Registered number: 03487308

TRILLIUM HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

TRILLIUM HOLDINGS LIMITED

CONTENTS

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their strategic report for Trillium Holdings Limited (the "company") and its subsidiaries (together, the "group") for the year ended 31 March 2018.

Principal activities and business review

The principal activity of the company is that of a holding company. The group is principally engaged in the ownership and management of a portfolio of properties based in the UK. The group's principal tenants are public sector and large corporate organisations. The group operates in two main areas: long-term property partnerships and investments. The main property partnership contracts are as follows:

The provision of property and other services to the Department for Work and Pensions (DWP) under a 20 year contract, which ended on 31 March 2018, designed to outsource all aspects of ownership and operation of the occupational property estate of the DWP.

A 25 year corporate outsourcing contract with Aviva to manage and improve its core occupational estate. The range of services provided includes planned and reactive maintenance, life-cycle capital expenditure and capital projects.

A 20 year outsourcing contract with the Driver and Vehicle Licensing Agency (DVLA) incorporating life-cycle capital expenditure, estates management and facilities management across its entire UK property estate.

Certain subsidiaries of the group, together with members of the wider Telereal Trillium group of companies, provide property management services through the leasing of specialised and general purpose properties to British Telecommunications Plc (BT).

It also acts as an agent for Barclays Bank Plc (Barclays) in the management of a surplus leasehold property portfolio as part of a property outsourcing contract. The group has no interest in the properties but assumes the responsibility associated with the surplus leasehold properties.

In addition, the group owns a portfolio of leasehold and freehold properties previously owned by the Royal Mail Group. Royal Mail occupies the space it requires in these buildings and the company manages the subtenants and vacant space. The group has continued in the period to hold leaseholds and freeholds and receive rentals from Royal Mail and subtenants.

The group reported turnover in the year of £608,355,000 (2017: £618,174,000), the decrease largely due to a reduction in sales of properties held for sale.

Operating profit after property disposals and revaluations was £116,807,000 (2017: £150,841,000). The group's investment and operating properties were revalued at 31 March 2018, resulting in a net gain of £47,711,000 (2017: gain of £10,389,000) to the consolidated statement of comprehensive income, of which a charge of £5,333,000 (2017: charge of £20,111,000) was recognised in operating profit and gains of £53,044,000 (2017: £30,500,000) in other comprehensive income. Profit on disposal of properties was £3,331,000 (2017: loss of £1,509,000).

The group reported net finance income for the year of £28,794,000 (2017: income of £42,094,000). The credit for 2017 included an exceptional receipt of £22,595,000 in settlement of the group's ongoing dispute in relation to payments due in consequence of a previous financing.

The group reported total comprehensive income for the year of £187,072,000 (2017: £181,369,000) in the year ended 31 March 2018.

At 31 March 2018, the group's total equity was £999,747,000 (2017: £819,955,000), an increase of £179,792,000 since the prior year.

Principal activities and business review (continued)

Total tangible fixed assets and investment properties decreased by £110,451,000 during the year, mainly as a result of furniture and equipment disposals to the DWP at the end of the PRIME contract with a value of £125,026,000, property disposals with a carrying value of £22,507,000, and depreciation of £16,337,000, partially offset by additions of £10,813,000 and a revaluation surplus of £42,606,000. On 31 March 2018, the DWP exercised an option to acquire furniture and equipment on the occupied estate for market value. Further details regarding the sale of furniture and equipment are provided in note 15.

At the year end, the group's non-controlling interest was £1,195,000 (2017: £861,000).

Future developments

The services agreement with the DWP came to an end at 31 March 2018, after which the group's trading relationship with the DWP is as landlord. The directors expect to see the group continue trading on this basis with the DWP for the forseeable future. Other than this, it is not envisaged that the group will initiate any plans to restructure its principal activities in the forthcoming year.

Principal risks and uncertainties

The directors are conscious of the prevailing conditions in the UK economy, and the risks and uncertainties faced by property companies in general. In summary, the directors consider the group to be well organised and consider the impact of these risks to be low. This may provide competitive advantage to the group during the current financial year, as considered in more detail below.

Property risk
As an investor in property the group is exposed to potential reductions in the value of its properties and reduction in rental values. However, the directors consider the risk of adverse changes in property values and rental incomes to be low, as greater than 90% of the income is derived from significant medium and long term leases with government departments and large corporate organisations.

Taxation risk
The company is exposed to tax risks resulting from changes in tax legislation and the interpretation of tax legislation, which may expose the company to a reduction in post-tax income. The tax affairs of the company and 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.

Credit risk
The group's principal financial assets are bank balances, treasury bills, trade and other assets and loans to other undertakings.

Trade and other debtors
Debtors are presented in the balance sheet net of allowances for doubtful debts. The group seeks to only trade with creditworthy third parties and monitors the levels of debt on a regular basis. The credit risk of debtors is considered to be low given the nature of the contracts and primary leases being with government departments, related agencies and large commercial organisations.

Bank balances
The group's bank balances are deposited at banks with long-term credit ratings which are monitored by the group treasurer.

Amounts due from group undertakings
The credit risk of amounts due from group undertakings is considered low, owing to the secure long-term cash flows that are receivable by the counterparties or wholly-owned subsidiaries of the counterparties.

Principal risks and uncertainties (continued)

Inflation risk
The group's contracts are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of a mismatch between income and costs due to movements in inflation indices. The group's overall cash flows are estimated to partially vary with inflation. The effects of these inflation changes do not always immediately flow through to the group's cash flows. Cash flows are monitored regularly to identify whether any further action is required.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the group's reputation. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term and short term debt finance. Long term and short term liquidity needs are reviewed on a periodic basis by management and the board.

Interest rate risk
The group operates an interest rate policy designed to optimise interest rate cost and reduce volatility in reported earnings. Where the group holds floating rate debt the primary risk is that the group's cash flows will be subject to variation depending upon changes to base interest rates. The group's policy is to require interest rates to be fixed for 100% of long term debt. This is achieved through the use of interest rate swaps.

Financial key performance indicators

The key performance indicators of the group are set out below:

• To ensure high levels of customer satisfaction.

• To create sustainable returns for shareholders through:
  - Delivering efficiencies and using our scale more effectively,
  - Improving working capital management and cash generation.

• To promote responsibility to achieve the highest practicable standards of health and safety and minimise the impact of our activities on the environment.

• To attract, develop, retain and motivate high performance teams and individuals.

The group has achieved sustainable returns to shareholders by providing a return on their investment through the payment of dividends while continuing to maintain a healthy working capital position. The company also continues to maintain the highest practicable standards of health and safety supported by external benchmarking and accreditation, including Occupational Health and Safety Assessment Series (OHSAS) 18001 certification.

This report was approved by the board on 21 DEC 2018 and signed on its behalf.

Aaron Burns
Company Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Dividends

During the year ended 31 March 2018, the company paid dividends totalling £7,280,000 (2017: £27,368,000). Subsequent to year end, the company has paid further dividends of £10,368,000.

Directors

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

Adam Dakin
Graham Edwards
Michael Hackenbroch (appointed 4 September 2017)
Russell Gurnhill
Graeme Hunter
Warren Persky (resigned 19 September 2017)

Charitable donations

The group made various charitable contributions totalling £78,000 (2017: £135,000) during the financial year. The group operates a charity matching scheme, which matches employee donations subject to a limit of £2,500 per employee per year.

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.

Creditor payment policy

The group pays its creditors in accordance with its contractual obligations. The average time the group took to pay trade debts based on trade accounts payable during the year was 36 days (2017: 40 days).

Matters covered in the strategic report

Details of principal activities, business review, future developments and financial risk management can be found on pages 1, 2 and 3 in the strategic report. They form part of this report by cross-reference.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the 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

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

This report was approved by the board on 21 DEC 2018 and signed on its behalf.

Aaron Burns
Company Secretary

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Trillium Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

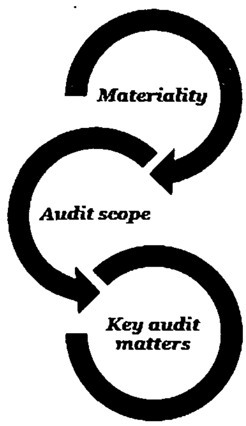
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £34.5 million (2017: £36.8 million), based on 2% of total assets.
- Overall company materiality: £16.8 million (2017: £14.1 million), based on 1% of total assets.

- We have performed sufficient audit procedures over the statutory entities within the Group to obtain coverage of 100% of total assets and 100% of revenues of the Group.

