

Exchequer Partnership Holdings Limited
Directors' report and consolidated financial
statements
for the year ended 31 December 2004

Registered Number 3810496



Exchequer Partnership Holdings Limited
Directors' report and consolidated financial statements
for the year ended 31 December 2004

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Exchequer Partnership Holdings Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company and the group for the year ended 31 December 2004.

Principal activities and business review

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.

Results and dividends

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 as the costs are to be recovered over the contract period.

The group achieved a profit of £2,016,000 in the year (2003: a profit of £2,041,000). No dividend is proposed (2003: £nil).

Directors and their interests

The directors who held office during the year are given below:

D J Camp
F P Lewis
Sir Stuart Lipton
S Hockaday
D Nolan

The directors have no interest in the share capital of the company according to the Register maintained by the company under Section 325 of the Companies Act 1985.

Subsequent to the year end, Mr D Nolan resigned as a Director (19 January 2005) and Mr T D Anderson was appointed.

Creditor payment policy

The company's policy is to agree terms of payments with key suppliers. For all other suppliers, terms are agreed for each transaction. The company endeavours to abide by the terms of payment agreed with suppliers. As at 31 December 2004 the creditor days represented by the closing creditors balance were 33 days (2003:nil).

Exchequer Partnership Holdings Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

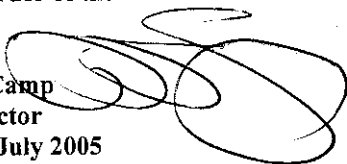
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

DJ Camp
Director
25th July 2005



Exchequer Partnership Holdings Limited

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

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the cash flow statement, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

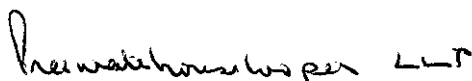
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
25th July 2005

Exchequer Partnership Holdings Limited

Consolidated profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover		10,131	9,951
Cost of sales		(4,701)	(4,745)
Gross Profit		5,430	5,206
Administrative expenses		(2,084)	(2,028)
Operating profit	1	3,346	3,178
Interest payable and similar charges	2	(10,134)	(10,470)
Interest receivable and similar income	3	9,758	10,062
Profit from ordinary activities before taxation		2,970	2,770
Taxation	4	(954)	(729)
Profit from ordinary activities after taxation	11	2,016	2,041

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 total recognised gains and losses for the year other than the profit for the year.

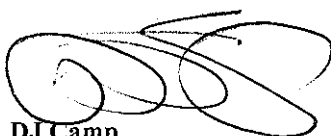
The notes on pages 8 to 15 form part of these financial statements.

Exchequer Partnership Holdings Limited

Consolidated balance sheet as at 31 December 2004

	Notes	2004 £	2003 £'000
Current assets			
Debtors: due within one year	5	3,515	3,548
Debtors: due after more than one year	5	142,340	139,489
		145,855	143,037
Cash at bank and in hand		7,210	8,251
		153,065	151,288
Creditors: amounts falling due within one year	7	(6,423)	(7,002)
Net current assets		146,642	144,286
Creditors: amounts falling due after more than one year	8	(138,033)	(139,600)
Provisions for liabilities and charges	9	(4,391)	(2,484)
Net assets		4,218	2,202
Capital and reserves			
Called up share capital	10	500	500
Profit and loss account	11	3,718	1,702
Total equity shareholders' funds	12	4,218	2,202

The financial statements on pages 4 to 15 were approved by the board of directors on 25th July 2005 and signed on its behalf by:



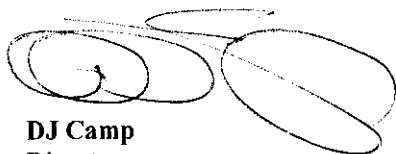
DJ Camp
Director

Exchequer Partnership Holdings Limited

Company balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Investment in subsidiary at cost	6	500	500
Net assets		500	500
Capital and reserves			
Called up share capital	10	500	500
Profit and loss account		-	-
Total equity shareholders' funds		500	500

The financial statements on pages 4 to 15 were approved by the board of directors on 25th July 2005 and signed on its behalf by:



DJ Camp
Director

Exchequer Partnership Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2004

	2004 £'000	2003 £'000
Net cash inflow from operating activities	4,291	4,697
Returns on investment and servicing of finance		
Interest received	6,917	6,634
Interest paid	(7,167)	(6,137)
	(250)	497
Net cash inflow before financing	4,041	5,194
Financing		
Decrease in borrowings	(5,082)	(3,941)
(Decrease) / increase in cash	(1,041)	1,253

Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit	3,346	3,178
Decrease/(increase) in debtors	23	(337)
(Decrease) / increase in creditors	(31)	957
Provision movement	953	899
Net cash inflow from operating activities	4,291	4,697

Notes 14 and 15 form part of this cash flow statement.

