

**EE Finance plc
Strategic Report, Directors'
Report and Financial statements
for the period from 1 January 2016 to
31 March 2017**

Registered Number: 07844526

Strategic Report**Introduction**

The directors present their strategic report on the stand-alone entity for EE Finance plc for the 15 month period ended 31 March 2017. EE Finance plc (“EEF plc” or “the Company”) is a 100% owned subsidiary of EE Limited (“the parent Company”). EEF plc’s function is to raise finance for BT Group plc (“the Group”) via financing arrangements. All cash proceeds received under these arrangements are passed onto British Telecommunications plc (“BT plc”).

Review of the business

A Strategic Report describing the issues affecting the BT Group, of which the Company is a part, is set out in the consolidated financial statements of BT Group. All interest payable on the Company’s external borrowings is offset by interest receivable from the Company’s loan receivables from BT plc.

Key performance indicators (“KPIs”)

Due to the funding arrangements with BT plc there are no standalone KPIs for EEF plc. Analysis of BT Group’s performance using KPI’s is contained in the strategic report on pages 1-102 of the BT Group plc annual report, which do not form part of this report.

Future developments

The Company will continue to hold the external borrowings on behalf of BT plc until maturity. It is not anticipated that the Company will raise further finance.

Principal risks and uncertainties and financial risk management**Liquidity risk**

The principal risk identified is liquidity risk.

The Company has a receivable from BT plc, the terms of which mirror the Company’s repayment obligations in respect of its borrowings. BT plc has committed to the Directors that it will ensure the full and timely payment of the Company’s obligations in respect of its Listed Bonds. In addition, EE Limited has guaranteed the Company’s borrowings. This is outlined in the going concern review on page 5.

Foreign exchange risk

The Company has issued bonds in Euro and is therefore exposed to foreign exchange rate movements. An equal value of the receivable from BT plc is also denominated in Euro, and this enables the Company to match and offset its exposure to foreign exchange risk. Full details are set out in note 12.

Strategic Report (continued)

Interest rate risk

During the period the Company repaid its variable rate borrowings and is therefore no longer exposed to interest rate risk.

The Strategic Report was approved by the Board of Directors on 27 September 2017 and signed on its behalf by



Stephen Harris
Director

Directors' Report for the period 01 January 2016 to 31 March 2017

The directors submit report together with the financial statements and auditor's report for the period 1 January 2016 to 31 March 2017. The registered number of the Company is 07844526.

Principal activities and future developments

The Company's principal activity is to hold external financing arrangements for the Group. All cash proceeds received under these arrangements were previously passed to EE Limited. During the period the proceeds were passed from EE Limited to BT plc. The directors do not anticipate any change in the foreseeable future.

Going concern

As EEF's sole debtor, EEF plc's ability to continue as a going concern is dependent upon BT plc paying amounts owed to EEF plc as they fall due.

The business activities of the Group, the factors likely to affect its future development and position, and the principal risks and uncertainties it faces, are set out in the Strategic Report in BT plc's consolidated financial statements, which does not form part of this report. The Directors of BT plc have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of BT plc to continue as a going concern for the foreseeable future. BT plc is expected to continue to generate positive operating cash flows for the foreseeable future and is expected to be able to meet its debts as they fall due.

On the basis of this assessment of the Group's financial position, the Directors of EEF plc have a reasonable expectation that EEF plc will be able to continue in operational existence for the foreseeable future, and thus continue to adopt the going concern basis of accounting in preparing the EEF plc annual financial statements.

First-time adoption of FRS 101

For all periods up to and including the year ended 31 December 2015, the Company prepared its separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union and the Companies Act 2006 (IFRS). The Company's annual financial statements for the period ended 31 March 2017 are the first that the Company has prepared in accordance with FRS 101 "Reduced Disclosure Framework" which involves the application of IFRS with a reduced level of disclosure. The standard is effective for periods beginning on or after 1 January 2015. All periods presented in these financial statements are prepared in accordance with FRS 101.

