Registered number: 04175670

# TELEREAL 112 LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2023

TELEREAL 112 LIMITED

## CONTENTS


| | Page(s) |
|---|---|
| **Strategic Report** | 1 - 2 |
| **Directors' Report** | 3 - 4 |
| **Independent Auditors' Report** | 5 - 8 |
| **Statement of Comprehensive Income** | 9 |
| **Balance Sheet** | 10 |
| **Statement of Changes in Equity** | 11 |
| **Notes to the Financial Statements** | 12 - 26 |

TELEREAL 112 LIMITED

# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report for Telereal 112 Limited ("the company") for the year ended 31 March 2023. The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

## Principal activities and review of business

The company's main objective is to deliver value to its shareholders from its holding and leasing of specialised and general purpose properties.

In the year ended 31 March 2023, the company generated turnover of £18,436,000 (2022: £18,100,000) from the leasing of properties primarily to British Telecommunications PLC ("BT"), as well as from other contractual payments from BT. Change in turnover is largely driven by rental increases offset by vacation of properties by BT.

At the end of the year, the company's properties were valued and the fair value of the properties was determined to be £256,257,000 (2022: £259,802,000), a decrease of £3,545,000. Disposals of investment properties in the year resulted in a profit of £20,000 (2022: loss of £1,235,000).

Profit before taxation for the year was £16,137,000 (2022: £25,533,000) and the profit for the financial year was £13,171,000 (2022: £7,319,000).

Financing has been obtained through term advances from Telereal Secured Finance PLC ("the Issuer"), which are secured against the properties owned by the company. The Issuer obtained financing through the issue of fixed rate securitised bonds. The fixed interest rates paid by the Issuer matches the rate paid by the company on the term advances. At 31 March 2023, the carrying value of the term advances was £155,249,000 (2022: £169,245,000).

Total equity at 31 March 2023 was £227,725,000 (2022: £219,623,000) and the company's financial position is considered satisfactory.

## Principal risks and uncertainties

The principal risk facing the company is that it relies primarily on one customer, BT, for its income. The risk of default by BT, including the credit risk associated with the collection of rent and service charges, is considered to be low owing to the nature of the regulatory controls under which BT operates, and this low risk of default is evidenced by BT's strong credit ratings provided by ratings agencies. The company is also exposed to potential reductions in the value of its properties, and it could experience a reduction in its rental income due to BT vacating properties, however the contract between the company and BT provides significant protection against these risks, given the term of the contract and the limited flexibility it provides BT to vacate properties and reduce its rent payable to the partnership. The directors monitor the performance of BT and act accordingly to mitigate these risks.

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 are in good order and the directors and senior management of the company are committed to maintaining an open and transparent dialogue with HM Revenue & Customs.

## Financial risk management

*Credit risk*
The company has loans (also called term advances) payable to the Issuer. In order to meet the interest payments due on the term advances to the Issuer, the company is reliant on its major customer, BT, being able to pay rent to the company on a timely basis. The credit risk associated with BT is considered to be low given BT's good credit ratings provided by international ratings agencies (Moody's, Fitch and Standard and Poor's). The directors review BT's credit ratings on a regular basis.

*Interest rate risk*
The term advances payable to the Issuer have a fixed interest rate and so the company is not exposed to changes in interest rates.

**Financial risk management (continued)**

*Bank balances*
The company's bank balances are deposited at banks with high long-term credit ratings assigned by international credit rating agencies which are monitored by the Group Treasurer. As such, the credit risk on liquid funds is considered low.

**Financial key performance indicators**

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

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

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

The company 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 continues to maintain the highest practicable standards of health and safety with an Occupational Health and Safety Management System structured and managed in accordance with the principles of the Occupational Health and Safety Assessment Series (OHSAS) 18001.

This report was approved by the board on 1 September 2023 and signed by order of the board.