Exchequer Partnership Holdings Limited

Accounting policies

A summary of the principal accounting policies of the company all of which have been applied consistently, is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Financial Reporting Standards. They include the results of the activities described in the Directors' 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 2004.

Turnover

Turnover represents amounts due from HM Treasury in respect of the company's trading activities. All turnover originates in the United Kingdom and is stated exclusive of value added tax.

Taxation

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

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.

Finance income has been recognised so as to generate a constant rate of return over the contract period, although the amount has been restricted during construction to reflect the uncertainty faced at this stage of the contract.

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.

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 not discounted.

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

Notes to the financial statements for the year ended 31 December 2004

1 Operating profit

Operating profit is stated after charging:

	2004 £'000	2003 £'000
Auditors' remuneration	9	8

The auditors also received remuneration for other services totalling £16,000 (2003: £8,000) during the year. The directors received no salary, fees or other benefits in the performance of their duties. The company and group had no employees throughout the year. Management and administrative staffing resources are provided by secondee staff that are employed by certain related parties (see note 16). The employment costs relating to the secondees are recharged to the Exchequer Partnership plc.

2 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on bond	4,917	5,173
Interest payable on other loans	1,486	964
Other charges	3,731	4,333
	10,134	10,470

Interest payable and similar charges of £10,134,000 (2003: £10,470,000) relates to interest charges, indexation of the bond principal, commitment fees and credit enhancement fees, with respect to the borrowings, totalling £10,009,000 (2003: £10,340,000), plus the amortisation of loan issue costs of £125,000 (2003: £130,000) in accordance with FRS 4.

3 Interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable from bank	388	296
Finance income	9,370	9,766
	9,758	10,062

Interest receivable and similar income of £9,758,000 (2003: £10,062,000) relates to finance income generated on the finance receivable of £9,370,000 (2003: £9,766,000) together with interest income from the group's investments and bank accounts of £388,000 (2003: £296,000).

Exchequer Partnership Holdings Limited

4 Taxation

	2004 £'000	2003 £'000
Current tax	-	-
Deferred tax – current year	891	831
Deferred tax – prior year	63	(102)
Total tax charge for the year	954	729

Factors affecting the tax charge for the year

The current tax charge for the year is lower than the standard rate of Corporation Tax in the UK. The differences are explained below:

Profit before tax	2,970	2,770
UK Corporation Tax at 30%	891	831
Effects of:		
Expenses not deductible for tax purposes	113	94
Recognition of losses / losses not recognised	-	(102)
Capital allowances in excess of depreciation and other timing differences	(1,004)	(823)
Total current tax charge (see above)	-	-

5 Debtors

	2004 £'000	2003 £'000
Amounts due within one year		
Trade debtors	3,032	2,998
Amounts due from related party undertakings	32	-
Other debtors	451	550
	3,515	3,548

Amounts due after more than one year:

Finance receivable	142,340	139,489
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Finance receivable

Balance at 1 January	139,489	135,900
Additions	10	161
Finance income recognised	9,370	9,766
Finance income reimbursed	(6,529)	(6,338)
Balance at 31 December	142,340	139,489

Exchequer Partnership Holdings Limited

6 Investments

	Company 2004 £'000	Company 2003 £'000
Company investment in subsidiary undertaking at cost	500	500

The company owns the entire issued share capital 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.

7 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	428	36
Amounts due to related party undertakings	423	998
Accruals	347	608
Other taxation and social security	456	525
Loan Stock	947	92
Mezzanine Loan	96	87
Bonds	3,726	4,656
	6,423	7,002

Exchequer Partnership Holdings Limited

8 Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Loan Stock	5,478	6,333
Mezzanine loan	5,774	5,871
Bonds	126,781	127,396
	138,033	139,600

	2004			2003		
	Loan Stock £'000	Mezzanine £'000	Bonds £'000	Loan Stock £'000	Mezzanine £'000	Bonds £'000
Repayable within one year	947	100	3,850	92	92	4,781
Repayable between two and five years	26	502	15,861	197	460	14,554
Repayable after five years	5,452	5,376	114,556	6,136	5,519	116,597
Total loans outstanding	6,425	5,978	134,267	6,425	6,071	135,932
Loan issue costs	-	(108)	(3,760)	-	(113)	(3,880)
Total	6,425	5,870	130,507	6,425	5,958	132,052

Loan Stock

The unsecured Loan Notes 2015 bore interest at 0% to 30 June 2003 and at 15% per annum thereafter. The Loan Stock was issued in 2003 to the sponsoring controlling parties in proportion to their shareholdings.