Directors' Report for the period 01 January 2016 to 31 March 2017 (continued)

The Company meets the definition of a qualifying subsidiary under FRS 100. Accordingly, in the period ended 31 March 2017 the Company has undergone transition from reporting under IFRS to FRS 101 'Reduced Disclosure Framework'. As required by FRS 101, these financial statements include comparative FRS101 financial information for the year ended 31 December 2015. FRS 101 incorporates, with limited amendments, International Financial Reporting Standards.

Results

The loss on ordinary activities before taxation was £45,000 (2015: £nil). The tax credit on loss on ordinary activities was £9,000 (2015: £nil) which left a loss after taxation for the period of £36,000 (2015: £nil).

Financial risk management

Details of the company's financial risk management policy are set out in the strategic report.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31 March 2017 (2015: £nil).

Corporate Governance Statement

EEF plc. is subject to the same internal control and risk management systems in relation to the financial reporting process as BT Group plc. Information regarding the governance of BT Group is contained in pages 103 - 152 of the BT group annual report, which does not form part of this report.

Subsequent events

The directors are not aware of any events subsequent to the reporting period which require disclosure in or adjustment to the financial statements.

Directors

The directors, who served throughout the period and up to the date of signing, were as follows:

Marc David Allera (appointed on 29 January 2016)
Stephen Christopher Harris (appointed on 29 January 2016)
Craig Ian Machell (appointed 29 January 2016; resigned on 26 January 2017)
Olaf Swantee (resigned 29 January 2016)
Neal Milsom (resigned 29 January 2016)

Directors' Report for the period 01 January 2016 to 31 March 2017 (continued)**Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and Officers' liability insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by EE Limited and applicable to the directors of EEF plc, was in force throughout the last financial period and is currently in force. Neither the insurance nor the indemnity provides cover where the person has acted fraudulently or dishonestly.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report for the period 01 January 2016 to 31 March 2017 (continued)

Disclosure of information to the auditors

As far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each of the directors has taken all reasonable steps that ought to have been taken to make the auditors aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as independent auditor in the absence of an Annual General Meeting.

The directors' report on pages 3 to 6 was approved by the Board of directors on 27 September 2017 and was signed

By order of the Board



Charles Mowat
Company Secretary

27 September 2017

Independent auditors' report to the members of EE Finance plc

Report on the financial statements

Our opinion

In our opinion, EE Finance plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and financial statements (the "Annual Report") comprise:

- the Balance sheet as at 31 March 2017;
- the Profit and loss account for the period then ended;
- the Statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Independent auditors' report to the members of EE Finance plc (continued)**Other matters on which we are required to report by exception****Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Independent auditors' report to the members of EE Finance plc (continued)**What an audit of financial statements involves**

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

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

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

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

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



Charles van den Arend (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2017

Profit and loss account for the 15 month period to 31 March 2017

	Note	15 months to 31 March 2017 £'000	12 Months to 31 December 2015 £'000
Finance Revenue	6	77,132	67,402
Finance Expense	7	(77,152)	(67,402)
Administrative expenses	3	(25)	-
Operating loss		<u>(45)</u>	<u>-</u>
Loss before taxation		(45)	-
Tax credit	8	9	-
Loss for the period		<u>(36)</u>	<u>-</u>

All results derive from continuing operations.

There has been no other comprehensive income during either period other than as disclosed in the profit and loss account and therefore no separate statement of total comprehensive income has been presented.

Balance sheet as at 31 March 2017

	Note	31 March 2017 £'000	31 December 2015 £'000
Non-current assets			
Financial assets	9	961,288	-
Total non-current assets		<u>961,288</u>	<u>-</u>
Current assets			
Financial assets	9	361,329	2,078,284
Cash and cash equivalents	10	-	50
Total current assets		<u>361,329</u>	<u>2,078,334</u>
Total assets		<u>1,322,617</u>	<u>2,078,334</u>
Current liabilities			
Accrued interest		(11,292)	(36,394)
Financial liabilities held at amortised cost	11	(350,000)	(436,753)
Accruals		(25)	-
Total current liabilities		<u>(361,317)</u>	<u>(473,147)</u>
Non-current liabilities			
Financial liabilities held at amortised cost	11	(961,286)	(1,605,137)
Total non-current liabilities		<u>(961,286)</u>	<u>(1,605,137)</u>
Total liabilities		<u>(1,322,603)</u>	<u>(2,078,284)</u>
Total net assets		<u>14</u>	<u>50</u>
Capital and reserves			
Called up share capital	13	50	50
Retained loss		(36)	-
Total equity		<u>14</u>	<u>50</u>

The financial statements of EE Finance plc on pages 10 to 24 were approved and authorised for issue by the board of directors on 27 September 2017 and were signed on its behalf by.