**Aaron Burns**
Company Secretary

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 MARCH 2023

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

## Dividends

During the year the company paid dividends of £5,069,000 (2022: £10,843,000).

## Directors

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

Adam Dakin
Graham Edwards
Russell Gurnhill
Michael Hackenbroch
Graeme Hunter

## Future developments

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

## Going concern

The company has net current assets of £168,549,000 and net assets of £227,725,000 as at 31 March 2023.

In order to meet its obligations to the Issuer relating to the term advances, the company is reliant on BT meeting its contractual obligations to the company. Management has carried out an assessment of BT, based on recent credit ratings and financial results and are satisfied that BT will be able to continue to meet its contractual obligations to the company for at least 12 months after the date of signing these financial statements. Management has also prepared forecast cash flows for at least 12 months from the date of signing these financial statements and considered the current assets and liabilities of the partnership. The directors are satisfied that the company has adequate resources to meet its liabilities for at least 12 months from the date of signing the financial statements and as such the financial statements have been prepared on a going concern basis.

## Qualifying third party indemnity provision

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

## Matters covered in the strategic report

Details of principal activities, principal risks and review of business can be found on pages 1 and 2 in the Strategic Report and form part of this report by cross-reference.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 MARCH 2023

### Statement of directors' responsibilities in respect of the financial statements

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 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Directors' confirmations

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

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

This report was approved by the board on 1 September 2023 and signed by order of the board.

**Aaron Burns**
Company Secretary

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELEREAL 112 LIMITED

**Opinion**

We have audited the financial statements of Telereal 112 Limited ("the Company") for the year ended 31 March 2023 which comprise the Statement of Comprehensive income, the Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors of whether they are aware of fraud and of the Company's high-level policies and procedures to prevent and detect fraud;
- Reading board meeting minutes;

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from operating lease contracts and other supplementary service agreements with fixed, or highly predictable, periodic payments.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included posted by senior finance management and journal entries made to unexpected accounts.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation, recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

**Strategic report and directors' report**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 4 , the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Clason Low

**Clason Low (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
London
E14 5GL
1 September 2023

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2023

| | Note | 2023<br>£000 | 2022<br>£000 |
|---|---|---|---|
| Turnover | 3 | 18,436 | 18,100 |
| *Operating cost* | | (293) | (489) |
| Net valuation movements on investment properties (including profit and loss on disposal) | 4 | (3,551) | 6,763 |
| **Operating profit** | 5 | 14,592 | 24,374 |
| Interest receivable and similar income | 8 | 8,520 | 8,627 |
| Interest payable and similar expenses | 9 | (6,975) | (7,468) |
| **Profit before tax** | | 16,137 | 25,533 |
| Tax on profit | 10 | (2,966) | (18,214) |
| **Profit and total comprehensive income for the financial year** | | 13,171 | 7,319 |

All amounts relate to continuing operations

The notes on pages 12 to 26 form part of these financial statements.

**TELEREAL 112 LIMITED**
**REGISTERED NUMBER: 04175670**

**BALANCE SHEET**
**AS AT 31 MARCH 2023**

| | Note | | 2023 £000 | | 2022 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investment Properties | 11 | | 256,257 | | 259,802 |
| | | | 256,257 | | 259,802 |
| **Current assets** | | | | | |
| Debtors: amounts falling due after more than one year | 12 | 180,379 | | 184,707 | |
| Debtors: amounts falling due within one year | 12 | 5,065 | | 8,278 | |
| Cash at bank and in hand | 13 | 2,049 | | 2,772 | |
| | | 187,493 | | 195,757 | |
| **Current liabilities** | | | | | |
| Creditors: amounts falling due within one year | 14 | (18,944) | | (23,557) | |
| **Net current assets** | | | 168,549 | | 172,200 |
| **Total assets less current liabilities** | | | 424,806 | | 432,002 |
| Creditors: amounts falling due after more than one year | 15 | | (140,096) | | (154,685) |
| **Provisions for liabilities** | | | | | |
| Deferred tax | 17 | (55,553) | | (56,355) | |
| Other provisions | 18 | (1,432) | | (1,339) | |
| | | | (56,985) | | (57,694) |
| **Net assets** | | | 227,725 | | 219,623 |
| **Capital and reserves** | | | | | |
| Called up share capital | 19 | | - | | - |
| Retained earnings | | | 227,725 | | 219,623 |
| **Total equity** | | | 227,725 | | 219,623 |