- Valuation of Investment Property.
- Valuation of the accrued income receivable associated with the disposal of furniture and equipment.
- Valuation of Onerous Lease Provisions.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Investment Property **Group** Refer to page 39 (Notes to the financial statements – note 16), page 30 (Judgements in applying accounting policies and key sources of estimation uncertainty), and page 22 (Accounting policies). The group owns a portfolio of investment property comprising properties within the United Kingdom. The total value of this investment property at 31 March 2018 was £335.1 million (31 March 2017: £116.4 million). This has been identified as a key audit matter as the valuation of this property is an inherently complex and judgemental area. The valuation of £253.8 million of the assets has been carried out internally by a chartered surveyor who is a member of the Royal Institution of Chartered Surveyors ("RICS"). The remaining £81.3 million of the properties have been valued by external valuers CB Richard Ellis ("CBRE"). In both cases the valuations are prepared in accordance with the valuation principles of the Appraisal and Valuation manual of the RICS and the Group's accounting policies. Where internally valued, management have utilised external valuation experts, CBRE, who have reviewed the methodology and key assumptions used within the internal valuation of certain properties. The portfolio contains a number of properties which have been valued via differing techniques based on the individual nature of each asset. For those properties which are currently generating rental income either the income capitalisation method or a discounted cash flow method has been utilised to calculate their investment value depending on the nature of the properties. The valuation takes into account property specific information such as the current tenancy agreements and rental income. Judgemental assumptions are then applied such as yield and discount rate, where applicable, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For those properties which are vacant at the valuation date the valuation is based on the vacant possession value of the specific property, taking into consideration any development potential and planning consents	Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. *Assessing the valuers' expertise and objectivity* We assessed both the internal and external valuers' qualifications and expertise and read the external valuers' terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the external valuers and the Group, and other engagements which might exist between the Group and the external valuers. We found no evidence to suggest that the objectivity of the external valuers was compromised. *Data used by the valuers* For both internal and external valuations we checked the accuracy of the underlying data used within the valuations by tracing the data back to the relevant evidence such as signed leases on a sample basis. No exceptions were identified from this work *Assumptions and estimates used by the valuers* We obtained the internal valuation schedules and the external valuers reports and confirmed that the valuation approach utilised was in accordance with RICS standards and suitable for use in determining the final value for the purpose of the financial statements. We met with internal and external valuers to discuss and challenge the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. For each portfolio of properties we assessed the reasonableness of the key assumptions utilised in the valuation. This included comparing the yield, and where relevant discount rate, to comparable market benchmarks. In doing so we had regard to portfolio specific factors and our knowledge of the market, including recent comparable transactions. We obtained corroborating evidence to support explanations received from the valuers where

Key audit matter	*How our audit addressed the key audit matter*
obtained.	appropriate. *Overall findings* We found that the assumptions and methodology used were consistent with our expectations and that they had been applied appropriately.
Valuation of the accrued income receivable associated with the disposal of furniture and equipment **Group** Refer to page 37 (Notes to the financial statements – note 15), page 30 (Judgements in applying accounting policies and key sources of estimation uncertainty), and page 22 (Accounting policies). The Group has an accrued income receivable as at 31 March 2018 of £125.4 million (31 March 2017: £nil) related to the disposal proceeds from the sale of furniture and equipment to DWP. This has been identified as a key audit matter given the estimation uncertainty surrounding the amount which will ultimately be recovered from DWP. The contract stipulated that DWP should pay "open market value". However, the two parties are currently in a dispute resolution process to agree the amount that will ultimately be received by the Group. The directors have arrived at their estimate for the accrued income receivable by assessing the fair value of the underlying furniture and equipment as at 31 March 2018. Utilising the depreciated replacement cost methodology the directors have performed an internal valuation of the assets in accordance with RICS Professional Standards, January 2014 (RICS Red Book).	*Basis for the valuation* We have considered whether it was appropriate for the directors to utilise the depreciated replacement cost of the underlying furniture and equipment assets to arrive at the valuation for the accrued income balance. In doing so we: inspected the original contract with the DWP; inspected correspondence surrounding the matter between the Group and the DWP; and held discussions with those members of management outside of finance leading the negotiations for the Group. Having considered the matter, including the fact that the dispute resolution process to agree the "open market value" has yet to significantly progress, we have concluded the directors' estimation methodology for the accrued income receivable is appropriate given the current facts and circumstances. *Assessment of the directors' valuation* Given the inherent subjectivity involved in the valuation of furniture and equipment, the need for deep market knowledge when determining the most appropriate assumptions and the valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. Having obtained the directors' valuation, working alongside our internal valuation experts, we critically assessed the methodology and key valuation assumptions utilised. This included as assessment of the application of the depreciated replacement cost methodology, as well as the assessing assumptions around the condition of the assets and the depreciation curves applied. We checked the accuracy of the underlying data used within the valuations by tracing the data back to relevant supporting evidence. Where the valuation data used in the current year was the same as or based on that utilised in the prior year valuation we: considered the reasonableness of this, verified movements in the data on the prior year, and performed sensitivity analysis to ensure the data utilised was appropriate. *Overall findings* We found that the assumptions and methodology used were consistent with our expectations and that they had been applied appropriately. Furthermore we

Key audit matter	*How our audit addressed the key audit matter*
	have reviewed the disclosures within the financial statements surrounding this matter and are satisfied they are appropriate.
Valuation of Onerous Lease Provisions **Group** Refer to page 45 (Notes to the financial statements – note 23), page 30 (Judgements in applying accounting policies and key sources of estimation uncertainty), and page 22 (Accounting policies). The Group has a provision for onerous leases relating to properties within the United Kingdom at 31 March 2018 of £27.0 million (31 March 2017: £48.7 million). This has been identified as a key audit matter given the inherent judgement and estimation required to assess the present value of future cash flows associated with properties held under operating leases. The directors have arrived at their estimate for the provision by forecasting future cash flows for each property held under an operating lease and discounting these back to present value. Where the present value of cash outflows exceeds the present value of cash inflows a provision has been recognised. Furthermore the Group are currently in negotiation with the Department of Work and Pensions ("DWP") to determine whether the Group or DWP should be liable for the rent payable post 31 March 2018 on a number of operating lease properties previously occupied by the DWP. The directors believe the Group is not liable for future cash flows associated within operating leases which were "virtually assigned" to the Group under the PRIME contract rather than being "legally assigned". Accordingly no provision has been recognised in relation to such properties even if they are forecast to be onerous.	*Data used in determining the provision* We obtained a reconciliation of the movement in the onerous lease provisions by property and confirmed the mathematical accuracy of these schedules. On a sample basis we agreed the inputs into the onerous lease calculations back to relevant supporting documentation such as signed lease agreements. We identified properties no longer deemed onerous and obtained evidence to corroborate removal of these properties from the provision. *Assumptions and estimates used by the valuer* We performed a lookback test comparing the utilisation of the provision in the year to that expected per the prior year calculations. Any significance variances were investigated and corroborated. We identified any significant changes in the underlying cash flow assumptions at a property level year on year and obtained corroborating evidence to confirm that these changes were reasonable. We considered the appropriateness of the discount rate used within the calculation with reference to market information and assessed the reasonableness of the discount unwind in the year. We reviewed the legal opinion obtained by the directors supporting the judgement taken in relation to not providing for the virtually assigned leases. *Overall findings* We found that the input data, assumptions and methodology used were consistent with our expectations and that they had been applied appropriately.
Valuation of investments in subsidiary companies **Company** Refer to page 40 (Notes to the financial statements – note 17), and page 22 (Accounting policies). The Company has investments in subsidiary companies of £579.5 million (2017: £585.1 million) as at 31 March 2018. The Company's accounting policy is to hold these investments at cost less accumulated impairment. Given the inherent judgement in assessing the value of a subsidiary company for potential impairment, this was identified as a key audit matter for our audit of the Company. The primary determinant and key judgement within the value of each subsidiary company is the value of the investment property and intercompany receivables held by each investee. As such it was over these	We obtained the directors' assessment for the value of investments held in subsidiary companies as at 31 March 2018. We assessed the accounting policy for investments to ensure it was compliant with FRS 102. We verified that the methodology used by the directors in assessing the value of each subsidiary was compliant with FRS 102. We identified the key judgement within the value of investments held in subsidiary companies to be the valuation of investment property and intercompany receivables held by each investee. For details of our procedures over investment property valuations please refer to earlier within this report since this was identified as a key audit matter in its own right for the Group. Our procedures over the valuation of intercompany

Key audit matter	*How our audit addressed the key audit matter*
areas that we applied the most focus and audit effort. For further discussion around the value of investment property, please refer to earlier within this report since this was identified as a key audit matter in its own right for the Group.	receivables included cross-referencing the balances to the associated payable within the relevant Group company. We then assessed the recoverability of the receivable with reference to the net asset position of the counterparty and other factors where relevant. We have no matters to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We have performed a full scope statutory audit over every trading entity within the Group. As such we have performed sufficient audit procedures over the statutory entities within the Group to obtain coverage of 100% of total assets and 100% of revenues of the Group.