Stephen Harris
Director



Statement of changes in equity for the 15 month period ended 31 March 2017

	Called up share capital £'000	Retained loss £'000	Total equity £'000
Balance as at 1 January 2015	50	-	50
Profit and total comprehensive income for the financial year	-	-	-
Balance as at 31 December 2015	50	-	50
Loss and total comprehensive expenses for the financial year	-	(36)	(36)
Balance as at 31 March 2017	50	(36)	14

Notes to the financial statements for the period ended 31 March 2017**1. General information**

EEF plc provides finance to the Group via financing arrangements.

The Company is a public limited Company, and is incorporated and domiciled in the UK. The address of its registered office is Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9BW.

2. Basis of preparation and accounting policies**Preparation of the financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101), which involves the application of International Financial Reporting Standards with a reduced level of disclosure. For all periods up to and including the year ended 31 December 2015, the Company prepared its separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union and the Companies Act 2006 (IFRS).

The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS 101. The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of complexity, or areas where assumption and estimates are significant to the financial statements.

The Company meets the definition of a qualifying subsidiary under FRS 100. Accordingly, in the period ended 31 March 2017 the Company has undergone transition from reporting under IFRS to FRS 101 'Reduced Disclosure Framework'. As required by FRS 101, these financial statements include comparative FRS 101 financial information for the year ended 31 December 2015.

Exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard. The following exemptions have been taken:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes to the financial statements for the period ended 31 March 2017 (continued)**Exemptions (continued)**

- The requirements of paragraphs 6 and 21 of IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ to present an opening statement of financial position at the date of transition.
- The requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of;
 - (i) paragraph 79(a)(iv) of IAS 1 ‘Presentation of Financial Statements’;
 - (ii) paragraph 73(e) of IAS 16 ‘Property, Plant and Equipment’.
 - (iii) paragraph 118(e) of IAS 38 ‘Intangible Assets’.
- The following paragraphs of IAS 1 ‘Presentation of Financial Statements’:
 - 10(d) (statement of cash flows);
 - 10(f) (third statement of financial position);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (third statement of financial position);
 - 111 (cash flow statement information); and
 - 134 to 136 (capital management disclosures).

The Company intends to continue to take advantage of these exemptions in future years.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

As a Company whose principal activity is to raise finance for the group the Company meets the definition of a financial institution and hence cannot take the exemptions available to other qualifying entities from the disclosure requirements of IFRS 7 and IFRS 13 and paragraphs 134 to 136 of IAS 1.

Transition to FRS 101

The accounting policies set out on page 12 have been applied in preparing the financial statements for the period ended 31 March 2017, the comparative information for the year ended 31 December 2015.

The transition from IFRS to FRS 101 required no adjustments to amounts previously reported in the financial statements and as such no reconciliation of Equity has been presented.

New and amended accounting standards effective during the period:

There are no new or amended accounting standards or interpretations adopted during the period that have a significant impact on the financial statements.

Notes to the financial statements for the period ended 31 March 2017 (continued)**New and amended accounting standards that have been issued but are not yet effective**

The following standards have been issued and are effective for accounting periods ending on or after 1 April 2017 and are expected to have an impact on the Company's financial statements. The impact of these on the financial statements are being considered by the Company.

IFRS 9 'Financial instruments' (effective for periods beginning on or after 1 January 2018)
IFRS 15 'Financial instruments' (effective for periods beginning on or after 1 January 2018)

Critical accounting judgements and key sources of estimation uncertainty

Due to the simple nature of the company's operations the directors do not consider that there is a significant level of judgement or estimation uncertainty attached to any financial statement item.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Going concern

As EEF plc's sole debtor, EEF plc's ability to continue as a going concern is dependent upon BT plc paying amounts owed to EEF plc as they fall due.