The financial statements were approved and authorised for issue by the board on 1 September 2023 and were signed on its behalf by:

**Michael Hackenbroch**
Director

**Russell Gurnhill**
Director

The notes on pages 12 to 26 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2023

| | Called up share capital | Retained Earnings | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| **At 1 April 2021** | - | 223,147 | 223,147 |
| **Comprehensive income for the year** | | | |
| Profit for the financial year | - | 7,319 | 7,319 |
| **Total comprehensive income for the year** | - | 7,319 | 7,319 |
| Dividends | - | (10,843) | (10,843) |
| **Total transactions with owners** | - | (10,843) | (10,843) |
| **At 31 March 2022 and 1 April 2022** | - | 219,623 | 219,623 |
| **Comprehensive income for the year** | | | |
| Profit for the financial year | - | 13,171 | 13,171 |
| **Total comprehensive income for the year** | - | 13,171 | 13,171 |
| Dividends | - | (5,069) | (5,069) |
| **Total transactions with owners** | - | (5,069) | (5,069) |
| **At 31 March 2023** | - | 227,725 | 227,725 |

The notes on pages 12 to 26 form part of these financial statements.

## 1. Accounting policies

### General information

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of the company's registered office, which is also the company's principal place of business, is provided in note 22. The principal activities of the company are described in the Strategic Report on page 1.

### Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by revaluation of certain assets at fair value and in compliance with the Companies Act 2006 and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

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 company's accounting policies (see note 2).

### Going concern

The company has net current assets of £168,549,000 and net assets of £227,725,000 as at 31 March 2023.

In order to meet its obligations to the Issuer relating to the term advances, the company is reliant on BT meeting its contractual obligations to the company. Management has carried out an assessment of BT, based on recent credit ratings and financial results and are satisfied that BT will be able to continue to meet its contractual obligations to the company for at least 12 months after the date of signing these financial statements. Management has also prepared forecast cash flows for at least 12 months from the date of signing these financial statements and considered the current assets and liabilities of the partnership. The directors are satisfied that the company has adequate resources to meet its liabilities for at least 12 months from the date of signing the financial statements and as such the financial statements have been prepared on a going concern basis.

## 1. Accounting policies (continued)

### 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 in accordance with paragraph 1.12 (b) of FRS 102, on the basis that it is a qualifying entity and a parent company includes the company's cash flows in its own consolidated financial statements;

(ii) certain financial instrument disclosures in accordance with paragraph 1.12 (c) of FRS 102, on the basis the equivalent disclosures are included in a parent company's own consolidated financial statements; and

(iii) related party disclosures in accordance with paragraph 33.1A of FRS 102, where the company transacts with other wholly owned subsidiaries of the wider group.

The information relating to (i) and (ii) is included in the consolidated financial statements of TTRE Holdings Limited as at 31 March 2023.

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

### Turnover

Rental income is recognised in the Statement of Comprehensive Income on an accruals basis. The rental income from certain properties is increased each year by a pre-determined indexation factor. Such increases are accounted for from the date when they become effective. Lease incentives are recognised on a straight line basis over the lease term.

Service charge income is accounted for on the accruals basis in the period to which it relates and is recognised on a gross basis.

### Expenses

Property and contract expenditure is expensed as incurred on an accruals basis.

### Finance income and costs

Interest payable predominantly arises from the company's fixed rate loans due to the Issuer. Interest receivable is largely from loans made to fellow group undertakings.

