

ANNUAL REPORT AND FINANCIAL STATEMENTS
HERMES REAL ESTATE DEBT GP LIMITED
30 JUNE 2017

Registered No. 08661436

MONDAY



L6X00YFV

L03

15/01/2018

#116

COMPANIES HOUSE

HERMES REAL ESTATE DEBT GP LIMITED
REPORT AND ACCOUNTS CONTENTS

	Page
Company Information	2
Strategic Report	3
Directors' Report	5
Statement of Directors' Responsibilities	7
Independent Auditor's Report to the members of Hermes Real Estate Debt GP Limited	8
Profit and Loss Account	10
Balance Sheet	11
Statement of changes in Equity	12
Notes to the <i>Financial Statements</i>	13

HERMES REAL ESTATE DEBT GP LIMITED**COMPANY INFORMATION****Directors**

D Grose
K Wilman
M Torode (Appointed 23 June 2016)
E Mousley (Resigned 8 July 2016)

Secretary

Hermes Secretariat Limited
Lloyds Chambers
1 Portsoken Street
London
E1 8HZ

Registered office

Lloyds Chambers
1 Portsoken Street
London
E1 8HZ

Registered number

8661436

Incorporation date

22 August 2013

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

HERMES REAL ESTATE DEBT GP LIMITED

STRATEGIC REPORT

Hermes Real Estate Debt GP Limited (the "Company") is a wholly-owned subsidiary of Hermes Real Estate Investment Management Limited ("HREIM") and operates as part of the Hermes Group (the "Group").

The Company's principal activity is to act as the General Partner of Hermes Real Estate Debt L.P. (the "Partnership") formerly known as Hermes Real Estate Senior Debt Fund. The Partnership was established for the purpose of providing loans with primary ranking security over real estate assets located in the U.K. comprising commercial office, retail and industrial.

The Group manages its operations on a group basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, is discussed in the Group's Annual Report which does not form part of this report.

The Company manages capital adequacy with reference to the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by its parent Company Hermes Fund Managers Limited, as required by the FCA. Further details of HFML's ultimate approach to capital adequacy are to be found in HFML's financial statements, which can be obtained from the Registered Office, Lloyd's Chambers, 1 Portsoken Street, London E1 8HZ or in the Group's disclosures, as required under Pillar III of the Capital Requirements Directive, which are to be found at the following website address:

<https://www.hermes-investment.com/ukw/>

Principal risks and uncertainties

The Company is part of a group that has a comprehensive risk governance structure, group-wide policies and procedures, management reporting and system controls in place to identify, mitigate and control risks. The Hermes Group Board has documented and approved its risk appetite which contains both qualitative and quantitative measures.

HERMES REAL ESTATE DEBT GP LIMITED**STRATEGIC REPORT (continued)****Principal risks and uncertainties (continued)**

Whilst the Hermes Group Board is ultimately responsible for the oversight of risk management within its subsidiary operating companies and as such is responsible for setting and periodically reviewing the Group's risk strategy, including operational risk, counterparty credit risk and investment risk aspects, the Hermes Group Board has delegated oversight of day-to-day risk and control matters primarily to the Hermes Risk and Compliance Committee, Hermes Audit Committee and the Hermes Executive Committee. Financial instruments include debtors, creditors, investments and cash. These risks include interest rate risk, liquidity risk, currency risk and credit risk. Bearing in mind the nature of the exposure to such instruments the directors are satisfied that there is adequate control of the associated risks. Group risks are discussed in the Group's Annual Report which does not form part of this report.

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's Annual Report which does not form part of this Report. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

Employees

The Company has no employees as all staff are employed by HFML. However, the Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

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



Director
Matthew Torode

18 December 2017

HERMES REAL ESTATE DEBT GP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2017. A copy of the latest accounts for the Hermes Real Estate Debt L.P., a qualifying partnership under The Companies and Partnerships (Accounts and Audit) Regulations 2013, are appended to the Company's report and financial statements and will be sent to the Registrar in accordance with s441 of the Companies Act 2006.

Directors:	D Grose	
	K Wilman	
	M Torode	(Appointed 23 June 2016)
	E Mousley	(Resigned 8 July 2016)
Secretary:		Hermes Secretariat Limited

Going concern

The financial statements are prepared on the basis of going concern on the basis that the company intends Hermes Real Estate Debt L.P. to continue to hold investments for the foreseeable future. The directors have considered the status of the qualifying partnership as a going concern. The Partnership has sufficient cash flow to enable it to meet its obligations as they fall due. The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Results and dividends

The results for the year are shown in the profit and loss account on page 10.

Future developments

The Directors expect the future activities of the Company to be broadly in line with the activities of the past 12 months.

Auditor

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

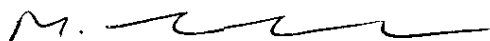
- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware: and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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.

