

# Exchequer Partnership Holdings Limited

## Annual report and consolidated financial statements for the year ended 31 December 2014

**Registered Number: 03810496**

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# Exchequer Partnership Holdings Limited

## Annual report and consolidated financial statements

### for the year ended 31 December 2014

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**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Strategic report for the year ended 31 December 2014**

**Group objectives**

The company is a holding company with a single subsidiary, Exchequer Partnership Plc ('EPP'). EPP is engaged in a 35-year contract with HM Treasury to renovate and then manage the facilities at the main Treasury building formerly Government Offices, Great George Street, Whitehall, London. The renovations were completed in July 2002 and HM Treasury then moved into the refurbished accommodation. Management of the facilities commenced from this time.

**Group's strategy**

To ensure that the group achieves its objective, the strategy is to implement processes, policies and procedures to comply with the control matrices stipulated in the project documentation committed to at the inception of the project. This includes minimising performance and availability deductions, cash monitoring and maintenance of good working relationships between all stakeholders.

**Principal risks and uncertainties**

The availability fee and the majority of the costs are contractually linked to the Retail Price index. A relatively small proportion of total costs is not inflation-linked and a rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals are competitive and within budgeted amounts. A small proportion of cash flows are derived from bank interest on cash balances. The reduction in credit interest rates is therefore a risk to the business and its compliance with debt covenants. Funds not immediately required are placed on term deposit to maximise potential interest earnings.

**Key performance indicators**

The level of performance and availability deductions arising from failures to achieve specified levels of contract service is a key performance indicator. These are reported monthly to the Board and have been extremely small in relation to total availability fee payments.

Another key indicator is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the senior debt provider.

**Development and performance of the business**


The business has operated smoothly with minimal deductions from availability fee payments. The facilities maintenance service has been closely monitored throughout the year. This takes the form of full-time representation on site through the group's management services agent and periodic reporting by the independent Technical Assessor. A number of contract variations have been successfully implemented.

The group made a pre-tax profit in the year, higher than the previous year, as a result of lower inflation in 2014 leading to a lower increase in the book value of the index-linked debt charged to the profit and loss account. Total net assets decreased from £1,830,000 at 31 December 2013 to £1,244,000 at 31 December 2014. Future results are expected to be in line with contractual expectations.

**Risk Management**

The board has overall accountability for ensuring that risk is effectively managed across the group and they regularly review the effectiveness of the group risk process and consider risk in all strategic decision-making.

On behalf of the Board

  
**A. Tennant**  
Director  
20 April 2015

# **Exchequer Partnership Holdings Limited**

**Registered Number: 3810496**

## **Directors' report for the year ended 31 December 2014**

The directors present their report and the audited consolidated financial statements of the company and the group for the year ended 31 December 2014.

### **Business review**

The results of the group for the year are set out in the profit and loss account on page 7. Further details are included within the strategic report on page 1.

The business is expected to continue to operate the existing long term contracts.

### **Results and dividends**

The group recorded a profit after taxation in the year of £2,990,000 (2013: £1,690,000). Dividends totalling £3,576,000 were paid in the year (2013: £2,631,000).

### **Directors**

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

P P Ashbrook (resigned 31 July 2014)  
M A Donn (resigned 26 January 2015)  
K W Gillespie  
K M Hill (appointed 26 January 2015)  
G S Jackson (appointed 31 July 2014)  
B P Millsom (reappointed 15 September 2014)  
H M Murphy (resigned 15 September 2014)  
C T Solley  
A L Tennant

### **Financial Instruments**

The group's principal financial instruments comprise short term bank deposits, an index linked bond, and a Mezzanine loan.

The main objective of these financial instruments is to ensure that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement.

The group does not undertake financial instrument transactions which are speculative or unrelated to the group's trading activities. The main risks arising from the group's financial instruments are inflation rate risk, liquidity risk, credit risk and interest rate risk.