Interest receivable and payable are recognised in the Statement of Comprehensive Income to achieve a constant rate on the carrying amount of the debt, using the effective interest method.

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

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

**1. Accounting policies (continued)**

**Current and deferred 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.

Deferred tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Dividends**

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.

**Investment properties**

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.

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 company 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.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, bank deposits and other short term highly liquid investments that mature in no more than three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Cash and cash equivalents also include tenant deposits which comprise of cash held by banks but subject to withdrawal restrictions.

## 1. Accounting policies (continued)

### Financial instruments

The company has adopted the recognition and measurement provisions of sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**
Basic financial assets, including trade and other debtors, cash at bank and in hand and amounts owed by 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.

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

## 1. Accounting policies (continued)

### Financial instruments (continued)

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, 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.

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.

### Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

## 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 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:
• the term that the tenant, BT, will require the properties for: management has assessed the likely term of occupation of the properties by BT, based on publicly available information regarding BT's long-term requirements for the properties;
• discount rates used to value rental income streams and other cashflows generated by the properties; and
• long term future growth rates for rent and capital values.

**Trade and other debtors**
The company reviews trade and other debtors and makes judgements on the recoverability of these receivables with reference to the age of outstanding amounts, credit status of the counterparty and the status of any outstanding dispute.

## 3. Turnover

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

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Rental income | 9,436 | 9,100 |
| Supplementary service charges | 9,000 | 9,000 |
| | 18,436 | 18,100 |

All turnover arose within the United Kingdom.

## 4. Net valuation movements on investment properties (including profit and loss on disposal)

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Profit/(loss) on disposal of investment properties | 20 | (1,235) |
| Revaluation of investment properties | (3,571) | 7,998 |
| | (3,551) | 6,763 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2023**

## 5. Operating profit

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Operating profit is stated after crediting:** | | |
| Onerous lease provision charged to profit or loss (note 18) | 60 | 36 |

## 6. Auditors' remuneration

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements | 36 | 37 |

The audit fee was borne on the company's behalf by Telereal Services Limited, a fellow group undertaking.

## 7. Directors' emoluments

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Aggregate emoluments excluding long-term incentive schemes | 34 | 34 |
| Aggregate amounts receivable under long-term incentive schemes | 311 | 313 |
| Payments to defined contribution pension schemes | 1 | 1 |
| | 346 | 348 |

One (2022: one) director is a member of a defined contribution scheme and no (2022: no) directors are accruing benefits under a defined benefit scheme.

The highest paid director received remuneration of £145,000 (2022: £140,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director was £nil (2022: £nil).

The emoluments were paid and borne by Telereal Services Limited, a fellow group undertaking.

The company has no employees (2022: none).

## 8. Interest receivable and similar income

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Interest receivable from group companies | 8,403 | 8,617 |
| Other interest receivable | 117 | 10 |
| | 8,520 | 8,627 |

## 9. Interest payable and similar expenses

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Interest on term advances from the Issuer | 6,549 | 7,089 |
| Interest payable to group companies | 220 | 131 |
| Unwind of discount on provisions | 33 | 34 |
| Other finance charges | 173 | 214 |
| | 6,975 | 7,468 |

## 10. Tax on profit

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 3,740 | 3,971 |
| Adjustments in respect of previous periods | 28 | 11 |
| **Total current tax** | 3,768 | 3,982 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (802) | 929 |
| Rate changes | - | 13,303 |
| **Total deferred tax** | (802) | 14,232 |
| **Taxation on profit** | 2,966 | 18,214 |