HERMES REAL ESTATE DEBT GP LIMITED**DIRECTORS' REPORT (continued)**

KPMG LLP, statutory auditor, have indicated their willingness to be appointed for their first term and appropriate arrangements have been put in place for them to be deemed appointed as auditor in absence of an Annual General Meeting.

Approved by the board of directors ("the Board") and signed on behalf of the Board.

A handwritten signature in black ink, appearing to be 'M. Torode', with a long horizontal line extending to the right.

Director
Matthew Torode

18 December 2017

HERMES REAL ESTATE DEBT GP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES REAL ESTATE DEBT GP LIMITED

Opinion

We have audited the financial statements of Hermes Real Estate Debt GP Limited ("the Company") for the year ended 30 June 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES REAL ESTATE DEBT GP LIMITED (CONTINUED)

- 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 15 Canada Square
 Canary Wharf
 London
 E14 5GL

21 December 2017

HERMES REAL ESTATE DEBT GP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

		Year ended 30 June 2017	Year ended 30 June 2016
	Notes	£	£
Turnover	2	10,000	10,000
Administrative expenses		(2,500)	(3,150)
Operating Profit	3	<u>7,500</u>	<u>6,850</u>
Interest receivable		-	-
Profit on ordinary activities before taxation		<u>7,500</u>	<u>6,850</u>
Tax on profit on ordinary activities	4	(1,481)	(1,370)
Profit on ordinary activities after taxation and retained for the year		<u>6,019</u>	<u>5,480</u>

There are no recognised gains or losses other than the profit on ordinary activities retained for the year disclosed above. Accordingly no separate statement of other comprehensive income is presented.

The notes to these financial statements are on pages 13 to 16.

HERMES REAL ESTATE DEBT GP LIMITED**BALANCE SHEET AS AT 30 JUNE 2017**

	Notes	2017 £	2016 £
CURRENT ASSETS			
Debtors	5	235,572	223,086
		<u>235,572</u>	<u>223,086</u>
CREDITORS – amounts falling due within one year	6	(223,400)	(216,933)
		<u>12,172</u>	<u>6,153</u>
NET CURRENT ASSETS			
		<u>12,172</u>	<u>6,153</u>
NET ASSETS			
		<u>12,172</u>	<u>6,153</u>
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Profit and loss account		<u>12,171</u>	<u>6,152</u>
SHAREHOLDERS' FUNDS			
		<u>12,172</u>	<u>6,153</u>

The notes to these financial statements are on pages 13 to 16.

These financial statements were approved by the board of directors and authorised for issue on 18 December 2017.

Signed on behalf of the Board of Directors



Director
Matthew Torode

Registered company number: 8661436

HERMES REAL ESTATE DEBT GP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Called up share capital	Profit And Loss account	Total
	£	£	£
At 30 June 2015	1	672	673
Profit for the year	-	5,480	5,480
At 30 June 2016	1	6,152	6,153
Profit for the year	-	6,019	6,019
At 30 June 2017	1	12,171	12,172

The notes on pages 13 to 16 form an integral part of these financial statements.

HERMES REAL ESTATE DEBT GP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

The directors are satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. This is discussed in the Directors Report on page 5, under the heading 'Going concern'.

a) Accounting convention

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 4.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

b) Turnover

Turnover is recognised on an accruals basis. To the extent that fees and commissions are recognised in advance of billing they are included as accrued income or expense.

c) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

HERMES REAL ESTATE DEBT GP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30 JUNE 2017 (continued)

d) Critical accounting judgement and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

e) The company is exempt from disclosing related party transactions under paragraph 33.1A of FRS 102, with members of the group, as it is a wholly owned subsidiary and provided that any other subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

f) Debtors are recognised initially at transaction value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairments losses

A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are specifically identified.

Creditors are recognised initially at transaction value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2. TURNOVER

	2017	2016
	£	£
Management fee income	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

The company accounts for the priority profit share receivable from Hermes Real Estate Debt L.P. as turnover. Under the terms of the Limited Partnership Agreement dated 2nd April 2015, the Company is entitled to a priority profit share depending on the level of investor commitments in the Partnership. The turnover remaining after management fees payable to the investment manager, Hermes Alternative Investment Management Limited, is £10,000.

HERMES REAL ESTATE DEBT GP LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30 JUNE 2017 (continued)****3. OPERATING PROFIT**

The auditor's remuneration is £2,500 (2016: £3,150). The directors were not remunerated for their services to the company during the year (2016: £nil).

The company has no employees (2016: none) as all staff are employed by Hermes Fund Managers Limited.

