding its borrowings, are as follows:

	2017 Book value £000	2017 Fair value £000	2016 Book value £000	2016 Fair value £000
Other assets				
Borrower term advances	418,400	448,111	441,790	434,297
Accrued interest	947	947	1,000	1,000
Cash at bank and in hand	19	19	18	18
	<u>419,366</u>	<u>449,077</u>	<u>442,808</u>	<u>435,315</u>

The fair value of the Borrower term advances is the same as the fair value of the Secured issued bonds. The difference between book value and fair value will not result in any change to the cash flows of the group unless, at some stage in the future, fixed rate term advances are repaid early.

Maturity of financial assets due less than one year

Financial assets receivable in less than one year fall due as follows:

	2017 £000	2016 £000
Less than three months	4,360	6,340
More than three months less than 6 months	4,440	6,460
More than 6 months	9,340	10,590
	<u>18,140</u>	<u>23,390</u>

Maturity of financial liabilities

The maturity profile of the carrying amount of the group's secured bond debt falling due after more than one year is disclosed in note 12.

16. Related party transactions

The group received £9,359,000 (2016: £9,900,000) and £7,953,000 (2016: £8,413,000) in interest from Telereal 112 Limited and Telereal General Property Limited Partnership, respectively, and £1,000 (2016: £1,000) in fees in aggregate from Telereal General Property Limited Partnership and Telereal 112 Limited (the Borrowers).

There were no material transactions or balances outstanding with other related parties.

TELEREAL SECURED FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

17. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Wilmington Trust SP Services (London) Limited, a company incorporated in England and Wales, which holds the sole share of the parent company subject to a Declaration of Trust for general charitable purposes.

The annual report and financial statements of Wilmington Trust SP Services (London) Limited may be obtained from the Company Secretary, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

The registered office and principal place of business of the company is 140 London Wall, London EC2Y 5DN.