**10. Tax on profit (continued)**

**Factors affecting tax charge for the year**

The tax charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Profit before tax | 16,137 | 25,533 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%) | 3,066 | 4,851 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 2 | 1 |
| Adjustments in respect of previous periods | 28 | 11 |
| Non-taxable income | - | (11) |
| Profit on disposal of property | (4) | 235 |
| Property revaluations | 678 | (1,520) |
| Deferred tax on property revaluations | (802) | 929 |
| Capital gains tax | 3 | 415 |
| Rate changes | - | 13,303 |
| Capital allowances | (2) | - |
| Capital gains offset against group capital gains | (3) | - |
| **Total tax charge for the year** | 2,966 | 18,214 |

## 10. Tax on profit (continued)

### Factors that may affect future tax charges

On 11 March 2021, the 2021 Budget announced an increase in the rate of UK corporation tax, effective from 1 April 2023, from 19% to 25%. This change was included in Finance Act 2021 which was substantively enacted on 24 May 2021, and granted Royal Assent on 10 June 2021.

## 11. Investment properties

| | Freehold investment property £000 | Leasehold investment property £000 | Total £000 |
|---|---|---|---|
| **Valuation** | | | |
| At 1 April 2022 | 204,115 | 55,687 | 259,802 |
| Additions at cost | 26 | - | 26 |
| Deficit on revaluation | (1,374) | (2,197) | (3,571) |
| **At 31 March 2023** | 202,767 | 53,490 | 256,257 |

At 31 March 2023 and 31 March 2022 the properties were revalued internally on a portfolio basis by a chartered surveyor who is a member of the Royal Institution of Chartered Surveyors (RICS). The valuation was prepared in accordance with the valuation principles of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

## 12. Debtors

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| **Amounts falling due after more than one year** | | |
| Amounts owed by group undertakings | 180,356 | 184,699 |
| Prepayments and accrued income | 23 | 8 |
| | 180,379 | 184,707 |

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade debtors | 8 | 14 |
| Amounts owed by group undertakings | 4,751 | 8,237 |
| Other debtors | - | 11 |
| Tax recoverable | 282 | - |
| Prepayments and accrued income | 24 | 16 |
| | 5,065 | 8,278 |

Trade debtors are stated after provisions for impairment of £19,000 (2022: £10,000).

Included within amounts owed by group undertakings is a loan to Telereal 112 Investments Limited of £138,750,000 (2022: £138,750,000) and accrued interest on that loan of £353,000 (2022: £353,000). The loan accrues interest at a fixed rate of 4.51% (2022: 4.51%), is unsecured and has a maturity date in December 2033.

Also included within amounts owed by group undertakings is a loan to Telereal Services Limited of £45,949,000 (2022: £50,091,000) and accrued interest on that loan of £83,000 (2022: £128,000). The loan accrues interest at a fixed rate of 4.51% (2022: 4.51%), is secured on certain income streams of Telereal Services Limited and is repayable in instalments. Other amounts owed by group undertakings are interest free (2022: interest free), unsecured and receivable on demand.

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

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| More than 1 year but not more than 2 years | 4,482 | 4,360 |
| More than 2 years but not more than 5 years | 15,170 | 14,266 |
| More than 5 years | 160,727 | 166,081 |
| | 180,379 | 184,707 |

## 13. Cash at bank and in hand

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Cash at bank and in hand | 2,049 | 2,772 |
| | 2,049 | 2,772 |

Cash at bank and in hand includes tenant deposits held of £66,000 (2022: £35,000).

## 14. Creditors: amounts falling due within one year

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Term advances payable to the Issuer (note 16) | 14,589 | 13,870 |
| Trade creditors | 5 | 108 |
| Amounts owed to group undertakings | 3,225 | 4,822 |
| Corporation tax | - | 2,787 |
| VAT | 616 | 1,371 |
| Other creditors | 55 | 38 |
| Accruals and deferred income | 454 | 561 |
| | 18,944 | 23,557 |

Amounts owed to group undertakings accrue interest at the base lending rate of Barclays Bank PLC plus 3% (2022: base lending rate of Barclays Bank PLC plus 3%), are unsecured and due on demand.