4. TAXATION

	2017	2016
	£	£
<i>Current tax:</i>		
UK corporation tax	1,481	1,370
	<u>1,481</u>	<u>1,370</u>
 <i>Profit on ordinary activities before tax</i>	 7,500	 6,850
<i>Tax on profit on ordinary activities at standard corporation tax rate of 19% (2016: 20%)</i>	 1,481	 1,370
	<u>1,481</u>	<u>1,370</u>

5. DEBTORS

Debtors are initially recognised at transactional value and the carrying value is considered to be the same as fair value.

	2017	2016
	£	£
Amount due from the Partnership	235,571	223,085
Unpaid share capital	1	1
	<u>235,572</u>	<u>223,086</u>

6. CREDITORS

Creditors are initially recognised at transactional value and the carrying value is considered to be the same as fair value.

	2017	2016
	£	£
Accruals	221,919	215,563
Corporation tax	1,481	1,370
	<u>223,400</u>	<u>216,933</u>

Included in the accrual is the management fee payable as at 30 June 2017 for £214,899 (30 June 2016: £212,413).

HERMES REAL ESTATE DEBT GP LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30 JUNE 2017 (continued)****7. CALLED UP SHARE CAPITAL**

	2017	2016
	£	£
Allotted, called up and unpaid:		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

8. RELATED PARTIES

The company is the General Partner of Hermes Real Estate Debt Limited Partnership.

9. CONTROLLING PARTY

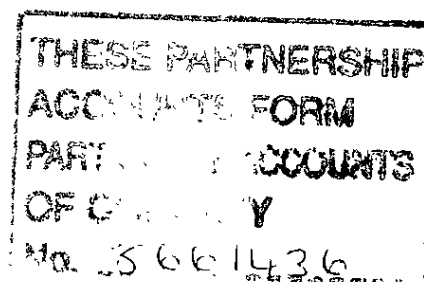
The immediate parent undertaking is Hermes Real Estate Investment Management Limited ('HREIM'). HREIM is a wholly owned subsidiary of Hermes Fund Managers Limited ('HFML'). HFML is the parent of the smallest group which includes the company and for which group financial statements are prepared.

The directors regard the BT Pension Scheme as the company's ultimate parent controlling party. It is the parent of the largest group which includes the company and for which group financial statements are prepared.

The financial statements of Hermes Fund Managers Limited and the BT Pension Scheme can be obtained at the Registered Office of those entities, Lloyds Chambers, 1 Portsoken Street, London E1 8HZ.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

General Partner's Report and Financial Statements
for the year ended
30 June 2017



Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Report and Financial Statements
Contents

	Page
Partnership information	2
Strategic report	3
General Partner's report	4
Statement of General Partner's responsibilities	6
Independent Auditor's report to the partners of Hermes Real Estate Debt L.P.	7
<i>Consolidated profit and loss account</i>	9
Consolidated balance sheet	10
Partnership balance sheet	11
Statement of changes in partnership funds	12
<i>Consolidated cash flow statement</i>	13
Notes to the financial statements	14

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Partnership information

General Partner

Hermes Real Estate Debt GP Limited
(formerly known as Hermes Real Estate Senior Debt Fund GP Limited)
Lloyds Chambers
1 Portsoken Street
London E1 8HZ

Registered Office

Lloyds Chambers
1 Portsoken Street
London E1 8HZ

Operator

Hermes Alternative Investment Management Limited
Lloyds Chambers
1 Portsoken Street
London E1 8HZ

Auditor

KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Registered number

LP15734

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Strategic Report

The General Partner presents its strategic report for the year ended 30 June 2017.

The Hermes Real Estate Debt Limited Partnership (the "Partnership") is regulated by the third amended and restated Limited Partnership Agreement (the "Limited Partnership Agreement") dated 14 September 2017, which replaces the original partnership agreement dated 11 October 2013. The Partnership owns all the issued share capital in Hermes Real Estate Senior Debt Holdings S.à r.l., which in turn owns all the issued share capital in Hermes Real Estate Senior Debt Fund S.à r.l. and Hermes US Real Estate Debt S.à r.l., together the Partnership and its Luxembourg subsidiaries are referred to as 'the Group'.

The Partnership changed its name from Hermes Real Estate Senior Debt Fund L.P. to Hermes Real Estate Debt L.P. on 12 August 2016.

Principal activities and review of the business

As shown in the consolidated profit and loss account, the Group recorded a profit on ordinary activities before taxation of £10,641k (2016: £7,161k) which is a key performance indicator for the Group. The Partnership's profit for the year is £10,640k (2016: £7,011k)

The consolidated balance sheet shows that the Group has net assets of £285,052k as at 30 June 2017 (2016: £317,022k). The decrease in net assets is due to net repayments in investment loans during the year. The General Partner seeks to continue to enhance the development of the business and will seek opportunities for further investments.

