REGISTERED NUMBER: 03810496 (England and Wales)

Group Strategic Report, Directors' Report and

Audited Consolidated Financial Statements for the Year Ended 31 December 2020

for

Exchequer Partnership Holdings Limited

Contents of the Consolidated Financial Statements for the Year Ended 31 December 2020

Exchequer Partnership Holdings Limited

Company Information
for the Year Ended 31 December 2020

Directors:	M Donn K Hill B P Millsom S M Prior C T Solley A L Tennant
Secretary:	A Mitchell
Registered office:	C/O Albany SPC Services Ltd 3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
Registered number:	03810496 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP Manchester Hardman Sq 1 Hardman Square Manchester M3 3EB
Bankers:	Bank of Scotland 33 Old Broad Street London BX2 QLB
Solicitors:	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT

Group Strategic Report
for the Year Ended 31 December 2020

The directors present their Strategic Report for the company and group for the year ended 31 December 2020.

Group objectives
The group 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 strategy
To ensure that the company 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.

Performance of the business and future developments
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.

In 2016 a dispute arose over certain construction defects. The group is undertaking a programme of remedial works and has recovered these costs from the construction contractor.

The Group made a profit before taxation of £6,157,000 compared to £3,703,000 in 2019 as a result of inflation changes and reduced overheads. Net assets increased from £2,239,000 at 31 December 2019 to £3,086,000 at 31 December 2020 due to the reduced financing costs and the timing of dividend payments.

Group Strategic Report
for the Year Ended 31 December 2020

Principal risks and uncertainties
As the project is currently in its operational phase, operational risks are monitored closely. This takes the form of full-time representation on site through the Company's management services agent and periodic reporting by the independent Technical Assessor plus regular dialogue with the executive team of HM Treasury.

The group's revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets. Any such deductions are passed down to the subcontractors so there is no direct financial consequence to the company. Sustained non-availability can lead to contract termination but the company is not anywhere close to such termination trigger points. Compliance with the detailed and complex operational requirements of the PFI projects remains a key risk given the potential termination consequences. Directors receive regular reports on actual performance compared to termination trigger thresholds.

Another risk is the continued funding from the public sector counterparties to the PFI project agreements, especially as these counterparties are under pressure to make savings in their operational PFI contracts. To date, most of the pressure to make such cost savings has fallen on the sub-contractors to the project companies rather than on the project companies themselves. Furthermore, it is understood that current policy from central government is not to encourage voluntary termination of PFI projects.

There is no RPI swap to reduce volatility of operating cash flows in relation to the index linked debt service. However, 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 renewal are competitive and within budgeted amounts.

The group's principal financial instruments comprise secured bonds and a mezzanine loan. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

The group does not undertake financial instrument transactions which are speculative or unrelated to the group's trading activities.

COVID-19
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions were taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the group in responding to COVID-19 has been assessed as low. This is because the group is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April.

Since the COVID-19 outbreak, HM Treasury have continued making rental payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Financial 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 (see note 17).

Key performance indicators
There are two Key Performance Indicators which are monitored:

- The level of performance and availability deductions arising from failures to achieve specified levels of contract. These are reported quarterly to the Board and have been extremely small in relation to total unitary payments (0.03%, 2019: 0.03%).

- 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.

Group Strategic Report
for the Year Ended 31 December 2020

Statement in respect of section 172(1) of the companies act 2006

The board of directors of the Company and the Group, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long term success of the Company and Group for the benefit of its members as a whole.

The Company and Group have no direct employees as the Company and Group are managed under a Managed Service Agreement (MSA). The board of Directors is satisfied that those people employed under the MSA's are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSA to ensure the ongoing management of the underlying contracts of the Company and Group and they work collaboratively with the teams to achieve success.

The Group is a holding company for special purpose companies which have a finite lifespan with a defined set of obligations under Concession Agreements. The Group delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the Group's objectives, whilst considering those stakeholders' needs. The Directors of the Company and Group meet regularly to review strategies for effective risk mitigation and service delivery in the context of its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the Group's operations, their impact on the community and environment is of paramount importance to the Group's success. Operating safely is the Group's primary objective and is as such integrated in everything the Group undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the Group, who reports directly to the Board of Directors.