The business activities of the Group, the factors likely to affect its future development and position, and the principal risks and uncertainties it faces, are set out in the Strategic Report in BT plc's consolidated financial statements, which does not form part of these financial statements. The Directors of BT plc have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of BT plc to continue as a going concern for the foreseeable future. BT plc is expected to continue to generate positive operating cash flows for the foreseeable future and is expected to be able to meet its debts as they fall due.

On the basis of this assessment of the Group's financial position, the Directors of EEF plc have a reasonable expectation that EEF plc will be able to continue in operational existence for the foreseeable future, and thus continue to adopt the going concern basis of accounting in preparing the EEF plc annual financial statements.

Interest income and expense

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate. Interest expense is recognised using the effective interest method.

Notes to the financial statements for the period ended 31 March 2017 (continued)**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid; final dividends when authorised in general meetings by shareholders.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Foreign currency transactions are translated into the reporting currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the profit and loss account in the line that most appropriately reflects the nature of the item or transaction.

Current and deferred income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base. A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Financial assets and liabilities

Financial assets and liabilities are recognised initially at fair value. They are subsequently measured either at fair value or amortised cost using the effective interest method, in accordance with the IAS 39 category they belong to. The effective interest rate is the rate that discounts estimated future cash payments through the expected contractual term, or the most probable expected term of the financial instrument, to the net carrying amount of the financial liability. This calculation includes all fees paid or received between parties to the contract.

Notes to the financial statements for the period ended 31 March 2017 (continued)

Loans and receivables

This category includes the amounts receivable from BT plc. The Company receives interest income from its financial assets in the income statement during the period. These receivables are recognised at fair value upon origination and are subsequently measured at amortised cost by the effective interest method. The value of the asset is reviewed at each balance sheet date, if there is any objective evidence of impairment of these assets an impairment loss is recognised in the income statement when the financial asset carrying amount is higher than its recoverable amount.

Financial liabilities at amortised cost

Borrowings and other financial liabilities are recognised upon origination at fair value of the sums paid or received in exchange for the liability, and subsequently measured at amortised cost using the effective interest method. The interest incurred is recognised in the income statement during the period.

Transaction costs that are directly attributable to the acquisition or issue of the financial liability are deducted from the liability's carrying value. The costs are subsequently amortised over the life of the debt, by the effective interest method.

Operating segments

The Company's sole purpose is to raise finance for BT group. As such, there are not considered to be separable identifiable operating segments for which financial information can be presented.

Change in reporting period

The company changed its reporting period from 31 December to 31 March to align its year end with BT Group. As a result these financial statements show results of the Company for the 15 month period to 31 March 2017 with comparable results from the year to 31 December 2015. The reported profit and loss for the two periods are therefore not directly comparable.

3 Operating loss

Operating loss is stated after charging:

	15 months ended 31 March 2017 £'000	12 months ended 31 December 2015 £'000
Auditors' remuneration for statutory audit ¹	(25)	-

¹ – BT Group's policy is that all audit fees are recharged to subsidiary companies, this differs from EE's policy that was in force in the prior year.

Notes to the financial statements for the period ended 31 March 2017 (continued)

4 Directors' emoluments

The directors are employed and remunerated by EE Limited in respect of their services to the Group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the period ended 31 March 2017 (2015: £nil).

5 Employee information

The Company does not have any employees. All services are provided by employees of the parent Company. (2015: nil).