Principal risks and uncertainties

The principal risks and uncertainties for the Group are considered to be the risk of borrowers failing and defaulting on their interest and principal payments and the risk of adverse movements in property values. The business mitigates these risks by creating a diversified pool of loan investments across borrower group, loan, asset, tenant covenant and location. Lending opportunities with financially-strong and experienced borrower groups are targeted on assets that are typically high-quality income producing and offer strong tenant quality, demand and diversification. Structures are fully secured, typically non-recourse and asset-backed. Lending assessment guidelines place heightened emphasis on assessment of borrower group, deal structure, asset characteristics, tenant cash flow and refinance risk.

Future developments

The General Partner expects the Group to continue investing in loans for the foreseeable future.

The Group has no employees.

Approved by the General Partner on 18 December 2017 and signed on its behalf:



Matthew Torode
Director
Hermes Real Estate Debt GP Limited

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

General Partner's Report

Hermes Real Estate Debt GP Limited (the "General Partner") presents its report and the audited financial statements of the Partnership for the year ended 30 June 2017.

Principal activities and review of the business

Details of the principal activity and review of the business can be found in the Strategic Report on page 3.

Going concern

The financial statements have been prepared on the going concern basis, as the Partnership has predictable cash flows deriving from loan investments made by its subsidiary, Hermes Real Estate Senior Debt Fund S.à r.l.. Furthermore the Partners intend Hermes Real Estate Debt L.P. to continue to hold its investments in the Luxembourg based subsidiaries for the foreseeable future. Based on the above the General Partner has reasonable expectation that the Group possesses adequate resources to continue in operational existence. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

The Partners

Hermes Real Estate Debt GP Limited, acting as General Partner, is entitled to the Priority Profit Share (the "Priority Profit Share") from the Partnership. The Priority Profit Share is calculated as a proportion of drawn commitments in line with the provisions of the Limited Partnership Agreement and is subject to a minimum of £610,000 following the end of the Investment Period as defined by the Limited Partnership Agreement (the "Investment Period"). The Limited Partner with interest in the Partnership is:

Britel Fund Trustees Limited	100%
------------------------------	------

Under the terms of the Limited Partnership Agreement, the net income or loss and net realised capital gain or loss shall be allocated between the Partners at each quarter end in proportion to their percentage interests.

Details of capital and loans advanced during the year can be found in note 11 to the Financial Statements on page 19.

The General Partner changed its name from Hermes Real Estate Debt Fund GP Limited to Hermes Real Estate Debt GP Limited per the resolutions executed on 5 July 2016.

Results

The Group's results for the year are set out in the consolidated profit and loss account on page 9.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

General Partner's Report (continued)

Term of the Partnership

The term of the Partnership shall continue until 7 April 2022 unless terminated earlier in accordance with the provisions outlined in the Limited Partnership Agreement.

Distributions

The General Partner recommended a distribution of £10,244,172 for the year (2016: £7,244,172). Of this amount £2,184,195 is outstanding at year end (2016: £2,396,934).

Events after the balance sheet date

The Hermes Real Estate Debt L.P. deregistered as an AIF, as outlined in the Deed of Novation dated 14 September 2017, and is now managed by Hermes Investment Management Limited. Three additional loan investments were made post balance sheet date - for an amount of £7,405,000 in September 2017, an amount of £120,000,000 in November 2017 and an amount of £33,750,000 in December 2017. On 30 August 2017 two loans totalling £66,000,000 were found to have breached one covenant each. The General Partner is actively working with the Borrowers to seek a remedy.

Disclosure of Information to the Auditor

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

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006 as applicable to qualifying partnerships.

Auditor

Deloitte LLP have resigned as auditor with effect from 8 June 2017. KPMG LLP have expressed a willingness to act as auditor from that date. A resolution appointing KPMG LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the General Partner on 18 December 2017
and signed on its behalf by:



Matthew Torode
Director
Hermes Real Estate Debt GP Limited

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Statement of General Partner's Responsibilities

The General Partner is responsible for preparing the Strategic Report, the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the General Partner 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 Partnership and of the profit or loss of the Group for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

The General Partner is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Partners of Hermes Real Estate Debt L.P. (formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Opinion

We have audited the Group's and Partnership's financial statements of the Hermes Real Estate Debt L.P. ("the qualifying partnership") for the year ended 30 June 2017 which comprise the Consolidated Profit and Loss Account, the Consolidated and Partnership Balance Sheets, the Consolidated and Partnership Statement of changes in Partnership Funds, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and qualifying partnership's affairs as at 30 June 2017 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic and general partner's report

The general partner is responsible for the strategic and general partner's reports. Our opinion on the financial statements does not cover these reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic and general partner's reports and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic and general partner's reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Partners of Hermes Real Estate Debt L.P. (formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 these respects.