Term advances payable to the Issuer are amounts due to Telereal Secured Finance PLC at a fixed interest rate of 4.01% per annum (2022: 4.01% per annum) (see note 15 for further details).

## 15. Creditors: amounts falling due after more than one year

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Term advances payable to the Issuer (note 16) | 140,096 | 154,685 |

**Secured loans**
Term advances payable to the Issuer are loan amounts due to Telereal Secured Finance PLC. Interest accrues on the loan at a fixed rate of 4.01% per annum, payable quarterly in arrears. The capital amounts of the loan are also repaid quarterly in arrears with a final maturity date of December 2033. Under the terms of the Borrower Deed of Charge, security is granted for the term advances to the Borrower Security Trustee on trust by way of a fixed charge on the freehold and leasehold properties of the company.

Telereal Secured Finance PLC is regarded as a related party as the boards of the two companies have a common nucleus of directors.

## 16. Loans and borrowings

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Term advances payable to the Issuer | 155,249 | 169,245 |
| less: unamortised issue costs | (564) | (690) |
| | 154,685 | 168,555 |

The maturity profile of the gross amount of the company's loans and borrowings is as follows:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Maturity profile** | | |
| Within one year | 14,705 | 13,996 |
| More than 1 year but not more than 2 years | 15,034 | 14,705 |
| More than 2 years but not more than 5 years | 51,253 | 48,200 |
| More than 5 years | 74,257 | 92,344 |
| | 155,249 | 169,245 |

## 17. Deferred tax

| | 2023 £000 | 2022 £000 |
|---|---|---|
| At the beginning of the financial year | (56,355) | (42,123) |
| Timing difference | 802 | (14,232) |
| **At the end of the financial year** | (55,553) | (56,355) |

The provision for deferred taxation is made up as follows:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Tax on property revaluations | (55,553) | (56,355) |
| | (55,553) | (56,355) |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2023**

## 18. Other provisions

| | £000 |
|---|---|
| **Onerous lease** | |
| At 1 April 2022 | 1,339 |
| Charged to profit or loss | 60 |
| Unwind of discount | 33 |
| **At 31 March 2023** | 1,432 |

An onerous lease provision is established in respect of leasehold properties for which the expected future rental income is not expected to meet rental and other property specific obligations. The provisions are based on assumptions about expected future rentals and voids. The 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.

## 19. Called up share capital

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 100 (2022 - 100) Ordinary shares of £1.00 each | 100 | 100 |

## 20. Dividends

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| £50,690 per share (2022: £108,430 per share) | 5,069 | 10,843 |

## 21. Commitments under operating leases

At 31 March 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Not later than 1 year | 39 | 39 |
| Later than 1 year and not later than 5 years | 158 | 158 |
| Later than 5 years | 146 | 186 |
| | 343 | 383 |

The company leases out the investment properties under non-cancellable operating leases for the following future minimum lease payments. There are no contingent rents.

| | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Not later than 1 year | 9,147 | 8,978 |
| Later than 1 year and not later than 5 years | 38,306 | 37,492 |
| Later than 5 years | 38,902 | 48,863 |
| | 86,355 | 95,333 |

## 22. Controlling party

Telereal 112 Limited is a wholly owned subsidiary of Telereal 112 Holdings Limited, a company incorporated in England and Wales.

The parent company of the smallest group for which consolidated financial statements are prepared that include the company is TTRE Holdings Limited which is incorporated in England and Wales.

The parent company of the largest group for which consolidated financial statements are prepared that include the company is TTRE Group Limited which is incorporated in Jersey.

The ultimate parent undertaking and controlling party is Field Nominees Limited (incorporated in Bermuda), as nominee for the B Pears 1967 Family Trust.

The annual report and financial statements of TTRE Holdings Limited may be obtained from the Company Secretary, Level 16, 5 Aldermanbury Square, EC2V 7HR (previously 140 London Wall, EC2Y 5DN), which is also the registered office and principal place of business of Telereal 112 Limited.