#### *Inflation rate risk*

In order to fund the development of the main Treasury building, the group has issued index-linked debt to achieve a correlation between inflationary increases in revenue and finance charges.

The index linked bond is exposed to inflation rate risk.

#### *Liquidity risk*

The group builds up sufficient cash balances to ensure it is able to meet its loan and other liabilities.

#### *Credit risk*

The financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure. The Board maintains regular liaison with Ambac Assurance UK Limited as insurance guarantor of the Bond issue.

**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Directors' report for the year ended 31 December 2014 (continued)**

**Financial Instruments (continued)**

*Interest rate risk*

The group has no hedging arrangements in place to eliminate risk from interest rate movements and fluctuations in Retail Price indices however a 'natural' hedge is arrived at by both the availability fee and senior debt servicing being contractually linked to Retail Price indices.

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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.

**Disclosure of information to auditors**

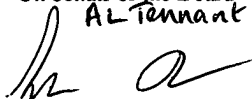
Each director at the date of the approval of the financial statements has confirmed:

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

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

A. L. Tennant

Director  
20 April 2015

**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Independent auditors' report to the members of  
Exchequer Partnership Holdings Limited**

**Report on the financial statements**

**Our opinion**

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report

**What we have audited**

The group financial statements and company financial statements (the "financial statements"), which are prepared by Exchequer Partnership Holdings Limited, comprise:

- the consolidated and company balance sheets as at 31 December 2014;
- the consolidated profit and loss for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Independent auditors' report to the members of  
Exchequer Partnership Holdings Limited (continued)**

**Directors' remuneration**

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

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the statement of directors' responsibilities set out on page 3, 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.

**What an audit of financial statements involves**

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

- whether the accounting policies are appropriate to the group's and the 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 and consolidated financial statements 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.

*H. Macnamara*  
Hazel Macnamara (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

20 April 2015

# Exchequer Partnership Holdings Limited

Registered Number: 3810496

## Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>		<b>14,276</b>	14,332
Cost of sales		(8,004)	(8,456)
<b>Gross profit</b>		<b>6,272</b>	5,876
Administrative expenses		(2,420)	(2,452)
<b>Operating profit</b>	1	<b>3,852</b>	3,424
Interest payable and similar charges	2	(8,539)	(9,193)
Interest receivable and similar income	3	7,831	7,975
<b>Profit on ordinary activities before taxation</b>		<b>3,144</b>	2,206
Tax on profit on ordinary activities	4	(154)	(516)
<b>Profit for the financial year</b>	11	<b>2,990</b>	1,690

The result for each year relates solely to continuing activities in a single class of business conducted within the United Kingdom.

There were no material recognised gains and losses for the year other than the result for the years, and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical costs equivalents.

The accounting policies and notes on pages 10 to 22 form part of these financial statements.



**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Consolidated balance sheet as at 31 December 2014**

	Note	2014 £'000	2013 £'000
<b>Current assets</b>			
Debtors: amounts due within one year	5	3,020	2,890
Debtors: amounts due after more than one year	5	123,545	126,269
		126,565	129,159
Cash at bank and in hand		12,075	10,828
		138,640	139,987
Creditors: amounts falling due within one year	7	(6,911)	(7,171)
<b>Net current assets</b>		131,729	132,816
<b>Creditors: amounts falling due after more than one year</b>	8	(125,204)	(127,051)
Provisions for liabilities	9	(5,281)	(3,935)
<b>Net assets</b>		1,244	1,830
<b>Capital and reserves</b>			
Called up share capital	10	500	500
Profit and loss account	11	744	1,330
<b>Total shareholders' funds</b>	12	1,244	1,830

The financial statements on pages 6 to 22 were approved by the board of directors on 20 April 2015 and signed on its behalf by:

  
A. Tennant  
Director

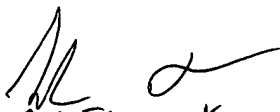
**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Company balance sheet as at 31 December 2014**