General partner's responsibilities

As explained more fully in the their statement set out on page 6, the general partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying partnership'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 they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

21 December 2017

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Consolidated Profit and Loss Account
for the year ended 30 June 2017

	Notes	2017 £	2016 £
Investment income	2	12,053,493	8,253,709
Administrative expenses		(1,371,407)	(1,090,115)
Loss on foreign exchange		(4,776)	(2,239)
Profit on ordinary activities before taxation	3	<u>10,677,310</u>	<u>7,161,355</u>
Tax on profit on ordinary activities	4	(26,919)	(4,604)
Profit before distributions		<u>10,650,391</u>	<u>7,156,751</u>
Finance costs - distributions		(10,228,819)	(7,244,172)
Profit/(loss) for the year		<u><u>421,572</u></u>	<u><u>(87,421)</u></u>

All activities derive from continuing operations.

There are no recognised gains or losses in the prior year, other than those stated above.
Accordingly, no separate Statement of Other Comprehensive income has been presented.

Notes 1 to 14 form part of these financial statements.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)
LP15734

Consolidated Balance Sheet
as at 30 June 2017

	Notes	2017 £	2016 £
Fixed assets			
Investment loans	5	284,919,892	316,750,764
Current assets			
Debtors	7	1,860,575	1,687,508
Cash at bank and in hand	8	2,220,046	5,455,834
		<u>4,080,621</u>	<u>7,143,342</u>
Creditors: amounts falling due within one year	9	(3,239,693)	(5,668,340)
Net current assets		<u>840,928</u>	<u>1,475,002</u>
Total assets less current liabilities		285,760,820	318,225,766
Creditors: amounts falling due after more than one year	10	(708,580)	(1,203,752)
Net assets attributable to Limited Partners		<u>285,052,240</u>	<u>317,022,014</u>
Partnership Funds			
Partners' capital accounts	11	1,000	1,000
Partners' loan accounts	11	284,629,668	317,021,014
Partners' current accounts	11	421,572	-
	11	<u>285,052,240</u>	<u>317,022,014</u>

All activities derive from continuing operations.

Notes 1 to 14 form part of these financial statements.

The financial statements of Hermes Real Estate Debt L.P. (registered number LP15734) were approved by the General Partner and authorised for issue on 18 December 2017 and signed on its behalf by:



Matthew Torode
Director
Hermes Real Estate Debt GP Limited

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)
LP15734

Partnership Balance Sheet
as at 30 June 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	6	1,501,100	1,501,100
Current assets			
Debtors- due within one year	7	8,088,079	2,395,486
Debtors- due after one year	7	283,199,627	315,674,903
Cash at bank and in hand	8	1,555,884	2,002,299
		<u>292,843,590</u>	<u>320,072,688</u>
Creditors: amounts falling due within one year	9	(9,005,442)	(3,348,022)
Net current assets		<u>283,838,148</u>	<u>316,724,666</u>
Total assets less current liabilities		285,339,248	318,225,766
Creditors: amounts falling due after more than one year	10	(708,580)	(1,203,752)
Net assets		<u><u>284,630,668</u></u>	<u><u>317,022,014</u></u>
Partners' Funds			
Partners' capital accounts	11	1,000	1,000
Partners' loan accounts	11	284,629,668	317,021,014
Partners' current accounts	11	-	-
	11	<u><u>284,630,668</u></u>	<u><u>317,022,014</u></u>

Notes 1 to 14 form part of these financial statements.

The financial statements of Hermes Real Estate Debt L.P. (registered number LP15734) were approved by the General Partner and authorised for issue on 18 December 2017 and signed on its behalf by:



Matthew Torode
Director
Hermes Real Estate Debt GP Limited

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior
Debt Fund L.P.)

Statement of changes in Partnership Funds
for the year ended 30 June 2017

Consolidated	Notes 11	Capital	Loan	Current	Total
		accounts	accounts	accounts	
		£	£	£	£
Balance at 1 July 2015		1,000	97,520,850	87,421	97,609,271
Loans advanced		-	219,500,164	-	219,500,164
Profit for the year		-	-	7,156,751	7,156,751
Distributions paid		-	-	(4,847,238)	(4,847,238)
Distributions payable		-	-	(2,396,934)	(2,396,934)
Balance at 30 June 2016		1,000	317,021,014	-	317,022,014
Loans advanced		-	29,000,000	-	29,000,000
Loans repaid		-	(61,391,346)	-	(61,391,346)
Profit for the year		-	-	10,650,391	10,650,391
Distributions paid		-	-	(8,034,130)	(8,034,130)
Distributions payable		-	-	(2,194,689)	(2,194,689)
Balance at 30 June 2017		1,000	284,629,668	421,572	285,052,240