The Group delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the Group's management.

On behalf of the board:

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B P Millsom - Director

Date: 21/09/2021

Directors' Report for the Year Ended 31 December 2020

The directors present their group strategic report and the audited consolidated financial statements for the year ended 31 December 2020.

Principal activities
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.

Dividends
The group made a dividend payment in the year of £3,200,000 (2019: £2,150,000).

The profit for the year is £4,047,000 (2019: £2,576,000).

Directors
The directors during the year under review were:

M Donn
K Hill
B P Millsom
S M Prior
C T Solley
A L Tennant

The directors holding office at 31 December 2020 did not hold any beneficial interest in the issued share capital of the company at 1 January 2020 or 31 December 2020.

No appointments or resignations of directors occurred between the year end and the date of approval of these financial statements.

Other information
An indication of likely future developments in the business has been included in the Strategic Report on page 3.

COVID-19
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions were taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the group in responding to COVID-19 has been assessed as low. This is because the group is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, HM Treasury have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Going concern
The directors have reviewed the balance sheet position at 31 December 2020 together with the group's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the group to continue trading for at least 12 months from the date of signing the annual report and financial statements and have therefore prepared the financial statements on a going concern basis.

Directors' Report
for the Year Ended 31 December 2020

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself 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, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

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B P Millsom - Director

Date: 21/09/2021

Statement of Directors' Responsibilities for the Year Ended 31 December 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Report on the audit of the financial statements

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 2020 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group Strategic Report, Directors' Report and Audited Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- We conducted an audit of the complete financial information of Exchequer Partnership Holdings Limited and Exchequer Partnership plc, which provides sufficient coverage across all balances in the Annual Report.

Key audit matters

- Impact of the COVID-19 pandemic (group)
- Risk of incorrect recognition of turnover as a result of inappropriate calculation and allocation of the unitary payment (group)

Materiality

- Overall group materiality: £308,000 (2019: £185,000) based on 5% of profit before tax..
- Overall company materiality: £10,000 (2019: £10,000) based on 2% of total assets.
- Performance materiality: £231,000 (group) and £7,500 (company).

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impact of the COVID-19 pandemic (group) As set out in the Directors' report, the Directors have considered the potential impact of the global pandemic of COVID-19 on its concession agreement with the HM Treasury and the company's ability to continue as a going concern and have concluded that its impact is low. Because of its potential significance to the financial statements and to our audit, we concluded that the uncertainty created by the COVID-19 pandemic on the financial performance and viability of the company was a key audit matter.	In challenging management's assessment of the impact of COVID-19 on their business, we took into consideration: the ability of the Group to continue to provide the services required under the concession agreement during the COVID-19 pandemic; whether there has been any impact on the main customer's ability to make payments in accordance with the concession agreement, in light of COVID-19; and the customer's ongoing compliance with the guidance issued by the Infrastructure and Projects Authority of Central Government on 2 April 2020, including the expectation that public sector organisations would continue to make unitary payments. With consideration to the above procedures, we agree with management that the ongoing financial impact of COVID-19 upon the Group is low. Refer to 'Conclusions related to Going Concern' section further in the report.
Risk of incorrect recognition of turnover as a result of inappropriate calculation and allocation of the unitary payment (group) The Group is in a service concession arrangement with HM Treasury to renovate and manage the facilities at the main Treasury building at Whitehall, London. The Group accounts for the service concession arrangement as a finance debtor with amortisation and financial income recognised each year at a constant rate (see note 2 to the financial statements). The unitary payments received from HM Treasury for the service concession arrangement are allocated to turnover, financial income and finance debtor	Our audit addressed the risk as follows: We tested a sample of unitary payments received from the HM Treasury, checking them against invoices and evidence of cash receipt and used this to determine an expectation for total unitary payments received in the year. We did not note any issues from our testing. We re-performed the allocation of the unitary payment between turnover, finance debtor amortisation and financial income; and checked that the allocated amounts had been recognised consistently in

amortisation. Due to the judgement required to estimate the margin and the significant impact that the allocation of the unitary payments has on key accounts: turnover, financial income and the finance debtor, including those most susceptible to fraudulent manipulation, we consider this risk to be a key area of focus.	each of the impacted accounts. We found the calculation to be performed accurately and recognised consistently across the impacted accounts. We compared the margin applied to costs in 2020 against that used in 2019. We found the margin applied to be similar to that used in the prior year, which is consistent with our expectations given there have been no significant changes during 2020.