No component auditors were required as all audit procedures were performed by the group team.

In addition a full scope statutory audit has been performed over the parent Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£34.5 million (2017: £36.8 million).	£11.2 million (2017: £14.1 million).
How we determined it	2% of total assets.	1% of total assets.
Rationale for benchmark applied	We determined materiality based on total assets given the valuation of investment properties is the key determinant of the Group's value.	Given the Company is primarily a holding company we determined total assets to be the appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.7 million (Group audit) (2017: £1.8 million) and £0.6 million (Company audit) (2017: £0.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 DEC 2018

TRILLIUM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Turnover	3	608,355	618,174
Operating costs		(489,546)	(445,713)
Net movement in valuation of properties	8	(2,002)	(21,620)
Operating profit	4	116,807	150,841
Interest receivable and similar income	9	44,786	36,544
Exceptional finance income	10	-	22,595
Interest payable and similar charges	11	(15,992)	(17,045)
Profit before taxation		145,601	192,935
Tax on profit	12	(17,825)	(40,199)
Profit for the financial year		127,776	152,736
Unrealised surplus on revaluation of tangible fixed assets	15	53,044	30,500
Actuarial gains/(losses) on defined benefit pension scheme	26	7,533	(1,951)
Movement of deferred tax relating to pension gains/losses	22	(1,281)	84
Other comprehensive income for the year		59,296	28,633
Total comprehensive income for the year		187,072	181,369
Profit for the year attributable to:			
Non-controlling interests		334	213
Owners of the parent company		127,442	152,523
		127,776	152,736
Total comprehensive income for the year attributable to:			
Non-controlling interest		334	213
Owners of the parent company		186,738	181,156
		187,072	181,369

The notes on pages 22 to 56 form part of these financial statements.

TRILLIUM HOLDINGS LIMITED
REGISTERED NUMBER: 03487308

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	14		54,368		58,396
Tangible assets	15		1,186		330,265
Investment property	16		335,052		116,424
			390,606		505,085
Current assets					
Properties held for sale		18,900		12,879	
Debtors	18	1,347,147		1,291,797	
Cash at bank and in hand	19	66,556		31,981	
		1,432,603		1,336,657	
Creditors: amounts falling due within one year	20	(491,962)		(625,463)	
Net current assets			940,641		711,194
Total assets less current liabilities			1,331,247		1,216,279
Creditors: amounts falling due after more than one year	21		(276,482)		(293,886)
Provisions for liabilities					
Deferred tax	22	-		(13,997)	
Provisions	23	(43,596)		(70,476)	
			(43,596)		(84,473)
Net assets excluding pension liability			1,011,169		837,920
Pension liability	26		(11,422)		(17,965)
Net assets			999,747		819,955

TRILLIUM HOLDINGS LIMITED
REGISTERED NUMBER: 03487308

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	28	25,300	25,300
Share premium account		299,700	299,700
Revaluation reserve		-	55,723
Retained earnings		673,552	438,371
Equity attributable to owners of the parent company		998,552	819,094
Non-controlling interests		1,195	861
Total equity		999,747	819,955

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

21 DEC 2018

Michael Hackenbroch
Director

Russell Gurnhill
Director

The notes on pages 22 to 56 form part of these financial statements.

TRILLIUM HOLDINGS LIMITED
REGISTERED NUMBER: 03487308

COMPANY BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £000		2017 £000
Fixed assets					
Investments	17		579,517		585,083
			579,517		585,083
Current assets					
Debtors	18	779,135		836,667	
Cash at bank and in hand	19	1,221		2,183	
		780,356		838,850	
Creditors: amounts falling due within one year	20	(957,250)		(972,800)	
Net current liabilities			(176,894)		(133,950)
Total assets less current liabilities			402,623		451,133
Creditors: amounts falling due after more than one year	21		(52,212)		(52,212)
Net assets			350,411		398,921
Capital and reserves					
Called up share capital	28		25,300		25,300
Share premium account			299,700		299,700
Retained earnings			25,411		73,921
Total equity			350,411		398,921

The company recorded a loss of £41,230,000 (2017: profit of £48,751,000) for the financial year.

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

21 DEC 2018

Michael Hackenbroch
Director

Russell Gurnhill
Director

The notes on pages 22 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Revaluation reserve	Retained earnings	Total equity attributable to owners of parent company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2017	25,300	299,700	55,723	438,371	819,094	861	819,955
Comprehensive income for the year							
Profit for the financial year	-	-	-	127,442	127,442	334	127,776
Actuarial losses on pension scheme after deferred tax	-	-	-	6,252	6,252	-	6,252
Surplus on revaluation of freehold property	-	-	53,044	-	53,044	-	53,044
Transfer to/from retained earnings	-	-	(108,767)	108,767	-	-	-
Other comprehensive income for the year	-	-	(55,723)	115,019	59,296	-	59,296
Total comprehensive income for the year	-	-	(55,723)	242,461	186,738	334	187,072
Transactions with owners							
Dividends paid	-	-	-	(7,280)	(7,280)	-	(7,280)
Total transactions with owners	-	-	-	(7,280)	(7,280)	-	(7,280)
At 31 March 2018	25,300	299,700	-	673,552	998,552	1,195	999,747

The notes on pages 22 to 56 form part of these financial statements.

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

	Called up share capital	Share premium account	Revaluation reserve	Retained earnings as restated	Total equity attributable to owners of parent company as restated	Non-controlling interests	Total equity as restated
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2016	25,300	299,700	26,172	314,134	665,306	648	665,954
Comprehensive income / (expense) for the year							
Profit for the financial year	-	-	-	152,523	152,523	213	152,736
Actuarial losses on pension scheme after deferred tax	-	-	-	(1,867)	(1,867)	-	(1,867)
Surplus on revaluation of freehold property	-	-	30,500	-	30,500	-	30,500
Transfer to/from retained earnings	-	-	(949)	949	-	-	-
Other comprehensive expense for the year	-	-	29,551	(918)	28,633	-	28,633
Total comprehensive income for the year	-	-	29,551	151,605	181,156	213	181,369
Dividends paid	-	-	-	(27,368)	(27,368)	-	(27,368)
Total transactions with owners	-	-	-	(27,368)	(27,368)	-	(27,368)
At 31 March 2017	25,300	299,700	55,723	438,371	819,094	861	819,955

The notes on pages 22 to 56 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 April 2016	25,300	299,700	52,538	377,538
Comprehensive income for the year				
Profit for the financial year and total comprehensive income	-	-	48,751	48,751
Contributions by and distributions to owners				
Dividends paid	-	-	(27,368)	(27,368)
Total transactions with owners	-	-	(27,368)	(27,368)
At 1 April 2017	25,300	299,700	73,921	398,921
Comprehensive income for the year				
Loss for the financial year and total comprehensive expense	-	-	(41,230)	(41,230)
Contributions by and distributions to owners				
Dividends paid	-	-	(7,280)	(7,280)
At 31 March 2018	25,300	299,700	25,411	350,411

The notes on pages 22 to 56 form part of these financial statements.