Partnership	Notes 11	Capital	Loan	Current	Total
		accounts	accounts	accounts	
		£	£	£	£
Balance at 30 June 2015		1,000	97,520,850	120,354	97,642,204
Loans advanced		-	219,500,164	-	219,500,164
Profit for the year		-	-	7,010,984	7,010,984
Distributions paid		-	-	(4,847,238)	(4,847,238)
Distributions payable		-	-	(2,284,100)	(2,284,100)
Balance at 30 June 2016		1,000	317,021,014	-	317,022,014
Loans advanced		-	29,000,000	-	29,000,000
Loans repaid		-	(61,391,346)	-	(61,391,346)
Profit for the year		-	-	10,430,254	10,430,254
Distributions paid		-	-	(8,153,711)	(8,153,711)
Distributions payable		-	-	(2,276,543)	(2,276,543)
Balance at 30 June 2017		1,000	284,629,668	-	284,630,668

Notes 1 to 14 form part of these financial statements.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Consolidated Cash Flow Statement
for the year ended 30 June 2017

	Notes	2017 £	2016 £
Net cash inflow from operating activities	12	5,358,817	9,342,295
Financing activities			
Partners' loans advanced during the year	11	29,000,000	219,500,164
Partners' loans repaid during the year		(61,391,346)	-
Distribution paid		(8,034,130)	(4,847,238)
		<u>(35,066,660)</u>	<u>223,995,221</u>
Investment activities			
Addition of investment loans	5	(39,380,000)	(220,973,202)
Repayment of investment loans	5	71,210,872	1,782,288
		<u>31,830,872</u>	<u>(219,190,914)</u>
(Decrease)/increase in cash in the year		<u>(3,235,788)</u>	<u>4,804,307</u>
Cash at bank and in hand brought forward	8	5,455,834	651,527
Movement		<u>(3,235,788)</u>	<u>4,804,307</u>
Cash at bank and in hand carried forward	8	<u>2,220,046</u>	<u>5,455,834</u>

Notes 1 to 14 form part of these financial statements.

**Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)**

**Notes to the Financial Statements
for the year ended 30 June 2017**

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and prior year.

Basis of accounting

Hermes Real Estate Debt Limited Partnership is a qualifying partnership registered in the United Kingdom. The address of the registered office is given on page 2. The nature of the Partnership's operations and its principal activities are set out in the strategic report on page 3.

The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. The financial statements have been prepared under Regulation 4 of the Partnership (Accounts) Regulations 2008. Income and expenditure has been accounted for on an accruals basis. The financial statements have been prepared on a consolidated basis to show the activities of Hermes Real Estate Debt L.P. and its wholly owned subsidiaries.

Statement of compliance

The financial statements have been prepared under the historical cost convention and 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").

The functional currency of Hermes Real Estate Debt LP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. This is the functional currency of the Partnership and the presentation currency of the Group.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the prior year.

Going concern

The financial statements have been prepared on the going concern basis, as the Partnership has predictable cash flows deriving from loan investments made by its subsidiary, Hermes Real Estate Senior Debt Fund S.à r.l.. Furthermore the Partners intend Hermes Real Estate Debt L.P. to continue to hold its investments in the Luxembourg based subsidiaries for the foreseeable future. Based on the above the General Partner has reasonable expectation that the Group possesses adequate resources to continue in operational existence. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Partnership and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Advantage has been taken of the exemption available under the Companies Act 2006 not to prepare a separate Partnership profit and loss account.

**Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)**

**Notes to the Financial Statements
for the year ended 30 June 2017**

Investment income

Investment income consists of interest receivable from investment loans and other movements in amortised cost on investment loans secured on investment property. Interest income is recognised as it accrues. Arrangement fees are amortised on a straight line basis over the life of the loans.

Taxation

No UK taxation is provided as the tax liabilities on the Partnership's profits are a liability of the Partners and not of the Partnership. The foreign tax charge arises from the operations of the Partnership's wholly owned subsidiaries that are subject in Luxembourg to the applicable general tax regulation.

Distributions

It is the policy of the Partnership to distribute profits that are represented by net receipts and payments of cash to the Partners on a quarterly basis. In accordance with FRS 102, distributions have been classified as finance costs.