6 Interest receivable and similar income

	15 months ended 31 March 2017 £'000	12 months ended 31 December 2015 £'000
Interest receivable from parent undertakings	<u>77,132</u>	<u>67,402</u>

7 Interest payable and similar charges

	15 months ended 31 March 2017 £'000	12 months ended 31 December 2015 £'000
Interest payable on external borrowings	<u>(77,152)</u>	<u>(67,402)</u>

8 Tax credit on loss on ordinary activities

	15 months ended 31 March 2017 £'000	12 months ended 31 December 2015 £'000
Current tax:		
UK Corporation tax at 20% (2015: 20%)	9	-
Foreign tax suffered	-	-
Total current tax credit	<u>9</u>	<u>-</u>

Notes to the financial statements for the period ended 31 March 2017 (continued)

8 Tax credit on loss on ordinary activities (continued)

The tax assessed for the period is same as (2015: same as) the amount computed by applying the standard rate of corporation tax in the UK as explained below:

	15 months ended 31 March 2017 £'000	12 months ended 31 December 2015 £'000
Loss on ordinary activities before taxation	(45)	-
	<hr/>	<hr/>
(Loss) on ordinary activities multiplied by standard rate of corporation tax at 20% (2015: 20%)	9	-
Total tax (credit)/charge	<u>9</u>	<u>-</u>

Factors affecting current and future tax charges

The rate of UK corporation tax will change from 20% to 19% on 1 April 2017 and to 17% on 1 April 2020.

9 Financial assets

	31 March 2017 £'000	31 December 2015 £'000
Amounts owed by parent undertakings due within one year	361,320	2,078,284
Group relief receivable	9	-
Financial assets due within one year	<u>361,329</u>	<u>2,078,284</u>
Amounts owed by parent undertakings due after 1 year	961,288	-
Total financial assets	<u>1,322,617</u>	<u>2,078,284</u>

All proceeds from financing have been paid on to BT plc, and EEF plc recognises a receivable for the amounts due from BT plc. The terms of these loans mirror the external borrowing. Please see notes 11 and 13 for details on the external borrowing.

No allowances have been recorded against amounts receivable from the parent Company because they have been assessed to be fully recoverable. The fair value of the loans to the parent Company and related accrued interest is £1,380,175 at 31 March 2017 (31 December 2015: £2,127,194) (this is level 2 in the IFRS 13 fair value hierarchy).

Notes to the financial statements for the period ended 31 March 2017 (continued)

9 Financial assets (continued)

Following the acquisition of the EE group by British Telecommunications plc, the borrowing previously due from EE Limited was novated to British Telecommunications plc during the year. This borrowing is now shown split between a current and non-current receivable consistent with managements understanding of when this will be repaid by British Telecommunications plc.

10 Cash and cash equivalents	31 March 2017 £'000	31 December 2015 £'000
Cash and cash equivalents	-	50
	<u>-</u>	<u>50</u>

11 Financial liabilities held at amortised cost

	31 March 2017 £'000	31 December 2015 £'000
Listed bonds:		
3.5% €500m bond due February 2017	-	379,158
3.25% €600m bond due August 2018	523,481	446,547
4.38% £450m bond due March 2019	449,034	462,147
Total Listed bonds	<u>972,515</u>	<u>1,287,852</u>
Other loans and borrowings:		
	31 March 2017 £'000	31 December 2015 £'000
LIBOR + 0.95% £438m Syndicated loan facility Due April 2016	-	440,519
2.21% £350m bank loan due December 2017	350,063	349,913
Total other loans and borrowings	<u>350,063</u>	<u>790,432</u>
Total Loans and borrowings	<u>1,322,578</u>	<u>2,078,284</u>

All loans and other borrowings are carried on our balance sheet and in the table above at amortised cost. The fair value of listed bonds and other long term-term borrowing categorised by IFRS 13 fair value level is as follows:

Notes to the financial statements for the period ended 31 March 2017 (continued)

11 Financial liabilities held at amortised cost (continued)

	31 March 2017			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Listed bonds	1,026,726	-	1,026,726	1,333,540	-	1,333,540
Loans	-	353,450	353,450	-	793,654	793,654
Total	1,026,726	353,450	1,380,175	1,690,411	793,654	2,127,194

The fair value of our bonds is estimated on the basis of quoted market prices. The fair value of our other borrowings is estimated based on the calculations of future cash flows using blended discount rates in effect at the balance sheet date. There have been no transfers between levels 1 and 2 during the year.