TRILLIUM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	127,776	152,736
Adjustments for:		
Amortisation of intangible assets	4,028	4,027
Depreciation of tangible assets	16,337	15,647
Deficit on revaluation of fixed assets	3,595	19,059
Loss on disposal of tangible assets	5,105	(4,710)
Interest payable and similar charges	15,992	17,045
Interest receivable and similar income	(44,786)	(59,138)
Taxation charge	17,825	40,199
(Increase)/decrease in stocks	(6,021)	3,100
Decrease/(increase) in debtors	29,984	(3,577)
(Increase) in amounts owed by groups	(74,443)	(151,562)
(Decrease) in creditors	(20,042)	(9,568)
(Decrease) in provisions	(28,153)	(57,942)
Increase in net pension assets/liabs	990	1,098
Corporation tax (paid)	(35,275)	(32,932)
Profit/loss on disposal of tangible assets	(3,331)	1,509
Revaluation of investment properties	1,738	1,052
Net cash generated from operating activities	11,319	(63,957)
Cash flows from investing activities		
Purchase of tangible fixed assets	(10,468)	(5,890)
Sale of tangible fixed assets and investment property	25,839	18,898
Purchase of investment properties	(345)	(9,025)
Interest received	40,082	58,628
Sale of treasury bills	-	49,885
Net cash from investing activities	55,108	112,496
Cash flows from financing activities		
Repayment of loans	(10,699)	(6,716)
Dividends paid	(7,280)	(27,368)
Interest paid	(13,806)	(14,399)
Net cash used in financing activities	(31,785)	(48,483)
Net increase in cash and cash equivalents	34,642	56
Cash and cash equivalents at beginning of year	31,857	31,801
Cash and cash equivalents at the end of year	66,499	31,857

Cash and cash equivalents at the end of year comprise:

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Cash at bank and in hand	66,556	31,981
Bank overdrafts	(57)	(124)
	66,499	31,857

The notes on pages 22 to 56 form part of these financial statements.

1. Accounting policies

General Information

The principal activities of Trillium Holdings Limited ("the company") and its subsidiaries (together "the group") are described in the Strategic Report on page 1 of the financial statements. The address of the company's registered office, which is also the company's principal place of business is provided in note 30.

Basis of preparation of financial statements

The group and individual financial statements of Trillium Holdings Limited have been prepared 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.

These consolidated and separate financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain assets and liabilities measured at fair value through profit and loss.

The financial statements have been prepared in Sterling (rounded to the nearest thousand pounds), which is the functional and presentational currency of the company.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual Statement of Comprehensive Income.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

(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;

(ii) certain financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;

(iii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and

(iv) related party disclosures in accordance with paragraph 33.1A of FRS 102, to the extent that the company transacts with wholly owned subsidiaries of the wider group.

As stated in FRS102, the above disclosure exemptions apply only to the company and not to the consolidated position of the group.

1. Accounting policies (continued)

Basis of consolidation

The financial statements consolidate the financial statements of Trillium Holdings Limited and all of its subsidiary undertakings ("subsidiaries"). Subsidiary undertakings are those entities controlled, either directly or indirectly, by the company.

The financial statements of subsidiaries acquired or sold are included in the consolidated financial statements from or up to the date when control commences or ceases. The results of subsidiaries acquired during the year are included from the effective date of acquisition.

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 group'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.

Minority interests in the net assets of the consolidated subsidiaries are identified separately from the group's equity. Minority interests consist of the share of equity at the date of incorporation and the minority interests' share of post incorporation results.

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

Turnover

The group recognises turnover when the significant risks and rewards of ownership have been transferred to the buyer, the group retains no continuing involvement or control over the goods, the amount of turnover can be measured reliably, it is probable that future economic benefit will flow to the group and when the specific criteria relating to each of the group's revenue streams have been met, as described below:

<u>Property services income</u>
The group provides property related services in the United Kingdom which is recognised in the accounting period in which the services are rendered on an accruals basis.

<u>Capital works</u>
Revenue from capital projects is recognised in the accounting periods in which the services are rendered, by reference to the stage of completion of the specific transaction.

<u>Third party rents</u>
Rental income is recognised in the Statement of Comprehensive Income on an accruals basis. Increases in rent are accounted for from the date when they become effective. Lease incentives are recognised on a straight line basis over the lease term.

<u>Management fees</u>
Management fees are recognised in the Statement of Comprehensive Income on an accruals basis.

<u>Disposals of properties held for sale</u>
Proceeds from the sale of properties held for sale are recognised in the Statement of Comprehensive Income when the significant risks and returns have been transferred to the buyer. This is generally on unconditional exchange of contracts.

1. Accounting policies (continued)

Turnover (continued)

Other income

Other income is recognised in the Statement of Comprehensive Income on an accruals basis. The group recognises other income when the amount of revenue can be measured reliably, and it is probable that future economic benefit will flow to the group. Other income includes streams from the BT contract.

Turnover is measured at the fair value of the consideration received, net of sales taxes.

Operating costs

Operating costs are recognised in the Statement of Comprehensive Income on an accruals basis. The cost of properties held for sale disposed in the year are recognised in the Statement of Comprehensive Income when the significant risks and returns have been transferred to the buyer. This is generally on unconditional exchange of contracts.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the leases.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. Costs arising from the amendment to an existing facility are expensed as incurred.

Interest rate swaps

The group holds derivative financial instruments to hedge its interest rate risk exposures. All derivatives are recognised initially at fair value. Thereafter, derivatives are measured at fair value with changes recognised in Statement of Comprehensive Income as part of finance income or costs. Fair value is based on price quotations from financial institutions active in the relevant market.

Taxation

Tax is recognised in profit for the financial year, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The tax on profit on ordinary activities includes amounts paid or received for group relief in respect of tax losses claimed and surrendered in the current period.

1. Accounting policies (continued)

Taxation (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Intangible assets

Business combinations are accounted for by applying the purchase method.

The cost of the business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value of the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its useful expected life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to the Statement of Comprehensive Income. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Tangible fixed assets

Properties occupied by the DWP and for which the group provides services under the PRIME contract are included under property, plant and equipment. All other properties are treated as investment properties. At the end of the property services contract on 31 March 2018, operating properties were reclassified to investment properties.

Freehold and long leasehold properties are carried in the financial statements at fair values, calculated on an open market basis. Valuation gains are taken to the revaluation reserve and are included in the Statement of Comprehensive Income as Other Comprehensive Income except to the extent where it reverses a diminution in the carrying value of the same asset that was previously taken to the profit for the year, in which case the increase is recognised in the profit for the year.

Reclassification of assets from tangible fixed assets to investment properties results in a transfer of amounts from the revaluation reserve to retained earnings.

1. Accounting policies (continued)

Tangible fixed assets (continued)

Furniture and equipment used in the PRIME contract was capitalised at cost and carried in the financial statements at market value, based on a depreciated replacement cost methodology. Valuation gains were taken to the revaluation reserve except to the extent where it reversed a diminution in the carrying value of the same asset that was previously taken to profit for the year, in which case the increase was recognised in profit for the year. Diminutions in value were taken to the Statement of Comprehensive Income except where an asset had been previously revalued upwards, in which case diminutions were taken to the revaluation reserve to the extent of previous revaluations of the same asset. The portfolio carrying value was reviewed on an annual basis for evidence of impairment.

The furniture and equipment assets were sold on 31 March 2018.

Other assets, excluding freehold and leasehold properties and furniture and equipment, are stated at historical cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided on assets other than furniture and equipment at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	over 50 years
Leasehold property	-	over the life of the lease
Plant and machinery	-	over 3 to 10 years

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

For tangible fixed assets not held at market value an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No borrowing costs are capitalised as part of tangible fixed assets.

Investment property

Investment properties are those properties that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including transaction costs if acquired from third parties, or at fair value if reclassified from operating properties.

Investment properties are carried in the financial statements at fair values based on the latest professional valuation on an open market basis as of each reporting date. Properties are treated as acquired and sold when the group is subject to an unconditional purchase or sales contract. Profits/losses and valuation gains and diminutions in value are recognised within net valuation movements on investment properties in the Statement of Comprehensive Income.

In accordance with FRS 102, depreciation is not provided on investment properties. This is a departure from the Companies Act 2006 which requires all tangible assets to be depreciated. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require investment properties to be included in the financial statements at fair value. The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, assets would not have been affected but operating costs would have been reduced for this and earlier years and valuation movements would have correspondingly increased. There would be no impact on profit for the year.

1. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries comprise equity investments in subsidiary entities. These are carried at cost less any provision for impairment in value.

The carrying amount of the company's investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and its value in use. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed.

Properties held for sale

Properties held for sale are included in the financial statements at the lower of cost and net realisable value.

Purchases and sales of properties are recognised when the significant risks and returns have been transferred to the group and buyer respectively. This is generally on unconditional exchange of contracts.

At each balance sheet date, properties held for sale are reviewed for impairment. If an impairment is required, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

Financial instruments

(i) Financial assets
Basic financial assets, including trade and other debtors, treasury bills, cash at bank and in hand and amounts due from group 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.