Investment loans

Investment loans consist of mortgage loans secured on investment property and are recognised when cash is advanced to borrowers. Loans are initially recognised at transaction values plus attributable costs and are subsequently carried at amortised cost less provision for impairment. At each reporting date the loans are assessed for objective evidence that they are impaired and uncollectible. To the extent that a loan is uncollectible it is written down to its recoverable amount with the impairment charged to the profit and loss account. Subsequent recoveries in excess of the loan's written-down value are credited to the profit and loss account.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are specifically identified.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and deposits

Cash and deposits comprise cash at bank.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Notes to the Financial Statements
for the year ended 30 June 2017

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described above, the General Partner is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the General Partner has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. In evaluating the portfolio and estimating the default allowance, management takes into consideration numerous factors including current economic conditions, prior loan loss experience, composition of the loan portfolio and management's estimate of credit losses. Such evaluation, which includes a review of all loans on which full collectability may not be reasonably assured, also considers among other matters, the estimated net realisable value or the fair value of the underlying collateral, economic conditions, historical loss experience, and other factors that warrant recognition in providing for an adequate allowance for loan losses. Management establishes an allowance for loan losses that it believes is adequate to reflect incurred impairment losses in the existing portfolio. In the event that management's evaluation is that the level of the allowance for loan losses is inadequate, the Group would need to increase its provision for loan losses.

If in a subsequent period, the amount of the default allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised default allowance is recognised in the profit and loss account.

2 Investment income	2017	2016
	£	£
Interest income	11,144,575	7,688,623
Arrangement fee income	908,918	565,086
Total investment income	12,053,493	8,253,709

3 Profit on ordinary activities before taxation	2017	2016
	£	£
This is stated after charging:		
Auditor's remuneration for audit services (Group)	36,900	57,657
Auditor's remuneration for audit services (Partnership)	22,700	(2,239)

The Partnership had no employees during the year (2016: nil).

No remuneration is borne by the Limited Partnership of key management personnel (2016: nil).

4 Tax on profit on ordinary activities	2017	2016
Profit on ordinary activities before tax	10,677,310	7,161,355
Applicable tax rate for partnership (0%)	-	-
Luxembourg wealth tax	26,919	4,604
Tax charge for the period	26,919	4,604

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Notes to the Financial Statements
for the year ended 30 June 2017

5 Investment loans	2017	2016
	£	£
Cost		
At beginning of year	316,750,764	97,559,850
Additions during the year	39,380,000	220,973,202
Repayments during the year	(71,210,872)	(1,782,288)
As at year end	<u>284,919,892</u>	<u>316,750,764</u>
Repayment profile		
Due within one year	43,107,764	33,767,053
Due between one year and two years	98,946,811	43,306,268
Due between two and five years	87,880,547	187,200,364
Due after five years	54,984,770	52,477,079
	<u>284,919,892</u>	<u>316,750,764</u>

Loans accrue an interest rate of 3.4% per annum and are secured by properties. There was no provision for impairment on these loans at the year end.

6 Investments	2017	2016
	£	£
Cost:		
At the beginning of the year	1,501,100	991,100
Additions during the year	-	510,000
At the end of the year	<u>1,501,100</u>	<u>1,501,100</u>
Net book value		
At the end of the year	<u>1,501,100</u>	<u>1,501,100</u>

At the end of the year no provisions were made for the impairment of loans

Partnership

The investment represents a 100% shareholding in Hermes Real Estate Senior Debt Holdings S.à r.l, which was incorporated on 11 October 2013 and organised under the laws of Luxembourg as a private limited liability company (société à responsabilité limitée). The company is established for an unlimited period of time and is registered under R.C.S. in Luxembourg, number B 181697 at 51, avenue John F. Kennedy, L - 1855 Luxembourg.

Group

The objective of Hermes Real Estate Senior Debt Holdings S.à r.l is to hold 100% shareholdings in the following:

- Hermes Real Estate Senior Debt Fund S.à r.l a private limited liability company (société à responsabilité limitée) which was incorporated on 11 October 2013 and organised under the laws of Luxembourg. The company is established for an unlimited period of time and is registered under R.C.S. in Luxembourg, number B 181785 at 51, avenue John F. Kennedy, L - 1855 Luxembourg. The objective of Hermes Real Estate Senior Debt Fund S.à r.l is to provide loans with primary ranking security over real estate assets comprising commercial office, retail and industrial assets in the UK.

- Hermes US Real Estate Debt S.à r.l a private limited liability company (société à responsabilité limitée) which was incorporated on 30 June 2016 and organised under the laws of Luxembourg. The company is established for an unlimited period of time and is registered under R.C.S. in Luxembourg, number B 208043 at 51, avenue John F. Kennedy, L - 1855 Luxembourg. The objective of Hermes US Real Estate Debt S.à r.l is to provide loans with primary ranking security over real estate assets comprising commercial office, retail and industrial assets in the US.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Notes to the Financial Statements
for the year ended 30 June 2017

	Group	Group	Partnership	Partnership
	2017	2016	2017	2016
	£	£	£	£
7 Debtors				
Amounts falling due within one year				
Amounts due from group undertakings	-	-	8,088,079	2,395,486
Interest receivable	1,850,809	1,685,273	-	-
Prepayments	9,766	2,235	-	-
	<u>1,860,575</u>	<u>1,687,508</u>	<u>8,088,079</u>	<u>2,395,486</u>
Amounts falling due after one year				
Amounts due from group undertakings	-	-	283,199,627	315,674,903
	<u>-</u>	<u>-</u>	<u>283,199,627</u>	<u>315,674,903</u>

The long term loans are loans between the Partnership and its subsidiaries.