	31 March 2017 £'000	31 December 2015 £'000
Current Liabilities		
Listed bonds accrued interest	11,229	32,628
Bank loan and syndicated loan accrued interest	63	3,766
Total accrued interest	11,292	36,394
Bank Loans	350,000	-
Syndicated loan facility	-	436,753
Total current liabilities	361,292	473,147
Non-current Liabilities		
Listed bonds	961,286	1,255,224
Bank loans	-	349,913
Total non-current liabilities	961,286	1,605,137
Total	1,322,578	2,078,284

The carrying values disclosed in the above table reflect balances at amortised cost adjusted for accrued interest. All borrowings as at 31 March 2017 and 31 December 2015 were unsecured.

Notes to the financial statements for the period ended 31 March 2017 (continued)

11 Financial liabilities held at amortised cost (continued)

The repayments of loans and borrowings fall due as follows:

	31 March 2017 £'000	31 December 2015 £'000
Within one year or on demand	392,168	496,995
Between one and two years	999,582	773,207
Between two and three years	-	476,276
Between three and four years	-	469,688
Total due for repayment after more than one year	<u>999,582</u>	<u>1,719,171</u>
Total loans and other borrowings	<u>1,391,750</u>	<u>2,216,166</u>

The interest rate profiles of financial liabilities based on nominal values, excluding interest accruals, are as follows:

	31 March 2017				31 December 2015	
	Fixed	Total	Fixed	Floating	Non- interest bearing	Total
Financial liabilities	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	800,000	800,000	800,000	437,500	50	1,237,550
Euro	513,215	513,215	810,731	0	0	810,731
	<u>1,313,215</u>	<u>1,313,215</u>	<u>1,610,731</u>	<u>437,500</u>	<u>50</u>	<u>2,048,281</u>

Weighted average effective
fixed interest rate

3.4%

3.4%

Notes to the financial statements for the period ended 31 March 2017 (continued)**12 Financial instruments and risk management****Interest rate risk**

Interest rate risk is the risk that future cash flows may fluctuate due to changes in Market interest rates. The Company has interest rate risk by virtue of its interest bearing external borrowings. This is limited by the fact that all external borrowing have moved to fixed rate instruments in 2017. Interest rate risk is managed by passing the risk to BT plc through mirroring the terms of the external debt in the loans due from BT plc.

Foreign exchange risk

The Company is exposed to foreign exchange risk by virtue of its liabilities and receivables denominated in foreign currencies. The Company manages this risk through mirroring the currency of its external borrowings in the loans due from BT plc, thus passing all such risk to BT plc.

Sensitivity analysis

The directors believe that providing a sensitivity analysis would not be useful as any movements in profit and loss arising from variations in foreign exchange and interest rates will be offset by an equal and opposite effect as outlined in the risk management policy above.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid assets to pay its liabilities as they fall due. The Company has a receivable from BT plc, the terms of which mirror the Company's repayment obligations in respect of its borrowings. BT plc has committed to the Directors that it will ensure the full and timely payment of the Company's obligations in respect of its Listed Bonds. In addition, EE Limited has guaranteed the Company's borrowings.

Credit risk

The Company only has exposure to one counterparty, BT plc. The board of BT Group plc continues to target a credit rating of BBB+/Baa1 over the medium term, and therefore the directors consider the risk of default to be negligible.

Offsetting

The Company has no enforceable master netting or similar agreements hence no amounts are presented net in the Company's balance sheet.

Notes to the financial statements for the period ended 31 March 2017 (continued)

13 Share capital

	31 March 2017 £'000	31 December 2015 £'000
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment.

14 Contingent liabilities

As at 31 March 2017, there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and on these no material losses are anticipated.

15 Controlling entity

The Company is a 100% subsidiary of EE Limited, a Company incorporated in England & Wales.

The parent undertaking of the smallest group of companies into which the results of the Company are consolidated is British Telecommunications plc. The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a Company incorporated in England & Wales. Consequently the Company is exempt under the terms of IAS 24 "Related Party Disclosures" from disclosing details of transactions and balances with BT Group plc and fellow group subsidiaries provided such subsidiaries are wholly owned members of the group. Copies of the financial statements of BT Group plc may be obtained from The Head of Corporate Governance, BT Group plc, 81 Newgate Street, London EC1A 7AJ.