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership to the lessees are classified as finance leases. The net investment in finance leases is included in debtors and represents the lower of the fair value of the property and the total minimum lease payments less gross earnings allocated to future years and non-refundable rents in advance. A provision for impairment is established where there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables concerned. Interest receivable on finance leases is shown in the Statement of Comprehensive Income within interest receivable.

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets are assessed at the end of each reporting period for objective evidence of impairment. If such evidence is found, an impairment loss is recognised in the 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 the amount at which the asset would have been stated had the impairment not previously been recognised. The impairment reversal is recognised in the 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 creditors, bank loans and amounts due to group 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 liabilities are held at amortised cost using the effective interest rate method.

Debt instruments (other than those wholly repayable within one year), including loans and other accounts payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable within one year, typically trade creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of a short-term loan not at market rate, the financial liability is measured, initially, at the present value of the future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are recognised initially at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or income as appropriate. The group does not currently apply hedge accounting for interest rate derivatives.

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.

1. Accounting policies (continued)

Provisions for liabilities and charges

A provision is recognised in the Balance Sheet when there is a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are made for dilapidations that may crystallise where, on the basis of the present condition of the property, an obligation already exists. The estimate is revised over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. Provisions for dilapidations are not made for leases which are considered onerous as all future obligations are included in the onerous lease provision. The estimates take account of relevant external advice.

A life cycle capital expenditure provision arises from contractual arrangements, mainly with the DWP.

A provision for onerous leases is recognised when the expected benefits to be derived by the group from a lease are lower than the unavoidable cost of meeting its obligations under that lease. This is considered at an individual property level.

Provisions have been made for obligations relating to performance that may arise due to a performance scoring system. The scoring system compares actual performance by the PRIME contractor and its obligations under the PRIME agreement to provide facilities management services.

Retirement benefits

The group operates a defined contribution and a defined benefit pension scheme. The assets of both schemes are held separately from those of the group.

Defined contribution scheme:
The defined contribution scheme is now the only scheme open to new employees. The contributions payable for the year are charged to the Statement of Comprehensive Income.

Defined benefit scheme:
The group acts as Principal Employer for a pension scheme that provides defined benefit entitlements to the employees of a subsidiary undertaking who transferred from BT and who provide services exclusively to the group and for certain employees who mainly transferred from the Department for Work and Pensions. Independent actuarial valuations are conducted annually as at the year-end, and a retirement benefit obligation/asset is recognised in the balance sheet in respect of the difference between the present value of the defined benefit obligation and the fair value of the scheme asset.

Actuarial gains and losses arising as a result of experience adjustments and/or the effects of changes in actuarial assumptions are recognised in other comprehensive income as and when they occur. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. Gains and losses resulting from settlements and curtailments are also included in operating profit. Net interest accrued on the plan assets and liabilities is included in interest income or interest expense, accordingly.

Past-service cost is recognised immediately to the extent that benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Gains or losses arising on scheme transfers are recognised in the Statement of Comprehensive Income.

1. Accounting policies (continued)

Dividends

Dividends receivable are recognised in the Statement of Comprehensive Income in the period when the right to receive payment is established.

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's shareholders or, in the case of interim dividends, when they are paid.

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 financial statements 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.

Investment and operating property valuations
Properties are valued by a qualified chartered surveyor. Valuations are made as at the reporting date and conform to International Valuation Standards. Valuations are made using various assumptions and estimations which include, but are not limited to, market yields, transaction prices of similar properties, tenure and tenancy details.

Valuation of furniture and equipment
Furniture and equipment are valued at each reporting date. Valuations are made as at the reporting date and conform to International Valuation Standards. Valuations are made using various assumptions and estimations which include, but are not limited to, condition of the asset and the cost to replace the asset (see note 15 for further information in its application to the accrued income recognised for the disposal of furniture on 31 March 2018).

Trade and other debtors
The group reviews trade and other debtors and makes judgements on the recoverability of these debtors with reference to the age of outstanding amounts, credit status of the counterparty and the status of any outstanding dispute (see note 18).

Derivative financial instruments
Derivatives are valued at each reporting date. Fair value is based on price quotations from financial institutions active in the relevant market.

Provisions
Provisions for onerous leases and dilapidations are based on estimated future cash flows at a property level. Judgements are exercised with regard to expenses that are expected to be incurred, sub-letting profiles (in the case of onerous leases) and discount rates applied to future cash flows.

Defined benefit pension scheme
The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

3. Turnover

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

	2018 £000	2017 £000
Property services income	568,619	575,266
Capital projects	8,975	1,777
Third party rents	21,721	23,133
Other income	4,798	6,880
Management fee income	3,197	1,789
Disposals of properties held for sale	1,045	9,329
	608,355	618,174

All turnover arose within the United Kingdom.

4. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	16,337	15,647
Revaluation deficit/(surplus) of furniture and equipment	5,105	(4,710)
Amortisation of goodwill	4,028	4,027
Plant and machinery operating lease rentals	100	100
Other operating lease rentals	210,230	217,884
Cost of properties disposed	895	5,298
Amortisation of deferred revenue	(13,844)	(5,842)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. Auditors' remuneration

In the year ended 31 March 2018, the audit fee for the entire Telereal Trillium group of companies was paid and borne by the group. The total audit fee amount for the Telereal Trillium group and Trillium Holdings Limited, the company, is disclosed below.

	2018 £000	2017 £000
Fees payable to the group's auditors and their associates for the audit of the group's annual financial statements	648	600
Fees payable to the group's auditors and their associates in respect of:		
Company	26	28
Subsidiaries	215	228

6. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	34,621	35,677
Social security costs	4,581	4,631
Other pension costs	1,310	1,550
	40,512	41,858

The average number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Operational	217	231
Administration	24	18
	241	249

All employees were employed in the United Kingdom.

7. Directors' remuneration

	2018 £000	2017 £000
Aggregate emoluments excluding long term incentive scheme and pensions	350	274
Aggregate amounts receivable under long term incentive schemes	2,866	2,479
Payments to defined contribution pension schemes	8	5
Compensation for loss of office	744	-
	3,968	2,758

During the year, retirement benefits were accruing to two (2017: one) directors in respect of defined contribution pension schemes, and no (2017: no) director in respect of a defined benefit scheme.

The highest paid director received remuneration of £1,283,000 (2017: £1,028,000).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2017: £nil).

Directors are remunerated by group companies.

8. Net movement in valuation of properties

	2018 £000	2017 £000
Loss on revaluation of investment properties	(1,738)	(1,052)
Impairment of land and buildings	(3,595)	(19,059)
Profit/(loss) on disposal of properties	3,331	(1,509)
Net income/(expense) on total movement	(2,002)	(21,620)

9. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group companies	33,458	27,202
Change in fair value of interest rate swaps	4,194	1,339
Interest receivable under finance leases	6,390	6,862
Other interest receivable	744	1,141
	44,786	36,544

10. Exceptional finance income

	2018 £000	2017 £000
Exceptional finance receipt	-	22,595

The exceptional finance receipt of £22,595,000 represents a receipt pursuant to the settlement of the group's dispute in relation to payments due as a consequence of a previous financing. The group had previously paid £25,078,000 following an adjudication award made against it, which was charged as a finance cost in the year ended 31 March 2015.

11. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	5,819	5,573
Loans from group undertakings	7,389	6,909
Unwind of discount of provisions	1,273	2,426
Other interest payable and finance charges	1,511	2,137
	15,992	17,045

12. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	34,890	41,148
Adjustments in respect of previous periods	(119)	(1,131)
Total current tax	34,771	40,017
Deferred tax		
Origination and reversal of timing differences	(17,080)	147
Adjustments regarding prior periods	134	35
Total deferred tax	(16,946)	182
Taxation on profit on ordinary activities	17,825	40,199

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	145,601	192,935
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	27,664	38,587
Effects of:		
Permanent differences	4,519	2,170
Income not taxable	(2,584)	(1,703)
Other timing differences	(5,869)	(1,310)
Revaluation of property	2,773	3,754
Pregnant capital gains	(4,239)	290
Capital loss utilisation	(1,852)	-
Profit/(Loss) on disposals	(2,999)	596
Adjustments regarding prior year	15	(1,096)
Rate changes	648	(847)
Capital gains tax	757	-
Other	(1,008)	(242)
Total tax charge for the year	17,825	40,199

Factors that may affect future tax charges

For the years ending 31 March 2019 and 2020, the main rate of corporation tax will be 19%. The Spring Budget 2017 announced that the main corporation tax rate for the year ending 2021 will be reduced to 17%.