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Investments	6	500	500
<b>Net assets</b>		<b>500</b>	<b>500</b>
<b>Capital and reserves</b>			
Called up share capital	10	500	500
Profit and loss account	11	-	-
<b>Total shareholders' funds</b>	12	<b>500</b>	<b>500</b>

The financial statements on pages 6 to 22 were approved by the board of directors on 20 April 2015 and signed on its behalf by:

  
**A. L. Tennant**  
Director

# **Exchequer Partnership Holdings Limited**

**Registered Number: 3810496**

## **Consolidated cash flow statement for the year ended 31 December 2014**

	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Net cash inflow from operating activities</b>	<b>15</b>	<b>7,662</b>	<b>5,474</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		7,831	7,974
Interest paid		(5,189)	(5,278)
		<b>2,642</b>	<b>2,696</b>
<b>Net cash inflow before financing</b>		<b>10,304</b>	<b>8,170</b>
<b>Financing</b>			
Repayment of amounts borrowed		(5,481)	(5,637)
<b>Net cash inflow before dividend</b>		<b>4,823</b>	<b>2,533</b>
Dividends paid		(3,576)	(2,631)
<b>Increase/(decrease) in cash</b>		<b>1,247</b>	<b>(98)</b>

# **Exchequer Partnership Holdings Limited**

**Registered Number: 3810496**

## **Accounting policies**

A summary of the principal accounting policies of the group, all of which have been applied consistently throughout the year are set out below.

### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. They include the results of the activities described in the Strategic Report, all of which are continuing.

The consolidated profit and loss account, cash flow statement and balance sheet include the financial statements of the company and its subsidiary as at 31 December 2014. Uniform accounting policies have been applied across the group and any profits or losses on intra group transactions have been eliminated.

### **Turnover**

Turnover represents amounts due from HM Treasury in respect of the group's trading activities. All turnover originates in the United Kingdom, is stated exclusive of value added tax and is recognised in the accounting period in which the services are rendered and when the amount of revenue can be measured reliably. The project is in its operational phase and this is therefore the policy applied during this phase of the project.

### **Finance receivable**

The costs incurred in respect of bid development, design and construction prior to the occupational availability of the Treasury building have been accumulated within a finance receivable in accordance with FRS 5 as the costs are to be recovered over the contract period.

Occupational availability payments from HM Treasury are allocated between turnover in relation to the service element of the contract, reimbursement of the finance receivable and interest on the finance receivable so as to generate a constant rate of return over the contract period.

### **Finance charges**

Arrangement fees and certain costs directly relating to the issuing of the facilities have been offset against the related loans and are being amortised over the duration of each respective financial instrument as part of the finance cost, in accordance with FRS 4. The directors have determined this to be 35 years for the bonds and 26 years for the mezzanine loan.

Indexation of the bond is charged to the profit and loss account each year in accordance with the movement in the relevant index.

### **Taxation**

Corporation tax is provided on taxable profits at the applicable rate.

### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised when it is more likely than not they will be recovered. The deferred tax assets and liabilities are discounted. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### **Provisions**

Provisions are made in accordance with FRS12 where an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

**Exchequer Partnership Holdings Limited**  
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**Accounting policies (continued)**

**Cash**

For the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

**Interest bearing borrowings**

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at the appropriate rate on the carrying amount.

# Exchequer Partnership Holdings Limited

Registered Number: 3810496

## Notes to the financial statements for the year ended 31 December 2014

### 1 Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Directors' remuneration	244	220
Auditors' remuneration for audit and tax services	24	20

Auditors' remuneration for audit and tax services totalling £24,000 (2013: £20,000) relates to audit £12,000 (2013: £12,000) and tax compliance services £12,000 (2013: £8,000) during the year. The directors received no salary, fees or other benefits in the performance of their duties directly from the group, other than K W Gillespie who received £14,000 (2013: £31,000) for additional commercial services to the group. Directors' fees totalling £244,000 (2013: £220,000) were charged by certain related parties (see note 19). The group had no employees throughout the year (2013: none). The employment costs relating to the management and administrative staffing resources are recharged to the group within a management service charge.

### 2 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on bond	4,700	4,775
Interest payable on other loans	215	224
Other charges	3,624	4,194
	8,539	9,193

Interest payable and similar charges of £8,539,000 (2013: £9,193,000) relates to interest charges, indexation of the bond principal and credit enhancement fees, totalling £8,386,000 (2013: £9,039,000) with respect to the borrowings, plus the amortisation of loan issue costs of £153,000 (2013: £154,000) in accordance with FRS 4.

### 3 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from bank	56	53
Finance income	7,775	7,922
	7,831	7,975

Interest receivable and similar income of £7,831,000 (2013: £7,975,000) relates to finance income of £7,775,000 (2013: £7,922,000) generated on the finance receivable together with interest income from the group's bank accounts of £56,000 (2013: £53,000).

**Notes to the financial statements for the year ended 31 December 2014  
(continued)**

**4 Tax on profit on ordinary activities**

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax on profits in the current tax year	-	-
<b>Total current tax</b>	-	-
<b>Deferred taxation</b>		
Origination and reversal of timing differences	51	98
Impact of change in tax rates	6	387
Utilisation of tax losses	379	154
Movement in discount	(282)	(123)
<b>Total deferred tax charge (note 5)</b>	154	516
<b>Tax on profit on ordinary activities</b>	154	516

**Factors affecting the tax credit for the year**

The current tax charge for the year is lower (2013: lower) than the standard effective rate of Corporation tax in the UK for the year ended 31 December 2014 of 21.50% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
<b>Profit on ordinary activities before taxation</b>	3,144	2,206
Profit on ordinary activities multiplied by standard effective rate in the UK of 21.50% (2013: 23.25%)	676	513
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	1
Capital allowances in excess of amortisation and other timing differences	(86)	(148)
Amortisation of assets not eligible for capital allowances	364	369
Permanent deductions (primarily income taxed in an earlier year)	(547)	(557)
Utilisation of tax losses	(407)	(178)
<b>Current tax charge for the year</b>	-	-

**Factors affecting the current and future tax charges**

Changes to the UK Corporation tax rates were substantively enacted on 2 July 2013. These changes consisted of reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax balances have been re-measured accordingly.

**Exchequer Partnership Holdings Limited**  
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**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**5 Debtors**

	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>Company 2013 £'000</b>
<b>Amounts due within one year</b>				
Trade debtors	68	-	70	-
Other debtors	382	-	405	-
Finance debtor	2,570	-	2,415	-
	<b>3,020</b>	<b>-</b>	<b>2,890</b>	<b>-</b>
<b>Amounts due after more than one year:</b>				
Finance debtor	121,117	-	123,687	-
Deferred tax asset	2,428	-	2,582	-
	<b>123,545</b>	<b>-</b>	<b>126,269</b>	<b>-</b>
<b>Finance debtor</b>	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>Company 2013 £'000</b>
Balance at 1 January	126,102	-	128,372	-
Finance receivable reimbursed	(10,190)	-	(10,192)	-
Finance income recognised	7,775	-	7,922	-
Balance at 31 December	<b>123,687</b>	<b>-</b>	<b>126,102</b>	<b>-</b>
<b>Amounts due within:</b>				
1 year	2,570	-	2,415	-
1 - 2 years	2,734	-	2,570	-
2 - 5 years	9,299	-	8,740	-
Over 5 years	109,084	-	112,377	-
<b>Total finance debtor receivable</b>	<b>123,687</b>	<b>-</b>	<b>126,102</b>	<b>-</b>
Classified as receivable within one year	(2,570)	-	(2,415)	-
Classified as receivable after one year	<b>121,117</b>	<b>-</b>	<b>123,687</b>	<b>-</b>



# Exchequer Partnership Holdings Limited

Registered Number: 3810496

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 5 Debtors (continued)

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
<b>Deferred tax asset</b>				
Balance at 1 January	2,582	-	3,098	-
Charge to the profit and loss account in the year	(154)	-	(516)	-
Balance at 31 December	2,428	-	2,582	-

At 31 December 2014 the group had a discounted deferred tax asset of £5,425,000 (2013: £5,432,000) in respect of tax losses brought and carried forward and discounted deferred tax liabilities of £2,997,000 (2013: £2,850,000) in respect of accelerated capital allowances and other timing differences. The overall net deferred tax asset has been recognised at its discounted level of £2,428,000 (2013: £2,582,000) after discounting of £1,952,000 (2013: £1,669,000) is applied as it is considered that it will be recoverable in the foreseeable future.

The deferred tax asset, assuming a tax rate of 20% (2013: 20%), can be analysed as follows:

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(5,794)	-	(5,743)	-
Tax losses	6,270	-	6,656	-
Discount	1,952	-	1,669	-
Balance at 31 December	2,428	-	2,582	-

### 6 Investments

	Company 2014 £'000	Company 2013 £'000
Company investment in subsidiary undertaking at cost	500	500

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company owns the entire issued share capital, 100% ordinary shares, of Exchequer Partnership Plc, a company incorporated in England. Exchequer Partnership Plc is engaged in a 35 year contract with HM Treasury to renovate and then manage the facilities at the main Treasury buildings formerly Government Offices, Great George Street, Whitehall, London.

**Exchequer Partnership Holdings Limited**  
**Registered Number: 3810496**

**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**7 Creditors: amounts falling due within one year**

	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>Company 2013 £'000</b>
Trade creditors	90	-	97	-
Amounts owed to related party undertakings	-	-	60	-
Other creditors	1,049	-	1,007	-
Taxation and social security	597	-	497	-
Accruals and deferred income	105	-	158	-
Mezzanine Loan	232	-	213	-
Bonds	4,838	-	5,139	-
	<b>6,911</b>	<b>-</b>	<b>7,171</b>	<b>-</b>

**8 Creditors: amounts falling due after more than one year**

	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>Company 2013 £'000</b>
Mezzanine loan	4,171	-	4,403	-
Bonds	121,033	-	122,648	-
	<b>125,204</b>	<b>-</b>	<b>127,051</b>	<b>-</b>

	<b>2014</b>		<b>2013</b>	
	<b>Mezzanine Loan £'000</b>	<b>Bonds £'000</b>	<b>Mezzanine Loan £'000</b>	<b>Bonds £'000</b>
Repayable within one year	238	4,985	218	5,286
Repayable between two and five years	1,181	18,669	1,085	18,977
Repayable after five years	3,032	104,418	3,366	105,873
<b>Total loans outstanding</b>	<b>4,451</b>	<b>128,072</b>	<b>4,669</b>	<b>130,136</b>
Loan issue costs	(48)	(2,201)	(53)	(2,349)
<b>Total</b>	<b>4,403</b>	<b>125,871</b>	<b>4,616</b>	<b>127,787</b>

**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**8 Creditors: amounts falling due after more than one year (continued)**

**Mezzanine loan facility**

The mezzanine loan facility is scheduled to be repaid by 30 June 2026. Interest charged on the amount drawn under the facility is based on a floating LIBOR rate.

As at 31 December 2014, £4,451,000 (2013: £4,669,000) was outstanding under the Mezzanine facility. The total facility was for a maximum of £6.6 million.

**Bonds**

On 5 May 2000 Exchequer Partnership Plc issued £127,790,000 of 3.582 per cent index linked guaranteed secured bonds due to be repaid in fixed instalments over the period from 30 June 2003 to 31 December 2035.

The effects of indexation in the year increased the amount due to the bond holders by £3,199,000 (2013: £3,765,000) to £128,072,000 (2013: £130,136,000) as at 31 December 2014.

The bonds are secured by charges over all the assets of the group.

**9 Provisions for liabilities**

	<b>Lifecycle Costs 2014 £'000</b>
At 1 January	<b>3,935</b>
Charge to the profit and loss account in the year	<b>1,440</b>
Utilised during the year	<b>(94)</b>
<b>At 31 December</b>	<b>5,281</b>

The provision for lifecycle costs is established to provide for replacement costs of significant items of both revenue and capital nature during the concession period.

**Exchequer Partnership Holdings Limited**  
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**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**10 Called-up share capital**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
500,000 ordinary shares of £1 each	<b>500</b>	<b>500</b>

**11 Profit and loss account**

	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	<b>1,330</b>	<b>-</b>
Profit for the financial year	<b>2,990</b>	<b>3,576</b>
Dividends	<b>(3,576)</b>	<b>(3,576)</b>
<b>At 31 December</b>	<b>744</b>	<b>-</b>

As permitted by Section 408 Companies Act 2006, the Company has not presented its own profit and loss account.

**12 Reconciliation of movements in total shareholders' funds**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>2,990</b>	<b>3,576</b>	<b>1,690</b>	<b>2,631</b>
Dividends	<b>(3,576)</b>	<b>(3,576)</b>	<b>(2,631)</b>	<b>(2,631)</b>
<b>Net reduction to shareholders' funds</b>	<b>(586)</b>	<b>-</b>	<b>(941)</b>	<b>-</b>
Opening shareholders' funds	<b>1,830</b>	<b>500</b>	<b>2,771</b>	<b>500</b>
<b>Closing shareholders' funds</b>	<b>1,244</b>	<b>500</b>	<b>1,830</b>	<b>500</b>

**Exchequer Partnership Holdings Limited**  
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**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**13 Dividends**

The following dividends were recognised during the year

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
£7.152 (2013: £5.262) per qualifying ordinary share	<b>3,576</b>	<b>2,631</b>

**14 Capital commitments**

Under the terms of the contract with HM Treasury dated 5 May 2000 Exchequer Partnership Plc is committed to payments totalling approximately £24.3 million for lifecycle expenditure over the remaining contract term.

**15 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	<b>3,852</b>	<b>3,424</b>
Provision movement	<b>1,346</b>	<b>(466)</b>
Decrease in finance debtor	<b>2,415</b>	<b>2,270</b>
Decrease in debtors	<b>27</b>	<b>460</b>
Increase/(decrease) in creditors	<b>22</b>	<b>(214)</b>
<b>Net cash inflow from operating activities</b>	<b>7,662</b>	<b>5,474</b>

**Notes to the financial statements for the year ended 31 December 2014**  
**(continued)**

**16 Analysis of changes in net debt**

	At 1 January 2014 £'000	Cash flow £'000	Other £'000	At 31 December 2014 £'000
Cash in hand and at bank	10,828	1,247	-	12,075
<b>Debt</b>				
Mezzanine loan	(4,616)	218	(5)	(4,403)
Bonds	(127,787)	5,263	(3,347)	(125,871)
	<b>(121,575)</b>	<b>6,728</b>	<b>(3,352)</b>	<b>(118,199)</b>

Other changes in net debt comprise indexation of the Bonds £3,199,000 and amortisation of issue costs £153,000.

**17 Reconciliation of net cash flow to movement in net debt**

	2014 £'000	2013 £'000
Increase/(decrease) in cash	1,247	(98)
Decrease in mezzanine loan	218	200
Decrease in bonds	5,263	5,437
<b>Movement in net debt resulting from cash flows</b>	<b>6,728</b>	<b>5,539</b>
<b>Non-cash movements</b>		
Increase in bond relating to indexation	(3,199)	(3,765)
Amortisation of issue costs	(153)	(154)
<b>Movement in net debt in year</b>	<b>3,376</b>	<b>1,620</b>
Opening net debt at 1 January	(121,575)	(123,195)
<b>Closing net debt at 31 December</b>	<b>(118,199)</b>	<b>(121,575)</b>

# Exchequer Partnership Holdings Limited

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## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 18 Financial instruments

The group holds or issues financial instruments for the purpose of financing the group's construction activity.

The group financed its construction activity by issuing index-linked guaranteed secured bonds.

The main risks arising from the group's financial instruments are interest and inflation rate risk, liquidity risk, credit risk and market price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the group's financial assets and financial liabilities as at 31 December 2014:

	2014 Book value £'000	2014 Fair value £'000	2013 Book value £'000	2013 Fair value £'000
Index-linked guaranteed secured bond	128,072	257,506	130,136	220,361
Mezzanine loan	4,451	4,056	4,669	4,430
Total financial instruments	132,523	261,562	134,805	224,791

The fair values above reflect the value of the group's financial instruments.

Market values have been used to determine the fair value of the listed debt issued. The fair value of the other item has been calculated by discounting expected future cash flows at 31 December 2014.

Fair value judgements and changes in market conditions and assumptions could significantly affect these estimates. The disclosed values are those which are representative of fair values at the dates indicated. No financial instruments were held for the purpose of dealing or other financial instrument trading activities.

#### Interest and inflation rate risk

In order to fund the development of the Treasury building, the group has issued index-linked debt to achieve a correlation between inflationary increases in revenue and finance charges.

#### Liquidity risk

Repayment of the index-linked bond is funded by the revenue receivable under the terms of the Concession Agreement.

#### Credit risk

The above financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure.

#### Market price risk

Market risk is the sensitivity of the value of financial instruments to changes in related interest rates. The group's indexed-linked bond is not subject to significant changes in interest rates as the financial liabilities held are at a fixed coupon rate of 3.582%.

# Exchequer Partnership Holdings Limited

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## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 19 Related party disclosures

The following companies, together with undertakings within their individual groups of companies, are considered to be related parties to the company, as defined in FRS 8.

Exchequer Partnership (No 2) Plc	(common shareholders and directors)
Consolidated Investment Holdings Limited	(shareholder in Exchequer Partnership Holdings Limited)
Lend Lease PFI/PPP Infrastructure CIHL Holdings Limited	(shareholder in Consolidated Investment Holdings Limited)
Aberdeen Infrastructure (No 3) Limited (formerly BOS Infrastructure (No 3) Limited)	(shareholder in Consolidated Investment Holdings Limited)
Bank of Scotland	(parent of Aberdeen Infrastructure (No 3) Limited)
Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP Inc.)	(shareholder in Exchequer Partnership Holdings Limited)

The directors, as listed in the directors' report, are also considered to be related parties. Their emoluments are detailed within note 1. There are no other transactions with directors.

#### Directors' Fees

During the year directors' fees totalling £244,000 (2013: £220,000) were charged in the following ratios: Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP Inc.), 50% (2013: 50% from 1 July 2013) Lend Lease PFI/PPP Infrastructure Fund LP 25% (2013: 25%), Aberdeen Infrastructure (No 3) Limited (formerly BOS Infrastructure (No 3) Limited) 25% (2013: 25%) and to 1 July 2013 BIIF Bidco Limited, which is part of the Barclays Integrated Infrastructure Fund LP group, 50%.

Amounts owed to related parties	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP Inc.)	-	-	60	-

All transactions with related parties were carried out on arm's length terms.

### 20 Ultimate controlling party

Consolidated Investment Holdings Limited is the parent entity of the largest group of entities to consolidate these financial statements. In the opinion of the directors, the ultimate controlling party comprises Consolidated Investment Holdings Limited and Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP Inc.) acting together.