The Loan Notes are to be redeemed at par in accordance with a deed poll dated 5 May 2000. Any outstanding Loan Stock will be redeemed by 31 December 2015 but they may be redeemed before that date at Exchequer Partnership plc's option on giving notice of no more than 30 days.

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 floating LIBOR rate.

As at 31 December 2004, £5,978,000 (2003: £6,071,000) has been drawn under the Mezzanine facility. The total facility is 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 the indexation increased the amount due to the bond holders by £3,324,000 (2003: £4,203,000) to £134,267,000 (2003: £135,932,000) as at 31 December 2004.

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

Exchequer Partnership Holdings Limited

9 Provisions for liabilities and charges

	Lifecycle Costs £'000	Deferred taxation £'000	Total £'000
At 1 January 2004	1,755	729	2,484
Charged to the profit and loss account in the year	953	954	1,907
At 31 December 2004	2,708	1,683	4,391

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.

At 31 December 2004 the company had a deferred tax asset of £60,000 (2003: £153,000) in respect of tax losses brought and carried forward and deferred tax liabilities of £ 1,743,000 (2003: £882,000) in respect of accelerated capital allowances and other timing differences.

10 Share capital

	2004 £'000	2003 £'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
500,000 ordinary shares of £1 each	500	500

11 Reserves

	Company £'000	Group £'000
At 1 January 2004	-	1,702
Profit for the year	-	2,016
At 31 December 2004	-	3,718

12 Movements in equity shareholders' funds

	2004 £'000	2003 £'000
Profit for the year	2,016	2,041
Net reduction in Equity Shareholders' Funds	2,016	2,041
Opening Equity Shareholders' Funds	2,202	161
Closing Equity Shareholders' Funds	4,218	2,202

Exchequer Partnership Holdings Limited

13 Capital commitments

Under the terms of the contract with HM Treasury dated 5 May 2000 Exchequer Partnership Plc is committed to payments totalling approximately £31.5 million for lifecycle expenditure over the remaining contract term.

14 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
(Decrease)/increase in cash	(1,041)	1,253
Decrease in mezzanine loan	93	80
Decrease in bond	4,989	3,861
Movement in net debt resulting from cash flows	4,041	5,194
Non-cash movements		
Increase in bond relating to indexation	(3,324)	(4,203)
Amortisation of issue costs	(125)	(130)
Movement in net debt in year	592	861
Opening net debt at 1 January 2004	(136,184)	(137,045)
Closing net debt at 31 December 2004	(135,592)	(136,184)

15 Analysis of changes in net debt

	At 1 January 2004 £'000	Cash flow £'000	Other £'000	At 31 December 2004 £'000
Cash in hand and at bank	8,251	(1,041)	-	7,210
Debt				
Due less than one year	(4,835)	4,835	(4,769)	(4,769)
Due after more than one year	(139,600)	247	1,320	(138,033)
	(136,184)	4,041	(3,449)	135,592

Other changes in net debt comprise indexation of the Bonds £3,324,000 and amortisation of issue costs £125,000 and reclassification of debt due less than one year £4,769,000.

Exchequer Partnership Holdings Limited

16 Related party disclosures

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

Bovis Lend Lease Holdings Limited
Stanhope plc
EP Development plc (common shareholders and directors)

Facilities Management contracts

Bovis Lend Lease Limited, a subsidiary of Bovis Lend Lease Holdings Limited, is contracted with Exchequer Partnership Plc in respect of the hard facilities management contract. The costs charged by Bovis Lend Lease Limited in this regard in the year ended 31 December 2004 totalled £1,978,000 (2003: £2,337,000).

Services provided to related parties

During the year the company provided services to the following related parties

	2004 £'000	2003 £'000
Bovis Lend Lease Limited	4	-
Lend Lease UK Management Services	5	-
Stanhope Plc	24	-
	33	-

	2004 £'000	2003 £'000
Amounts owed to related parties		
Bovis Lend Lease Limited	423	365

	2004 £'000	2003 £'000
Amounts due from related parties		
Bovis Lend Lease Limited	1	-
Lend Lease UK Management Services	2	-
Stanhope Plc	28	-

All transactions with related parties were carried out on arms length terms.

17 Ultimate controlling party

In the opinion of the directors, the ultimate controlling party comprises Bovis Lend Lease Holdings Limited and Stanhope plc acting together.

Prior to 15 December 2003, when Chesterton International plc sold its investment in Exchequer Partnership Holdings Limited to Bovis Lend Lease Holdings Limited and Stanhope plc, in the opinion of the directors, the ultimate controlling party comprised Bovis Lend Lease Holdings Limited, Stanhope plc and Chesterton International plc acting together.