13. Dividends

	2018 £000	2017 £000
Dividends £0.29 per share (2017: £1.08 per share)	7,280	27,368

14. Intangible assets

Group

	Goodwill £000
Cost	
At 1 April 2017	80,546
At 31 March 2018	80,546
Amortisation	
At 1 April 2017	22,150
Charge for the year	4,028
At 31 March 2018	26,178
Net book value	
At 31 March 2018	54,368
At 31 March 2017	58,396

15. Tangible fixed assets

Group

	Freehold property £000	L/Term Leasehold Property £000	S/Term Leasehold Property £000	Plant and machinery £000	Furniture and equipment £000	Total £000
Cost or valuation						
At 1 April 2017	322,021	365	80,498	11,807	120,073	534,764
Additions	181	-	71	158	10,058	10,468
Disposals	(16,316)	(234)	(2,754)	-	(125,026)	(144,330)
Reclassification	(355,335)	(131)	(69,023)	-	-	(424,489)
Revaluations	49,449	-	-	-	(5,105)	44,344
At 31 March 2018	-	-	8,792	11,965	-	20,757
Accumulated depreciation						
At 1 April 2017	128,765	265	65,151	10,318	-	204,499
Charge for the year	3,578	40	12,002	717	-	16,337
Disposals	(2,301)	(174)	(841)	-	-	(3,316)
Reclassification	(130,042)	(131)	(67,776)	-	-	(197,949)
At 31 March 2018	-	-	8,536	11,035	-	19,571
Net book value						
At 31 March 2018	-	-	256	930	-	1,186
At 31 March 2017	193,256	100	15,347	1,489	120,073	330,265

15. Tangible fixed assets (continued)

Of the surplus on revaluation, £3,595,000 (2017: £19,059,000) has been treated as a permanent diminution in value and recognised in the Statement of Comprehensive Income (note 8). The remaining surplus of £53,044,000 (2017: £30,500,000) has been recognised in other comprehensive income. Following the end of the PRIME contract on 31 March 2018, the properties no longer met the conditions to be classified as operating properties and were transferred to investment properties.

At 31 March 2017 and 31 March 2018, the properties were revalued internally by a chartered surveyor who is a member of Royal Institution of Chartered Surveyors (RICS). The valuations are prepared in accordance with the valuation principles of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

On 28 March 2018, the group executed a series of agreements with London Wall Outsourcing Investments Limited relating to equipment and fixtures on the DWP occupied estate. These agreements were designed to protect the commercial position of the Telereal Trillium group following the sale and leaseback of DWP-occupied properties in 2014. The agreements focussed on the rights of Trillium (PRIME) Property GP Limited (a subsidiary undertaking) to remove assets and their onward sale to the DWP. The execution of these agreements had no accounting impact and the equipment and fixtures assets continued to be recognised in the financial statements of the group until 31 March 2018.

On 31 March 2018, at the end of the PRIME contract, the DWP exercised its option to purchase furniture and equipment on the occupied estate at market value under the terms of the contract. At 31 March 2018, the market value of the furniture and equipment had not been agreed with the DWP and is the subject of a dispute resolution process; accounting disclosures have, therefore, been made following the guidance issued in November 2017 by the Financial Reporting Council. The directors have valued the furniture and equipment assets at 31 March 2018 and 31 March 2017 on the basis of the relevant market value provisions of the Royal Institution of Chartered Surveyors (RICS) - Professional Standards, Jan 2014 (RICS Red Book). This is the valuation method prescribed in the company's contract with DWP. The valuation of furniture and equipment across the PRIME estate immediately prior to the exercise of the option was £125,026,000 (2017: £120,073,000). As with all unresolved disputes, where there is inevitably uncertainty over the eventual result, it is reasonably possible that the outcome might result in a settlement that could be materially different from the amount recognised (higher or lower). Similarly here, the final settlement may be materially different from the market valuation. The directors consider that materiality to the group is an amount in excess of £36,464,000, being 2% of the total assets of the group. The RICS Red Book replacement cost of furniture and equipment across the PRIME estate at 31 March 2018 was valued at £255,413,000 (2017: £243,805,000).

The carrying value of revalued freehold operating properties under the historic cost basis would be as follows:

	2018 £000	2017 £000
Group		
Cost	-	93,673
Accumulated depreciation	-	(19,134)
	-	74,539

16. Investment property

Group

	Freehold investment property £000	Leasehold investment property £000	Total £000
Valuation			
At 1 April 2017	102,748	13,676	116,424
Additions at cost	322	23	345
Disposals	(6,025)	(494)	(6,519)
Deficit on revaluation	12,136	(13,874)	(1,738)
Reclassification	225,293	1,247	226,540
At 31 March 2018	334,474	578	335,052

The fair value of the group's investment properties at 31 March 2018 and 31 March 2017, have been arrived at on the basis of a valuation carried out by a combination of external and internal valuers. The external valuation was performed at that date by CBRE Limited, independent valuers. The valuation by CBRE Limited, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties. The internal valuations were performed by a chartered surveyor who is a member of the Royal Institution of Chartered Surveyors (RICS). The valuations are prepared in accordance with the valuation principles of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

17. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost	
At 1 April 2017	593,383
Disposals	(4,684)
At 31 March 2018	588,699
Impairment	
At 1 April 2017	8,300
Charge for the period	882
At 31 March 2018	9,182
Net book value	
At 31 March 2018	579,517
At 31 March 2017	585,083

During the year, one of the company's subsidiaries declared and paid a dividend which reduced its net assets to below the carrying value of the investment included in the cost above. As such, the directors considered it necessary to provide for an impairment of the investment to the net asset value.

The company sold its investment in Trillium (Media Services) Limited to a subsidiary undertaking for consideration of £21,750,000.

In the opinion of the directors, the value of the investments is not less than the amount at which they are shown in the company's balance sheet.

18. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Due after more than one year				
Amounts owed by group undertakings	13,671	-	-	-
Net investment in finance leases	49,725	54,661	-	-
Prepayments and accrued income	4,436	7,635	-	-
Deferred tax asset (note 22)	1,668	-	-	-
	69,500	62,296	-	-
Due within one year				
Trade debtors	57,668	71,763	-	-
Amounts owed by group companies	1,048,446	1,101,181	724,681	780,390
Net investment in finance leases	5,028	4,422	-	-
Other debtors	1,180	5,948	-	-
Prepayments and accrued income	165,325	46,187	-	2
Tax recoverable	-	-	54,454	56,275
	1,347,147	1,291,797	779,135	836,667

18. Debtors (continued)

	Gross 2018 £000	Net 2018 £000	Gross 2017 £000	Net 2017 £000
Net investment in finance leases				
Investment in finance leases	81,090	54,753	92,173	59,083
Maturity of finance leases				
Within one year	11,137	5,028	11,084	4,422
Between one and five years	45,082	27,875	44,827	24,464
After more than five years	24,871	21,850	36,262	30,197
	81,090	54,753	92,173	59,083

The gross amount of finance leases represents total amount receivable under the finance leases. Net amounts are after deduction of interest to future periods.

Included in amounts owed by group companies is a loan of £80,000,000 (2017: £80,000,000) to London Wall Outsourcing Limited, a fellow group undertaking. The loan is repayable on demand with a fixed rate interest receivable of 4.56% per annum. All other amounts owed by group undertakings are unsecured and repayable on demand. Interest was received on these balances at LIBOR plus 3% per annum (2017: LIBOR plus 3% per annum).

Amounts owed by group undertakings falling due after more than one year have a three year payment term, are unsecured and interest free. The amount has been discounted to present value at 3.5% per annum.

As at 31 March 2018, the group recorded overdue, but not impaired, balances of £11,114,000 (2017: £11,665,000). Of these balances £10,349,000 (2017: £11,811,000) is less than three months overdue and £nil (2017: £nil) is more than 12 months old.

Included in prepayments and accrued income is accrued income of £125,056,000 in respect of furniture and equipment sold to the DWP on 31 March 2018 (see note 15).

19. Cash at bank and in hand

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank	65,298	30,703	1,086	2,048
Money market deposits	100	100	100	100
Tenant deposits	1,158	1,178	35	35
	66,556	31,981	1,221	2,183

Tenant deposits are held by Barclays Bank PLC in Trustee controlled accounts.

Overnight money market deposits earn interest at daily market rates.

20. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank overdrafts	57	124	-	-
Bank loans (note 24)	10,471	7,504	-	-
Trade creditors	51,017	44,853	11	11
Amounts owed to group undertakings	301,936	421,710	957,148	972,705
Corporation tax	21,906	22,508	-	-
Other taxation and social security	2,075	1,319	91	84
VAT payable	15,708	11,254	-	-
Other creditors	2,533	806	-	-
Accruals and deferred income	86,259	115,385	-	-
	491,962	625,463	957,250	972,800

Included in amounts owed to group undertakings is £3,123,000 (2017: £2,902,000), being the current element of a fixed interest loan from Telereal 112 Limited (see note 24). Also included are amounts totalling £274,318,000 (2017: £236,887,000) which are unsecured, interest free and repayable on demand.

Other amounts due to group undertakings are unsecured and payable on demand. Interest was paid on these balances at LIBOR plus 3% per annum (2017: LIBOR plus 3% per annum).

There are no material differences between the carrying value and fair value of trade and other creditors as at 31 March 2018 and 31 March 2017.

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

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans (note 24)	114,092	127,758	-	-
Amounts owed to group undertakings (note 24)	150,559	146,567	52,212	52,212
Fair value of interest rate swaps	6,102	10,296	-	-
Accruals and deferred income	5,729	9,265	-	-
	276,482	293,886	52,212	52,212

22. Deferred tax

	2018 £000	2017 £000
At beginning of year	13,997	13,899
(Released)/charged to profit or loss	(16,946)	182
Deferred tax on actuarial gains/losses	1,281	(84)
	(1,668)	13,997

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	10,372	13,961
Other timing differences	(5,468)	4,054
Capital gains	(3,271)	724
Fair value of swaps	(1,359)	(1,688)
Pension deficit	(1,942)	(3,054)
	(1,668)	13,997

23. Provisions

Group

	Dilapidations £000	Life Cycle Capital Expenditure £000	Onerous Leases £000	Other £000	Total £000
At 1 April 2017	8,201	10,155	48,719	3,401	70,476
Charged/(credited) to profit or loss	(577)	19,824	(1,250)	(1,458)	16,539
Unwinding of discount	210	-	1,063	-	1,273
Utilised in year	(489)	(21,950)	(21,510)	(743)	(44,692)
At 31 March 2018	7,345	8,029	27,022	1,200	43,596

23. Provisions (continued)

Dilapidations

A provision for dilapidations is made in respect of certain non-onerous leasehold properties where it is anticipated that future expenditure will be incurred at the end of the lease. The leases included those in the name of the Secretary of State where the group was required to meet the liability for the duration of the PRIME contract. The amounts provided are based on the current estimate of the future costs determined on the basis of the present condition of the relevant properties. Settlement of the amounts provided occurs once agreement is reached with the parties to the lease. In arriving at these provisions, the expected cash flows have been discounted at a risk adjusted rate of 2.50% pa (2017: 2.50% pa). As a result of legal opinion, the group has not made any provision for leases in the name of the Secretary of State which expire after 31 March 2018, the end of the PRIME contract.

Life cycle capital expenditure

A life cycle capital expenditure provision arises from the contractual arrangements, mainly with the DWP. Settlement of the amounts provided follows agreement with the clients. The group expects to settle the amount in respect of the PRIME contract in the next financial year. Other amounts are expected to be utilised over the remaining term of the relevant contract.

Other

Other provisions includes amounts for obligations relating to performance that may arise due to a performance scoring system. The scoring system compares actual performance by the PRIME contractor and its obligations under the PRIME agreement to provide facilities management services. It is expected that the provision will be utilised over the next year.

Onerous leases

An onerous lease provision is established in respect of leasehold properties that are unoccupied or for which the expected future rental income is not expected to meet the rental obligations. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on the reassessment of the relevant assumptions as circumstances change and new obligations are established. Expected cash flows have been discounted at a risk-adjusted rate of 2.50% pa (2017: 2.50% pa) and the provision is expected to be used over the life of the relevant property leases, with a weighted average lease length of 1 year.

Onerous leases - PRIME contract

In addition to leases held in the name of the group in the period prior to 31 March 2018, the provision included that portion of any onerous leases held in the name of the Secretary of State where Trillium (PRIME) Property GP Limited was required to meet the liabilities solely during the period of the contract to 31 March 2018. The provisions are based on assumptions about expected future rentals and voids. This provision will be settled as the net rental obligations develop. The provision may vary based on the reassessment of the relevant assumptions as circumstances change and new obligations are established. As a result of legal opinion received, the company has not made any provision for leases in the name of the Secretary of State which expire after 31 March 2018, the end of the PRIME contract.

On 20 December 2018, the group received a draft determination in respect of Trillium (PRIME) Property GP Limited's liability regarding leases in the name of the Secretary of State, which found against the company. The directors disagree with the findings and, should the final determination match the draft position, expect to move to an arbitration process with the DWP in 2019 to resolve the matter. As such, the directors have not provided for the net liability in respect of the Secretary of State leases for the period after 31 March 2018.

24. Loans and borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2018 £000	2017 £000
Group					
Overdrafts	Unsecured	Floating		57	124
Bank loans					
£71,400,000 facility - due 01/2020 - LIBOR + 1.75% + MLA 0.0078%	Secured	Fixed	5.2680%	56,621	62,583
£50,700,000 facility - due 11/2020 - LIBOR + 1.85%	Secured	Fixed	3.4500%	44,782	48,499
£28,000,000 facility - due 05/2019 - LIBOR + 1.80%	Secured	Fixed	2.5660%	24,270	25,900
				125,730	137,106
Fixed term amounts due to group undertakings					
£15,500,000 - due 04/2021 - 9.00%	Unsecured	Fixed	9.0000%	15,500	15,500
£19,321,000 - due 12/2019 - 2.501%	Unsecured	Fixed	2.5010%	19,321	9,549
£2,730,000 - due 12/2019 - 3.204%	Unsecured	Fixed	3.2040%	2,730	2,730
£80,000,000 facility - due 12/2031 - 4.51%	Secured	Fixed	4.5100%	64,042	66,944
£99,712,000 facility - due 09/2021 - LIBOR + 2.75%	Unsecured	Floating	3.5616%	52,212	52,212
Total loans and borrowings				153,805	146,935
Less: unamortised issue costs				(1,233)	(1,843)
Total loans and borrowings				278,302	282,198

Company

The company has a fixed term amount due to group undertakings at year end of £52,212,000 (2017: £52,212,000). The original loan amount was for £99,712,000 and it is unsecured. The loan bore interest at LIBOR plus 3.00% until 30 September 2016, when the interest rate changed to LIBOR plus 2.75%. During 2017, the maturity date was extended from September 2016 to September 2021.

24. Loans and borrowings (continued)

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Maturity of financial liabilities				
Within one year	14,201	11,134	-	-
Between one and five years	219,385	222,815	52,212	52,212
More than five years	45,949	50,092	-	-
	279,535	284,041	52,212	52,212

Loans where security has been provided are secured against either specific assets or cash flows within the group. Amounts due greater than 5 years are all repayable by instalments.

Investment properties valued at £17,770,000 and properties held for sale at a carrying value of £7,411,000 have been used as security against a loan taken out by London Wall Outsourcing Investments Limited, a fellow group undertaking.

Listed on the International Stock Exchange are Eurobonds of £67,712,000 (2017: £67,712,000).

25. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets that are debt instruments measured at amortised costs				
Trade debtors	57,668	71,763	-	-
Amounts owed by group undertakings	1,062,117	1,101,181	724,681	780,390
Other debtors	1,180	5,948	-	-
Cash and cash equivalents	66,556	31,981	1,221	2,183
Finance leases receivable	54,753	59,083	-	-
Accrued income	147,684	9,910	-	2
	1,389,958	1,279,866	725,902	782,575
Financial liabilities				
Financial liabilities measured at fair value through profit or loss:				
Interest rate swaps	6,102	10,296	-	-
Financial liabilities measured at amortised cost:				
Bank overdraft	57	124	-	-
Bank loans	125,673	136,982	-	-
Trade creditors	51,017	44,853	11	11
Amounts owed to group undertakings	452,495	568,277	1,009,360	1,024,917
Other creditors	2,533	806	91	-
Accruals	78,376	81,764	-	-
	716,253	843,102	1,009,462	1,024,928

Financial instruments - Interest rate swaps

The group has swaps in place to hedge the interest rate risk on bank loans. This has the effect of fixing the LIBOR rate according to a stepped profile over time at effective rates ranging from 3.45% pa to 5.268% pa. All swaps are out of the money and show a combined fair value of £6,102,000 (2017: £10,296,000). The aggregate notional principal of the outstanding swap contracts at 31 March 2018 was £129,941,000 (2017: £137,808,000).