In accordance with the LPA these loans are made on a 4 year cycle and are repayable in or after 2020.

	Group	Group	Partnership	Partnership
	2017	2016	2017	2016
	£	£	£	£
8 Cash at bank				
Cash at bank and in hand	2,220,046	5,455,834	1,555,884	2,002,299
	<u>2,220,046</u>	<u>5,455,834</u>	<u>1,555,884</u>	<u>2,002,299</u>
9 Creditors: amounts falling due within one year				
Amounts due to group undertakings	-	-	5,957,548	141,270
Distribution payable	2,194,689	2,396,934	2,276,543	2,284,100
Accruals	526,036	2,593,692	252,383	244,938
Deferred income	518,968	677,714	518,968	677,714
	<u>3,239,693</u>	<u>5,668,340</u>	<u>9,005,442</u>	<u>3,348,022</u>

Creditors are initially recognised at cost. Carrying value is considered to be the same as fair value.

	Group	Group	Partnership	Partnership
	2017	2016	2017	2016
	£	£	£	£
10 Creditors: amounts falling due after more than one year				
Deferred income	708,580	1,203,752	708,580	1,203,752
	<u>708,580</u>	<u>1,203,752</u>	<u>708,580</u>	<u>1,203,752</u>

The deferred income represents the arrangement fee that is recognised over the life of the loans.

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Notes to the Financial Statements
for the year ended 30 June 2017

11 Partners' accounts

Group	2017	2016
Capital accounts	£	£
At the beginning of the year	1,000	1,000
Contributed during the year	-	-
At the end of the year	<u>1,000</u>	<u>1,000</u>

Loan accounts

At the beginning of the year	317,021,014	97,520,850
Advanced during the year	29,000,000	219,500,164
Repayments during the year	(61,391,346)	-
At the end of the year	<u>284,629,668</u>	<u>317,021,014</u>

Profit and loss account

At the beginning of the year	-	87,421
Profit for the year	10,650,391	7,156,751
Distribution paid	(8,034,130)	(4,847,238)
Distribution payable	(2,194,689)	(2,396,934)
At the end of the year	<u>421,572</u>	<u>-</u>

Total Partners' accounts

285,052,240	317,022,014
--------------------	--------------------

Partnership

Capital accounts	2017	2016
	£	£
At the beginning of the year	1,000	1,000
Contributed during the year	-	-
At the end of the year	<u>1,000</u>	<u>1,000</u>

Loan accounts

At the beginning of the year	317,021,014	97,520,850
Advanced during the year	29,000,000	219,500,164
Repayments during the year	(61,391,346)	-
At the end of the year	<u>284,629,668</u>	<u>317,021,014</u>

Profit and loss account

At the beginning of the year	-	120,354
Profit for the year	10,430,254	7,010,984
Distribution paid	(8,153,711)	(4,847,238)
Distribution payable	(2,276,543)	(2,284,100)
At the end of the year	<u>-</u>	<u>-</u>

Total Partners' accounts

284,630,668	317,022,014
--------------------	--------------------

Hermes Real Estate Debt L.P.
(formerly known as Hermes Real Estate Senior Debt Fund L.P.)

Notes to the Financial Statements
for the year ended 30 June 2017

12 Net cash inflow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	2017	2,016
	£	£
Profit for the financial year	10,650,391	7,156,751
Increase in debtors	(173,067)	(1,154,145)
(Decrease)/increase in creditors	(5,118,507)	3,339,689
Net cash inflow from operating activities	<u>5,358,817</u>	<u>9,342,295</u>

13 Related parties

The General Partner of the Partnership is Hermes Real Estate Debt GP Limited, its Limited Partner is Britel Fund Trustees Limited.

Hermes Real Estate Senior Debt Holdings S.à r.l., Hermes Real Estate Senior Debt Fund S.à r.l and Hermes US Real Estate Debt S.à r.l. are subsidiaries of the Partnership.

Partnership

As at 30 June the following amounts were outstanding:

	2017	2016
	£	£
Amounts due to Hermes Real Estate Senior Debt Fund GP	226,528	223,085
	<u>226,528</u>	<u>223,085</u>

14 Ultimate parent company and controlling party

Hermes Real Estate Debt GP Limited is the General Partner of the Partnership and Britel Fund Trustees Limited is the Limited Partner.

The immediate and ultimate controlling party is the BT Pension Scheme, a UK pension scheme with scheme registration number 100850030.

The address of the BT Pension Scheme is: Lloyds Chambers, 1 Portsoken Street, London, E1 8HZ.