How we tailored the audit scope

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

The Group is a 'Special Purpose Vehicle' for a 'Private Finance Initiative / Public Private Partnership' ('PFI / PPP') project. The Group carries on the business of renovating and managing the facilities at the main Treasury building at Whitehall, London. It operates as a single business and we audited the complete financial information of the company and its subsidiary, including all material account balances, classes of transactions and financial statement disclosures.

The financial and operational management are sub-contracted to a third party service provider.

Materiality

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

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

	Financial statements - group	**Financial statements - company**
Overall materiality	£308,000 (2019: £185,000).	£10,000 (2019: £10,000).
How we determined it	5% of profit before tax.	2% of total assets
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.	Based on the company holding an investment in a subsidiary and share capital only, total assets is considered the most appropriate benchmark and is a generally accepted auditing benchmark

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £10,000 for the parent company only and £308,000 for the subsidiary accounts. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £231,000 for the group financial statements and £7,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £15,400 (group audit) (2019: 9,200) and £500 (company audit) (2019: £500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the statement of directors' responsibilities, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Listing rules, UK tax legislation and health and safety laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to overstatement of performance and retained earnings, as a method for accelerating dividend payments. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential non-compliance with laws and regulations;
- reviewing minutes of meetings of the board of directors;
- audit of the financial statement disclosures to underlying supporting documentation;
- audit of the margin applied to costs; and
- audit of the calculation and allocation of the unitary payment and enquiries of management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 September 2021

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	**17,565**	17,737
Cost of sales		**(10,477)**	(11,115)
Gross profit		**7,088**	6,622
Administrative expenses		**(1,182)**	(1,460)
Operating profit	5	**5,906**	5,162
Interest receivable and similar income	6	**6,855**	7,125
Interest payable and similar expenses	7	**(6,604)**	(8,584)
Profit before taxation		**6,157**	3,703
Tax on profit	8	**(2,110)**	(1,127)
Profit for the financial year		**4,047**	2,576
Other comprehensive income		**-**	-
Total comprehensive income for the year		**4,047**	2,576
Profit attributable to:			
Owners of the parent		**4,047**	2,576
Total comprehensive income attributable to:			
Owners of the parent		**4,047**	2,576

The notes on pages 20 to 36 form part of these financial statements

Exchequer Partnership Holdings Limited (Registered number: 03810496)

Consolidated Balance Sheet
31 December 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	12	**7,038**	6,384
Debtors: amounts falling due after more than one year	12	**101,850**	105,579
Investments	13	**-**	5,900
Cash at bank		**29,789**	18,558
		138,677	136,421
Creditors: amounts falling due within one year	14	**(13,210)**	(9,152)
Net current assets		**125,467**	127,269
Total assets less current liabilities		**125,467**	127,269
Creditors: amounts falling due after more than one year	15	**(111,691)**	(116,762)
Provisions for liabilities	18	**(10,690)**	(8,268)
Net assets		**3,086**	2,239
Capital and reserves			
Called up share capital	19	**500**	500
Retained earnings	20	**2,586**	1,739
Shareholders' funds		**3,086**	2,239

The financial statements were approved by the Board of Directors and authorised for issue on 21 SEPTEMBER 2021 and were signed on its behalf by:

....

B P Millsom - Director

The notes on pages 20 to 36 form part of these financial statements

Company Balance Sheet
31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	11	**500**	500
Total assets less current liabilities		**500**	500
Capital and reserves			
Called up share capital	19	**500**	500
Shareholders' funds		**500**	500
Company's profit for the financial year		**3,200**	2,150

The financial statements were approved by the Board of Directors and authorised for issue on 21 SEPTEMBER 2021.... and were signed on its behalf by:

....

B P Millsom - Director

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	500	1,313	1,813
Changes in equity			
Dividends	-	(2,150)	(2,150)
Total comprehensive income	-	2,576	2,576
Balance at 31 December 2019	500	1,739	2,239
Changes in equity			
Dividends	-	(3,200)	(3,200)
Total comprehensive income	-	4,047	4,047
Balance at 31 December 2020	500	2,586	3,086

The notes on pages 20 to 36 form part of these financial statements

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	500	-	500
Changes in equity			
Profit for the year	-	2,150	2,150
Total comprehensive income	-	2,150	2,150
Dividends	-	(2,150)	(2,150)
Total transactions with owners, recognised directly in equity	-	(2,150)	(2,150)
Balance at 31 December 2019	500	-	500
Changes in equity			
Profit for the year	-	3,200	3,200
Total comprehensive income	-	3,200	3,200
Dividends	-	(3,200)	(3,200)
Total transactions with owners, recognised directly in equity	-	(3,200)	(3,200)
Balance at 31 December 2020	500	-	500

Consolidated Cash Flow Statement
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	23	**12,448**	7,870
Interest paid		**(4,657)**	(4,802)
Tax paid		**(749)**	(56)
Net cash from operating activities		**7,042**	3,012
Cash flows from investing activities			
Sale of current asset investments		**5,900**	(5,900)
Interest received		**6,855**	7,125
Net cash from investing activities		**12,755**	1,225
Cash flows from financing activities			
Loan repayments in year		**(4,666)**	(5,343)
Shareholder loans		**(2,400)**	(1,700)
Repayments of shareholder loans		**1,700**	-
Equity dividends paid		**(3,200)**	(2,150)
Net cash from financing activities		**(8,566)**	(9,193)
Increase/(decrease) in cash and cash equivalents		**11,231**	(4,956)
Cash and cash equivalents at beginning of year	24	**18,558**	23,514
Cash and cash equivalents at end of year	24	**29,789**	18,558

The notes on pages 20 to 36 form part of these financial statements

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2020

1. **Statutory information**

Exchequer Partnership Holdings Limited is a company, limited by shares and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Accounting policies**

Basis of preparing the financial statements
These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentational currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

All amounts in the financial statements have been rounded to the nearest £1,000.

Measurement convention
The financial statements are prepared on the historical cost basis.

Financial Reporting Standard 102 - reduced disclosure exemptions
The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate parent company Cash Flow Statement withe related notes is included; and
- Key Management Personnel compensation has not been included a second time.

Basis of consolidation
The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

In assessing control, the group takes into consideration potential voting rights that are currently exercisable.
A special purpose entity (SPE) is consolidated if the group concludes that it controls the SPE.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

continued...

2. **Accounting policies - continued**

Significant judgements and estimates
The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting estimates in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and finance debtor requires estimation of a finance debtor interest rate.The balance on the finance debtor is disclosed in note 12 to the accounts and interest receivable in note 6.

Going concern
The Group currently has £118,173,000 (2019: £120,893,000) of total debt. The group forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to December 2037. The group has considerable financial resources together with long-term contracts with HM Treasury. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions were taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the group in responding to COVID-19 has been assessed as low. This is because the group is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, HM Treasury have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months from the date of signing the annual report and financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

continued...

2. **Accounting policies - continued**

Finance debtor and service income
The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with HM Treasury. The Company has taken the transition exemption in FRS102 Section 35.10(i) which allows it to continue the service concession arrangement accounting policies from previous UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. Amounts receivable under the agreement with the HM Treasury relating to the main Treasury building facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover.

Classification of financial instruments issued by the group
In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

continued...

2. **Accounting policies - continued**

Basic financial instruments

(a) Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

(b) Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(c) Investments
Investments comprise call deposits with maturity terms of over six months.

(d) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturity terms of under six months.

(e) Restricted cash
The Group is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £5,837,000 at the year end (2019: £5,577,000).

The Group is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £16,527,000 at the year end (2019: £14,217,000).

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of an asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

continued...

2. **Accounting policies - continued**

Impairment excluding deferred tax assets
- Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Interest receivable and interest payable
Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.
Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

Dividend income
Dividend income is recognised in the profit and loss account on the date the company's right to receive payment is established.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

3. **Turnover**

The turnover and profit on ordinary activities before taxation are attributable to the one principal activity of the group and arise entirely within the United Kingdom.

4. **Employees and directors**

continued...

	2020	2019
	£000	£000
Recharges in respect of non-executive directors' services to third parties	**280**	273

The Group had no employees during the year (2019: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The Directors received no remuneration for their services during the year (2019: £nil). A payment is made by the company to their employer for the services of the non-executive directors.

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	£'000	£'000
Audit of the subsidiary	**16**	9
Audit of the parent company	**2**	2

Auditor's remuneration of £2,000 (2019: £2,000) was, without recharge, borne by Exchequer Partnership Plc, the company's subsidiary undertaking. All fees relate to audit services. No non-audit services were provided.

6. Interest receivable and similar income

	2020	2019
	£'000	£'000
Bank interest	**169**	228
Finance debtor interest	**6,686**	6,897
	6,855	7,125

7. Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest payable on index- linked bonds	**6,219**	8,170
Interest payable on mezzanine loan	**136**	162
Other charges	**249**	252
	6,604	8,584

continued...

8. Tax on profit

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	1,319	152
Deferred tax	791	975
Tax on profit	2,110	1,127

UK corporation tax has been charged at 19% (2019 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before tax	6,157	3,703
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,170	704
Effects of:		
Expenses not deductible for tax purposes	475	445
Income not taxable for tax purposes	(24)	(24)
Adjustments to tax charge in respect of previous periods	(11)	-
Change in tax rate on deferred tax balances	510	2
Misc difference	(10)	-
Total tax charge	2,110	1,127

continued...

8. **Tax on profit - continued**

Deferred tax charges recognised in profit and loss relate to:

	2020 £000	2019 £000
Tax losses	355	1,055
Origination and reversal of timing differences	(74)	(80)
Change in tax rate	510	-
	791	975

Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%.

On 3 March 2021, the UK Chancellor announced that the main rate of UK corporation tax will be increasing to 25% with effect from 1 April 2023. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change in corporation tax rate, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1,588,000 and increase the deferred tax liability by £1,588,000.

9. **Individual statement of comprehensive income**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

10. **Dividends**

	2020 £'000	2019 £'000
Ordinary (2019: £1) shares of £1 each		
Final	3,200	2,150

The dividend per share for the financial year was £6.40 (2019: £4.30)

11. **Fixed asset investments**

Company

	Unlisted investments £'000
Cost	
At 1 January 2020	
and 31 December 2020	500
Net book value	
At 31 December 2020	500
At 31 December 2019	500

continued...

11. **Fixed asset investments - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Exchequer Partnership Plc
Registered office: 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB
Nature of business: Operation of facilities management

Class of shares:	% holding
Ordinary	100.00

	2020	2019
	£'000	£'000
Aggregate capital and reserves	3,086	2,239
Profit for the year	4,047	2,576

The carrying amount of the investment is supported by the net assets of the subsidiary undertaking.

12. **Debtors**

	Group	
	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	62	773
Finance debtor	3,729	3,505
Other debtors	471	23
Amounts due from related undertakings	2,400	1,700
Prepayments and accrued income	376	383
	7,038	6,384
Amounts falling due after more than one year:		
Finance debtor	101,850	105,579
Aggregate amounts	108,888	111,963

Shareholder loans comprise short term loans due to be repaid to the company within one year. They carry an interest rate of 8.5% p.a.

13. **Current asset investments**

	Group	
	2020	2019
	£'000	£'000
Cash on deposit	-	5,900

continued...

14. Creditors: amounts falling due within one year

	Group	
	2020	2019
	£'000	£'000
Index-linked guaranteed secured bonds (see note 16)	**6,090**	3,772
Mezzanine loan (see note 16)	**392**	359
Trade creditors	**2,219**	952
Tax	**612**	42
Taxation and social security	**579**	619
Other creditors	**3,150**	2,580
Accruals and deferred income	**168**	828
	13,210	9,152

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

	Group	
	2020	2019
	£'000	£'000
Index-linked guaranteed secured bonds (see note 16)	**109,428**	114,108
Mezzanine loan (see note 16)	**2,263**	2,654
	111,691	116,762

continued...

16. **Loans**

An analysis of the maturity of loans is given below:

	Group	
	2020	2019
	£'000	£'000
Amounts falling due within one year or on demand:		
Index-linked guaranteed secured bonds	**6,090**	3,772
Mezzanine loan	**392**	359
	6,482	4,131
Amounts falling due between one and two years:		
Index-linked guaranteed secured bonds	**7,586**	6,245
Mezzanine loan	**429**	392
	8,015	6,637
Amounts falling due between two and five years:		
Index-linked guaranteed secured bonds	**25,188**	24,201
Mezzanine loan	**1,537**	1,407
	26,725	25,608
Amounts falling due in more than five years:		
Repayable by instalments		
Index-linked guaranteed secured bonds	**76,654**	83,662
Mezzanine loan	**297**	855
	76,951	84,517

continued...

16. **Loans - continued**

The effects of indexation in the year increased the amount due to the bond holders by £1,801,000 (2019: £3,639,000).

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	**Nominal interest**	**Year of maturity**	**Repayment schedule**	**2020 £000**	2019 £000
Index-linked guaranteed secured bonds	GBP	3.58%	2035	Semi-annual	**116,871**	119,372
Mezzanine loan	GBP	LIBOR +4%	2026	Semi-annual	**2,668**	3,032

The index-linked guaranteed secured bonds are secured by a fixed charge over the whole of the property, assets and undertaking of the group, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

The mezzanine loan is unsecured.

The full amount of loans drawn at 31 December 2020 is £119,539,000 (2019: £122,404,000). Amortised costs of £1,366,000 (2019: £1,511,000), have been set off against total loan drawdowns.

continued...

17. **Financial instruments**

	2019 £000	2018 £000
Assets measured at amortised cost	**111,963**	112,919
Liabilities measured at amortised cost	**(126,914)**	(126,516)

The index-linked guaranteed secured bonds and Mezzanine loan are considered to be basic financial instruments as both satisfy the criteria set out in FRS102 Section 11.9 in that they are for a fixed amount of debt and both have either a fixed rate of interest or positive variable rates of interest. The finance debtor is also considered a basic financial instrument due to it being a long term receivable. As all are classed as basic financial instruments they are held at amortised cost.

The group's principal financial instruments comprise short term bank deposits, an index-linked guaranteed secured 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 company's trading activities.

The main risks arising from the group's financial instruments are finance risk, liquidity risk, credit risk, and interest rate risk and market risk and they are summarised below.

- Finance risk
In order to fund the development of the Treasury building, the group has issued index-linked debt to achieve a correlation between the portion of the unitary payment that increases at a fixed inflationary rate and the finance charges.

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

- Credit risk
The above financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure. The group maintains regular liaison with Citi as insurance guarantor of the Bond.

- Interest rate risk
The company 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 a percentage of the availability fee inflating at a fixed rate to match the fixed-rate senior debt servicing.

- Market risk
Market risk is the sensitivity of the value of financial instruments to changes in related interest rates. The company's financial instruments are not subject to significant changes in interest rates.

continued...

18. Provisions for liabilities

	Deferred tax £000	Lifecycle provision £000	Total £000
At beginning of year	4,238	4,030	8,258
Charge to the profit and loss for the year	791	1,631	2,422
At end of year	**5,029**	**5,661**	**8,268**

Lifecycle provisions represent the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

Under the terms of the contract with HM Treasury date 5 May 2000 Exchequer Partnership Plc is committed to payments totalling £18.9 million (subject to inflation) for lifecycle expenditure over the remaining contract term.

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £'000	2019 £'000	**Liabilities** 2020 £'000	2019 £'000	**Net** 2020 £'000	2019 £'000
Accelerated capital allowances	-	-	**(5,029)**	(4,593)	**(4,593)**	(4,593)
Unused tax losses	-	355	-	-	**355**	355
Tax assets / (liabilities)	-	355	**(5,029)**	(4,593)	**(5,029)**	(4,238)
Net of tax (liabilities) / assets	-	(355)	-	355	-	-
Net tax (liabilities)	-	-	**(5,029)**	(4,238)	**(5,029)**	(4,238)

19. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2020** £	2019 £
500,000	Ordinary (2019: £1)	£1	**500,000**	500,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

continued...

20. Reserves

Group

	Retained earnings £'000
At 1 January 2020	1,739
Profit for the year	4,047
Dividends	(3,200)
At 31 December 2020	2,586

Company

	Retained earnings £'000
Profit for the year	3,200
Dividends	(3,200)
At 31 December 2020	-

21. Ultimate parent company

In the opinion of the directors, the ultimate controlling party comprises Consolidated Investment Holdings Limited and Aberdeen Sidecar LP Inc. acting together.

continued...

22. Related party disclosures

Civis PFI/PPP Infrastructure Fund LP

The related party is a 50% shareholder in Consolidated Investment Holdings Limited and provided the company with directors' services in the year amounting to £74,000 (2019: £68,000). At the balance sheet date, the amount owing to the related party was £Nil (2019: £Nil).

Aberdeen Infrastructure Finance GP Ltd

Registered office: Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.
The related party is a sister company of Aberdeen Infrastructure (No. 3) Limited 50% shareholder in Consolidated Investment Holdings Limited. It provided the company with directors' services in the year amounting to £71,000 (2019: £68,000). At the balance sheet date, the amount owing to the related party was £Nil (2019: £Nil).

Aberdeen Sidecar LP Inc.

Registered office: Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.
The related party is a 50% shareholder in Exchequer Partnership Holdings Limited, and provided the company with directors' services in the year amounting to £139,000 (2019: £137,000). At the balance sheet date, the amount owing to the related party was £Nil (2019: £Nil).

Albany SPC Services Ltd

Registered office: 3rd floor, 3-5 Charlotte Street, Manchester, M1 4HB.
The related party is 100% owned by Civis PFI/PPP Infrastructure Fund LLP, and provided the company with management and other services in the year amounting to £222,000 (2019: £217,000). At the balance sheet date, the amount owing to the related party was £Nil (2019: £Nil).

Loans to shareholders

During the period shareholder loans were made to the two shareholders. At the balance sheet date £2,400,000 (2019: £850,000) was due from Aberdeen Sidecar LP Inc and £2,400,000 (2019: £850,000) was due from Consolidated Investment Holdings Limited. Interest is charged at 8.5% p.a. on these loans.

23. Reconciliation of profit for the financial year to cash generated from operations

	2020	2019
	£'000	£'000
Profit for the financial year	**4,047**	2,576
Decrease in finance debtor	**3,505**	3,294
Increase in provisions	**1,632**	(811)
Finance costs	**6,604**	8,584
Finance income	**(6,855)**	(7,125)
Taxation	**2,110**	1,127
	11,043	7,645
Decrease/(increase) in trade and other debtors	**268**	(543)
Increase in trade and other creditors	**1,137**	768
Cash generated from operations	**12,448**	7,870

continued...

24. Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31/12/20	1/1/20
	£'000	£'000
Cash and cash equivalents	29,789	18,558

Year ended 31 December 2019

	31/12/19	1/1/19
	£'000	£'000
Cash and cash equivalents	18,558	23,514

25. Analysis of changes in net debt

	At 1/1/20	Cash flow	At 31/12/20
	£'000	£'000	£'000
Net cash			
Cash at bank	18,558	11,231	29,789
	18,558	11,231	29,789
Liquid resources			
Current asset investments	5,900	(5,900)	-
	5,900	(5,900)	-
Debt			
Debts falling due within 1 year	(4,131)	(2,351)	(6,482)
Debts falling due after 1 year	(116,762)	5,071	(111,691)
	(120,893)	2,720	(118,173)
Total	(96,435)	8,051	(88,384)