26. Pension commitments

Defined contribution scheme
The group's defined contribution scheme is the only scheme open to new employees. The contributions payable for the year, which amounted to £1,571,000 (2017: £1,550,000), were charged to the Statement of Comprehensive Income. No amounts were outstanding as at 31 March 2018 (2017: £nil). The group also operates a defined benefit pension scheme.

The group operates a Defined Benefit Pension Scheme.

Defined benefit scheme
The group acts as Principal Employer for a defined benefit scheme in the UK for certain employees who transferred to a subsidiary undertaking from BT and who provide services exclusively to the group, and for certain employees who mainly transferred from the Department for Work and Pensions. A full actuarial valuation was carried out as at 1 January 2015 and updated to 31 March 2018 by Aon, a qualified independent actuary. The group closed the accrual for future defined benefit service from 31 March 2016.

The group closed the accrual for future defined benefit service from 31 March 2016 and invited employees to join the Telereal Trillium Stakeholder Plan (the Stakeholder Plan) managed by Royal London from 1 April 2016.

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(140,666)	(120,517)
Interest cost	(3,685)	(4,150)
Actuarial gains/(losses)	4,854	(19,936)
Benefits paid	3,265	3,937
At the end of the year	(136,232)	(140,666)

Reconciliation of present value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	122,701	105,601
Interest income	3,208	3,627
Actuarial gains	2,679	17,985
Benefits paid	(3,265)	(3,937)
Administration expenses	(513)	(575)
At the end of the year	124,810	122,701

26. Pension commitments (continued)

Composition of plan assets:

	2018 £000	2017 £000
UK equities	39,707	39,173
Global equities	40,462	40,970
Emerging market debt	10,880	11,748
Asset backed securities	6,641	7,275
Property	26,461	22,870
Cash and accruals	659	665
Total plan assets	124,810	122,701

	2018 £000	2017 £000
Fair value of plan assets	124,810	122,701
Present value of plan liabilities	(136,232)	(140,666)
Net pension scheme liability	(11,422)	(17,965)

The amounts recognised in profit or loss are as follows:

	2018 £000	2017 £000
Administration expenses	513	575
Interest on net defined benefit liability	477	523
Total	990	1,098

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £6,750,000 (2017: £14,283,000).

26. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date:

	2018	2017
Total return on plan assets		
Discount rate at 31 March	2.75%	2.65%
Future salary increases	2.00%	2.10%
Future pension increases	2.00%	2.10%
Inflation (RPI)	3.10%	3.20%
Mortality rates (years)		
- for a male aged 65 now	22.3	22.5
- at 65 for a male aged 45 now	23.7	24.3
- for a female aged 65 now	23.8	23.9
- at 65 for a female member aged 45 now	25.4	25.8

Defined benefit pension schemes

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Defined benefit obligation	(136,232)	(140,666)	(120,517)	(121,895)	(104,029)
Scheme assets	124,810	122,701	105,601	107,489	94,986
Deficit	(11,422)	(17,965)	(14,916)	(14,406)	(9,043)
Experience adjustments on scheme liabilities	4,854	(19,936)	4,483	(13,335)	(551)
Experience adjustments on scheme assets	2,679	17,985	(3,471)	9,162	2,583

27. Related party transactions

The company has taken advantage of the exemption provided by paragraph 33.1A of FRS 102 not to disclose transactions with wholly owned entities that are part of the group owned by Tele-Finance Holdings Limited.

Excluding the amounts above, during the year, the group had the following related party transactions:

	2018 £000	2017 £000
Interest payable to related parties	155	88
Amounts owed to / (owed by) related parties at year end	(76)	(42)

Other than those disclosed elsewhere in the financial statements, the amounts included above, in respect of current and past fellow group undertakings, relate to:

Telereal (Brentwood) Limited

28. Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
25,300,000 (2017 - 25,300,000) Ordinary shares of £1.00 each	25,300	25,300

29. Commitments under operating leases

At 31 March 2018 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2018 £000	Land and buildings 2017 £000	Other 2018 £000	Other 2017 £000
Within 1 year	18,611	210,603	12	51
Later than 1 year and not later than 5 years	55,703	208,302	18	49
Later than 5 years	78,430	185,086	-	-
	152,744	603,991	30	100

30. Controlling party

Trillium Holdings Limited is a wholly owned subsidiary of London Wall Outsourcing Limited, which is the smallest company to consolidate the results of the company.

The ultimate parent undertaking and controlling party is Field Nominees Limited (incorporated in Bermuda), as nominee for the B Pears Family Trust. The largest parent undertaking to consolidate these financial statements is Tele-Finance Holdings Limited, which is incorporated in the British Virgin Islands.

The annual report and financial statements of London Wall Outsourcing Limited may be obtained from the Company Secretary, 140 London Wall, London EC2Y 5DN, which is also the registered office and principal place of business of Trillium Holdings Limited.

31. Subsidiaries

The company holds direct and indirect investments of 100% of the nominal value of any class of share of subsidiary undertakings. All subsidiary undertakings operate in Great Britain and are registered in England and Wales except for Telereal Walton Limited, which is incorporated in Jersey. The wholly owned group undertakings at 31 March 2018 which are held indirectly are as follows:

Trillium (PRIME) Holdings Limited - (Holding company)
Trillium (PRIME) Project Holdings Limited - (Holding company)
Trillium (PRIME) Property GP Limited - (Property management and services)
Trillium (PRIME) Limited - (Property management and services)
Trillium Property Services (PRIME) Limited - (Property management and services)
Trillium (PRIME) Furniture Limited - (Dormant company)
Trillium Group Limited - (Holding company)
Trillium Bastion House Limited - (Property management and services)
Trillium Property Services Limited - (Overhead and service company)
PPM Holdings Limited - (Holding company)
Trillium (Media Services) Limited - (Property management and services)
Telereal Walton Limited - (Holding company)
Telereal Limited - (Dormant company)
Telereal Telecom Services Limited - (Overhead and service company)
Telereal Services Limited - (Overhead and service company)
Telereal Developments Limited - (Property management and services)
Telereal Ventures Limited - (Property management and services)
Telereal Holdings Limited - (Holding company)
Telereal General Freehold Nominee Limited - (Nominee company)
Telereal Securitised Freehold Nominee Limited - (Nominee company)
Telereal Freehold Nominee Company Limited - (Nominee company)
Trillium (Horizon) Limited - (Holding company)
Trillium (Horizon) Leaseholds Limited - (Property management and services)
Trillium (Horizon) Other Properties Limited - (Dormant company)
Telereal Trillium Limited - (Dormant company)
Trillium Limited - (Dormant company)
Trillium (Lancaster) Newco 50 Limited - (Dormant company)
Trillium (DV1A) Limited - (Property management and services)
Trillium New Business Limited - (Dormant company)
Telereal 112 Property Limited - (Property management and services)
Trillium (Eagle) Limited - (Property management and services)
Trillium (FHBI) Property Limited - (Holding company)
Trillium (Sovereign House) Limited - (Dormant company)
Trillium Development (Services) Limited - (Property management and services)
Trillium (RMH) Limited - (Holding company)
Trillium (RML) Limited - (Property management and services)
Trillium (RMF) Limited - (Property management and services)
Flagstaff 1 Limited - (Property management and services)
Flagstaff 5 Limited - (Property management and services)
Trillium UK Limited - (Property management and services)
Trillium Property Investments Limited - (Property management and services)
Trillium Property Trading Limited - (Property management and services)
Trillium Property Trading (Falkirk) Limited - (Property management and services)
Telereal Property Partners Limited - (Holding company)
Telereal Trading Property Limited - (Property management and services)
Telereal (Caledonian) Limited - (Property management and services)
Manston Properties Limited - (Property management and services)
Tele-Bonnar (NA) Limited (Dormant company)

Subsidiaries (continued)

In addition, through the subsidiaries listed above, the company owns a 100% interest in Trillium (PRIME) Property Limited Partnership, a dormant entity which operates in Great Britain and is registered in England and Wales.

The company has a 68.75% indirect holding in Telereal (Brentwood) Limited, a property management and services company incorporated during the year. The company operates in Great Britain and is registered in England and Wales.

All entities, other than Telereal Walton Limited, are registered at 140 London Wall, London, EC2Y 5DN. The registered office of Telereal Walton Limited is Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey.