

Company Registration No. 04151511 (England and Wales)

**ANNES GATE PROPERTY PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# ANNES GATE PROPERTY PLC

## COMPANY INFORMATION

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<b>Directors</b>	Mr M C Wayment Mr D Carr Mr G Newby Ms S Exell Ms A Caines Ms N Poupard	(Appointed 4 September 2019) (Resigned 25 February 2019) (Appointed 25 February 2019 and resigned 5 August 2019)
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<b>Secretary</b>	HCP Management Services Limited
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<b>Company number</b>	04151511
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<b>Registered office</b>	8 White Oak Square London Road Swanley Kent BR8 7AG
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<b>Auditor</b>	KPMG LLP 3 Assembly Square Britannia Quay Cardiff CF10 4AX
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# ANNES GATE PROPERTY PLC

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# **ANNES GATE PROPERTY PLC**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present the strategic report for the year ended 31 December 2019.

#### **Principal activities**

The principal activity of the Company is the finance, design and construction, refurbishment and operation of a Home Office building for Her Majesty's Principal Secretary of State for the Home Department (the "Authority") under the Government's Private Finance Initiative ('PFI'). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next financial year.

#### **Principal risks and uncertainties**

The Authority is the sole client of the company but the directors consider that no strategic risk arises from such a small client base since the client is a central government organisation and its obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Performance risk under the Project Agreement and related contracts is passed on to the services provider or the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk and liquidity risk. Refer to note 10 for further details.

#### **Brexit risk**

The Company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

#### **COVID-19 risk**

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

# **ANNES GATE PROPERTY PLC**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Development and performance**

As described above the Company, has entered into a project agreement with the Authority, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements ('the Project Agreement'). The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-core services within the new Home Office building for a primary term of twenty-nine years commencing 26 March 2002, the date of signing of the Project Agreement ('the Project') to 02 April 2031.

As reported in the Company's profit and loss account, revenue has decreased from £36,558,000 in 2018 to £34,857,000 in 2019. This is caused by lower pass through costs incurred by service providers and paid for by the Authority through the company: the company does not apply a mark up to these costs.

Interest receivable and similar income has declined to £13,915,000 (2018: £14,149,000) mainly due to reduced interest received on the finance debtor as a consequence of finance debtor repayments being made throughout the year.

Interest payable and similar expenses has decreased to £16,254,000 (2018: £17,827,000) mainly due to the inflation of the bond of £2,586,000 (2018: £3,875,000) being lower than in the previous year as a result of RPI inflation being lower in the current year. Interest payable on the bond reduced by £271,000 (2018: £211,000) due to capital repayments made.

The movement in the finance debtor was £5,399,000 (2018: £5,086,000) leaving a finance debtor balance of £226,800,000 (2018: £232,199,000).

During the year, the company has repaid £9,904,000 (2018: £10,885,000) of the Secured Guaranteed Bonds. Scheduled loan repayment dates are 31 March and 30 September each year.

During the year the company has not repaid any of the subordinated unsecured loan stock as scheduled repayments do not commence until 2031.

The profit for the year after taxation was £6,260,000 (2018: £4,964,000). The directors consider the results for the year satisfactory.

The balance sheet shows that the carrying value of the Company's net assets at year end was £22,072,000 (2018: £21,592,000).

Financial covenants have been met during the year and having considered the anticipated future performance and position of the company, the directors are of the opinion that the covenants will continue to be met in the future.

# **ANNES GATE PROPERTY PLC**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Key performance indicators**

##### **1. Performance deductions under the service contract**

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider. In the year ended 31 December 2019, deductions of £4,502 (2018: £18,948) had been levied which represents 0.01% (2018: 0.05%) of revenue. The level of deductions is considered very low and the Directors feel the performance for the year to be satisfactory.

##### **2. Financial performance**

The directors have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against anticipated performance. As at 31 December 2019, the Company's performance against this measure was satisfactory.

The Company is in the operational phase of the contract. In the opinion of the directors the Project is proceeding satisfactorily to the standards of the contract.

#### **Future prospects**

The Company will continue to provide and support the Authority, in its development of the Home Office under the PFI scheme.

#### **Going concern**

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.2.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for the Home Department, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

#### **Section 172 Companies Act 2006 Statement**

The Directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies act 2006 ("section 172").

The Directors have identified the Company's main stakeholders as the following:

##### **i. The Company's shareholders, bondholders and credit provider**

Principal considerations of the board are whether the investment objective of the Company is meeting shareholder and bondholder expectations and the how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year. The board also attends regular shareholder and bondholder briefing meetings to ensure that shareholder and bondholder engagement is optimized.

##### **ii. The manager**

The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

# ANNES GATE PROPERTY PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely consequences of any decision in the long term

The Company has outsourced the management of the Company to HCP Management Services Limited ("HCP"), the manager. The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

(b) The interests of the Company's employees

As an externally managed Company, the Company's activities are all outsourced and therefore it does not have any employees. The Company does however, pay due regard to the interests and safety of all those engaged by contractors to the Company to perform services on its behalf.

(c) The need to foster the Company's business relationships with suppliers, customers and others

The Company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Company has policies and procedures to ensure regular communication is maintained between the parties.

(d) The impact of the Company's operations on the community and the environment

The Company has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the Company is committed to minimizing environmental disruption from its activities. The board upholds the Company's environmental policy in all its activities and requires all parties to the arrangement to do the same.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Company is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the Company

The members of the Company are represented at board meetings by their appointed director(s). Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regards to it.

The Directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interests of all the Company's key stakeholders and reflect the board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

On behalf of the board

*Mark Wayment*

Mr M C Wayment

Director

12 June 2020

# **ANNES GATE PROPERTY PLC**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### **Principal activities**

Principal activity, key performance indicators, financial performance and principal risks and uncertainties during the year are mentioned in the Strategic Report.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Wayment  
Mr D Carr  
Ms A Caines (resigned 25 February 2019)  
Mr G Newby  
Ms N Poupard (appointed 25 February 2019 and resigned 5 August 2019)  
Ms S Exell (appointed 4 September 2019)

#### **Results and dividends**

Annes Gate Property Plc paid dividends to AGP Holdings (1) Ltd of £5,780,000 (2018: £1,717,000). The directors do not recommend payment of a final dividend.

#### **Directors' indemnity**

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

#### **Political donations**

There were no political or charitable contributions during the year (2018: £nil)

#### **Financial instruments**

The Company's principal financial instruments comprise of short term bank deposits, index-linked and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument and the Company's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks arise in the normal course of the Company's business. Further details relating to these risks are given in note 10 to the financial statements.

#### **Auditor**

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.



# ANNES GATE PROPERTY PLC

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### Going Concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.2.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for the Home Department, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Responsibility statement

The directors confirm that:

(a) the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

(b) the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

### Financial reporting risk and internal control

The company has outsourced the financial reporting function to HCP Management Services Limited ("HCP"). Authorities remain vested in the board members of the company. HCP reports regularly to the board of the company. The Board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

On behalf of the board

*Mark Wayment*

Mr M C Wayment

Director 12 June 2020

Date: .....

# **ANNES GATE PROPERTY PLC**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# ANNES GATE PROPERTY PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ANNES GATE PROPERTY PLC

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#### 1. Our opinion is unmodified

We have audited the financial statements of Annes Gate Property Plc (the 'Company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cashflows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors for the year ended 31 December 2001. The period of total uninterrupted engagement is for the 19 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

##### **Service revenue recognition**

Risk vs 2018: ◀▶

*Service revenue (£30.9 million; 2018: £28.9 million).*

*Refer to page 18 (accounting policy) and page 22 (financial disclosures).*

##### **The risk**

##### **Effects of irregularities**

The amount of service revenue recognised is calculated via a mark-up being applied to costs incurred during the year. The mark-up is determined from a long term financial model which acts as a long term forecast of the revenues and costs to be incurred on the project. A significant portion of the service provision and the associated performance risk, are outsourced to subcontractors with costs contractually agreed over the life of the contract.

A fraud risk exists as the directors could manipulate the amount of revenue recognised either through amending the future forecast assumptions and hence changing the mark-up applied to the costs on which revenue is recognised or by applying the mark-up to costs which are not related to the provision of the services under the concession contract.

# ANNES GATE PROPERTY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ANNES GATE PROPERTY PLC

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### **Our response**

Our procedures included:

- **Service revenue recalculation:** Recalculating service revenue based upon the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts and comparing this to amounts recorded.
- **Historical comparisons:** Assessing the reasonableness of the cost forecasts by considering the historical accuracy of the previous forecasts as well as changes to forecast cost estimates relating to future years.
- **Our sector experience:** Evaluating the appropriateness of cost estimates and assessing whether or not estimates showed any evidence of management bias based on our knowledge of the Company and experience of the industry in which it operates.
- **Assessing transparency:** Assessing the adequacy of the Company's disclosures in respect of its service revenue recognition.

### **Our results**

The results of our testing were satisfactory and we considered the amount of revenue recognised to be acceptable (2018: acceptable).

### **Going concern**

Risk vs 2018: ▲

*Refer to Note 1.2 (accounting policy).*

### **The risk**

### **Disclosure quality**

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company.

That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least 12 months from the date of approval of the financial statements.

The risk most likely to adversely affect the Company's available financial resources over this period is the impact of Covid-19 on contract performance, subcontractor failure and compliance with borrowing covenants.

### **Our response**

Our procedures included:

- **Our sector experience:** Critically assessing the directors' going concern assessment, including the reasonableness of the key assumptions used in the cash flow forecasts and the level of severe but plausible downside sensitivities applied using our knowledge of Covid-19 scenarios being applied by other entities.
- **Evaluating directors' intent:** Evaluating the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.
- **Assessing transparency:** Assessing the accuracy and completeness of the matters covered in the going concern disclosure.

### **Our results**

We found the going concern disclosures without any material uncertainty to be acceptable (2018: acceptable).

# ANNES GATE PROPERTY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ANNES GATE PROPERTY PLC

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#### **3. Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at £2.57 million (2018: £2.61 million), determined with reference to a benchmark of total assets of £258.1 million (2018: £264.1 million) of which it represents 1.0% (2018: 1.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £128,000 (2018: £130,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed by a single audit team.

#### **4 We have nothing to report on going concern**

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

#### **5 We have nothing to report on the Strategic Report and Directors' Report**

The directors are responsible for the Strategic Report and Directors' Report together with the financial statements. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Strategic Report and Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on our work:

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

#### **6 We have nothing to report on the other matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

# ANNES GATE PROPERTY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ANNES GATE PROPERTY PLC

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#### 7 Respective responsibilities

##### *Directors' responsibilities*

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

##### *Auditor's responsibilities*

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

##### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and anti-bribery legislation recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.


# ANNES GATE PROPERTY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ANNES GATE PROPERTY PLC

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

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



**Richard Lomax (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

24 June 2020

# ANNES GATE PROPERTY PLC

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £000	2018 £000
Turnover	3	34,857	36,558
Cost of sales		(23,756)	(26,205)
<b>Gross profit</b>		<b>11,101</b>	<b>10,353</b>
Administrative expenses		(1,044)	(951)
<b>Operating profit</b>		<b>10,057</b>	<b>9,402</b>
Interest receivable and similar income	6	13,915	14,149
Interest payable and similar expenses	7	(16,254)	(17,827)
<b>Profit before taxation</b>		<b>7,718</b>	<b>5,724</b>
Tax on profit	8	(1,458)	(760)
<b>Profit for the financial year</b>		<b>6,260</b>	<b>4,964</b>

All recognised gains and losses are shown in the Profit and Loss account above. Therefore, a statement of other comprehensive income has not been prepared. The notes on pages 17 to 30 form an integral part of these financial statements.



# ANNES GATE PROPERTY PLC

## BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
<b>Current assets</b>			
Debtors falling due after more than one year	11	221,067	226,799
Debtors falling due within one year	11	13,146	10,621
Cash at bank and in hand		23,928	26,741
		<u>258,141</u>	<u>264,161</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(18,359)</u>	<u>(17,038)</u>
<b>Net current assets</b>		239,782	247,123
<b>Creditors: amounts falling due after more than one year</b>	13	(211,139)	(219,024)
<b>Provisions for liabilities</b>			
Deferred tax liability	15	<u>(6,571)</u>	<u>(6,507)</u>
		(6,571)	(6,507)
<b>Net assets</b>		<u>22,072</u>	<u>21,592</u>
<b>Capital and reserves</b>			
Called up share capital	16	550	550
Profit and loss reserves		21,522	21,042
<b>Total equity</b>		<u>22,072</u>	<u>21,592</u>

The notes on pages 17 to 30 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 12 June 2020 and are signed on its behalf by:

*Mark Wayment*

Mr M C Wayment  
Director

Company Registration No. 04151511

# ANNES GATE PROPERTY PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2018</b>		550	17,795	18,345
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year		-	4,964	4,964
Dividends	9	-	(1,717)	(1,717)
<b>Balance at 31 December 2018</b>		550	21,042	21,592
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year		-	6,260	6,260
Dividends	9	-	(5,780)	(5,780)
<b>Balance at 31 December 2019</b>		550	21,522	22,072

The notes on pages 17 to 30 form an integral part of these financial statements.

# ANNES GATE PROPERTY PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	13,155	12,446
Income taxes paid		(834)	(316)
<b>Net cash inflow from operating activities</b>		<u>12,321</u>	<u>12,130</u>
<b>Investing activities</b>			
Interest received		<u>13,915</u>	<u>14,149</u>
<b>Net cash generated from investing activities</b>		13,915	14,149
<b>Financing activities</b>			
Repayment of bonds		(9,904)	(10,885)
Dividends paid		(5,780)	(1,717)
Interest paid		<u>(13,365)</u>	<u>(13,611)</u>
<b>Net cash used in financing activities</b>		<u>(29,049)</u>	<u>(26,213)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(2,813)	66
Cash and cash equivalents at beginning of year		<u>26,741</u>	<u>26,675</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>23,928</u></u>	<u><u>26,741</u></u>

The notes on pages 17 to 30 form an integral part of these financial statements.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### Company information

Annes Gate Property PLC is a public company limited by shares registered, incorporated and domiciled in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006. The financial statements are prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

As the Company is a wholly owned subsidiary of AGP Holdings (1) Limited, the Company has taken advantage of the exemption contained in FRS 102.33 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

As the consolidated financial statements of AGP Holdings (1) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimated with a significant risk of material adjustment in the next year are discussed in the notes.

#### 1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of 15 months from the date of approval of these financial statements, through to 30 September 2021, which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for the Home Department.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Company's operating cash inflows are largely dependent on unitary charge receipts receivable from Her Majesty's Principal Secretary of State for the Home Department and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.3 Turnover

Turnover in relation to service revenue is recognised in accordance with the finance debtor and service income accounting policy. Turnover in relation to pass through revenue is recognised when the services are performed.

#### 1.4 Cash at bank and in hand

Cash and cash equivalents comprise cash balances and call deposits.

##### *Restricted cash*

The Company is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £16,243,000 at the year end (2018: £17,010,000).

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

(Continued)

##### *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 interest for a similar debt instrument.

##### *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.

##### **Other financial assets**

##### *Financial instruments not considered to be Basic financial instrument (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

##### **Impairment of financial 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 Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised though 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.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

(Continued)

##### *Other financial liabilities*

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.6 Service concession accounting

The Company is an operator of a Public Finance Initiative ("PFI") contract. The Company entered into a project agreement (the "Contract") with Her Majesty's Principal Secretary of State for the Home Department (the "Authority") to design, build, finance, operate and maintain a Home Office building. The contract negotiations were successfully completed on 26 March 2002 and construction commenced immediately. The project has been fully operational since 26 January 2005. The concession period is for 29 years, during this period the company has contracted to provide hard and soft services to the Authority. The Company has passed these obligations down to a subcontractor via a subcontract. The obligation to provide major maintenance works (lifecycle) is undertaken by the Facilities Management Provider. The Contract does not entitle the Authority to any share of the profits of the Company.

The Authority are entitled to terminate the Contract at any time by giving 30 days written notice. If the Authority exercise this right they are liable to pay the Company compensation as set out in the Contract, which would include the senior debt, redundancy costs and other Facilities Management provider losses and the market value of the subordinated debt and shareholder equity.

As the Company entered into the contract prior to the date of transition to FRS102, the Company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

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. During the operational phase the Authority pay the Company a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

(Continued)

##### 1.7 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 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. 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.

##### 1.8 Expenses

*Interest receivable and Interest payable*

Interest payable and similar expenses 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 income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### 2 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the 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.

The directors believe that there are no significant accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and no significant accounting judgments.



# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 3 Turnover and other revenue

	2019 £000	2018 £000
<b>Turnover analysed by class of business</b>		
Services revenue	30,939	28,930
Pass through income	3,918	7,628
	<u>34,857</u>	<u>36,558</u>

#### 4 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	32	25
	<u>32</u>	<u>25</u>

#### 5 Staff costs and Director's remuneration

The company had no employees during the year (2018: none).

None of the directors received any emoluments from the company (2018: £nil). However, a total payment of £134,890 (2018: £130,172) was made to Infrastructure Investment LP for the services of directors.

#### 6 Interest receivable and similar income

	2019 £000	2018 £000
<b>Interest income</b>		
Bank interest receivable	130	50
Interest receivable on finance debtor	13,785	14,099
	<u>13,915</u>	<u>14,149</u>
<b>Total income</b>	<u>13,915</u>	<u>14,149</u>

#### 7 Interest payable and similar expenses

	2019 £000	2018 £000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Indexation on index linked bonds	2,586	3,875
Interest payable on bonds	9,254	9,525
Interest payable on subordinated debt	4,414	4,427
	<u>16,254</u>	<u>17,827</u>

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

### 7 Interest payable and similar expenses

Of the above amount £4,414,000 (2018: £4,427,000) was payable to group undertakings.

### 8 Taxation

	2019 £000	2018 £000
<b>Current tax</b>		
UK corporation tax on profits for the current period	1,062	317
Adjustments in respect of prior periods	332	-
Total current tax	<u>1,394</u>	<u>317</u>
<b>Deferred tax</b>		
Adjustment in respect of prior periods	(535)	(247)
Reversal / origination of timing differences	599	690
Total deferred tax	<u>64</u>	<u>443</u>
Total tax charge	<u>1,458</u>	<u>760</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Profit before taxation	<u>7,718</u>	<u>5,724</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,466	1,088
Current tax adjustments in respect of prior years	332	-
Deferred tax adjustments in respect of prior years	(288)	(247)
Reduction in tax rate on deferred tax balances	(52)	(81)
Taxation charge for the year	<u>1,458</u>	<u>760</u>

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 8 Taxation

(Continued)

The Company has tax losses of £41.2 million (2018: £44.9 million) which have been carried forward and will be offset against future taxable profits. A deferred taxation asset has been recognised for the tax losses.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £774,000.

#### 9 Dividends

	2019 £000	2018 £000
Interim of £10.51 per share (2018: £3.12 per share)	5,780	1,717

#### 10 Financial instruments

	2019 £000	2018 £000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	226,910	233,070
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	227,834	234,924

An explanation of the Company's objectives, policies and strategies for the role of the financial instruments in creating and changing the risks of the Company in its activities can be found in the Strategic Report. The details relating to credit, liquidity and interest rate risks are explained below:

##### Credit risk

Although the Authority is the only customer of the Company, the directors are satisfied that the Authority will be able to fulfil its obligations under the PFI contract as their obligations are underwritten by the Secretary of State for the Home Department.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 10 Financial instruments

(Continued)

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The company's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which under normal operating conditions, will be earned from its long term concession contract with the Authority as their obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

##### Interest rate risk

The company aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings (index-linked bonds). Except for the index-linked guaranteed secured bonds which subject to bi-annual indexation calculated from an agreed formula based on the change in the Retail Prices Index, all the other interest-bearing assets and liabilities are primarily of fixed rate. The indexation risk is also offset by turnover being subject to similar indexation terms.

##### Capital risk management

The company manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

##### Risk analysis

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The index-linked bonds' indexation variations are offset by indexation on future income from the Authority. The Company's exposure to interest rate fluctuations is therefore restricted to amounts that can be earned on cash deposits. This risk is not considered to have a significant impact on overall returns.

#### 11 Debtors

	2019	2018
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	110	871
Gross amounts due from contract customers	6,943	4,086
Consortium tax relief receivable	86	89
Finance debtor	5,733	5,400
Prepayments and accrued income	274	175
	<u>13,146</u>	<u>10,621</u>
	2019	2018
	£000	£000
<b>Amounts falling due after more than one year:</b>		
Finance debtor	<u>221,067</u>	<u>226,799</u>
<b>Total debtors</b>	<u>234,213</u>	<u>237,420</u>

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Creditors: amounts falling due within one year

	Notes	2019 £000	2018 £000
3.237% Index-linked guaranteed secured bonds due 2030	14	10,833	9,904
Interest on subordinated debt	14	2,229	2,229
Trade creditors		21	20
Corporation tax		760	203
Other taxation and social security		904	935
Accruals and deferred income		3,612	3,747
		<u>18,359</u>	<u>17,038</u>

### 13 Creditors: amounts falling due after more than one year

	Notes	2019 £000	2018 £000
Fixed rate interest Bonds		100,000	100,000
3.237% Index-linked guaranteed secured bonds 2030	14	81,165	89,050
Subordinated debt	14	29,974	29,974
		<u>211,139</u>	<u>219,024</u>

### 14 Interest-bearing loans and borrowings

	2019 £000	2018 £000
Fixed rate interest Bonds	100,000	100,000
3.237% Index-linked guaranteed secured bonds due 2030	91,998	98,954
Subordinated Debt	32,203	32,203
	<u>224,201</u>	<u>231,157</u>
Payable within one year	13,062	12,133
Payable after one year	<u>211,139</u>	<u>219,024</u>

Included within index-linked guaranteed secured bonds is an amount repayable after five years of £59,146,000 (2018: £70,234,000) and included within fixed guaranteed secured is an amount repayable after five years of £100,000,000 (2018: £100,000,000) respectively. Subordinated debt amount repayable after five years is £29,974,000 (2018: £29,974,000).

3.237% Index-linked Guaranteed Secured bonds and 5.661% Guaranteed Secured bonds are secured by a fixed and floating charge over the assets of the Company.

The Guaranteed Secured bonds are fixed at an interest rate of 5.661% and will be redeemed on their maturity in 2031. The Index-linked Guaranteed Secured bonds are fixed at an interest rate of 3.237% which along with principal payments, are indexed to Retail Price Index using an agreed ratio. The indexed bonds repayments commence in 2006 and are fully redeemed by 2030.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 14 Interest-bearing loans and borrowings

(Continued)

The subordinated debt issued to the company by its parent bears interest at 14.75% with interest repayments commencing in 2006 until 2031, and all the capital will be repaid in September 2031. The subordinated debt is secured against the assets of the Company and are subordinated to the senior bonds.

### 15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2019 £000	2018 £000
<b>Balances:</b>		
Accelerated capital allowances	7,646	7,853
Tax losses for prior periods	(7,006)	(7,636)
Other timing differences	5,931	6,290
	<u>6,571</u>	<u>6,507</u>
<b>Movements in the year:</b>		2019 £000
Liability at 1 January 2019		6,507
Charge to profit or loss		64
Liability at 31 December 2019		<u>6,571</u>

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Company. The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

### 16 Share capital

	2019 £000	2018 £000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
549,999 Ordinary shares of £1 each	550	550
	<u>550</u>	<u>550</u>

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.

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 17 Events after the reporting date

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Company has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational.

#### 18 Related party transactions

During the year the company entered into the following transactions with related parties:

##### Name of related parties

Axiom Education (Edinburgh) Ltd	Entity under common control
ByHome Ltd	Some Board members also sit on the Board of this counterparty
ByWest Ltd	Entity under common control
Consort Healthcare (Mid Yorkshire) Ltd	Entity under common control
Derby School Solutions Ltd	Entity under common control
Eastbury Park Ltd	Entity under common control
Education 4 Ayrshire Ltd	Entity under common control
Enterprise Education Conwy Ltd	Entity under common control
Enterprise Healthcare Ltd	Entity under common control
Infrastructure Investments LP	Entity under common control
Metier Healthcare Ltd	Entity under common control
PFF Dorset Ltd	Entity under common control
Ravensbourne Health Services Ltd	Entity under common control
Services Support (Manchester) Ltd	Entity under common control

	Description of transaction	Sale of goods		Purchase of goods	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Axiom Education (Edinburgh) Ltd	Consortium relief	-	-		9
ByHome Ltd	Facility Management Services	-	-	13,625	12,944
ByHome Ltd	Variations	-	-	3,781	7,611
ByHome Ltd	Life cycle	-	-	6,214	5,650
ByWest Ltd	Consortium relief	-	-	-	24
Consort Healthcare (Mid Yorkshire) Ltd	Consortium relief	-	-	-	54
Derby School Solutions Ltd	Consortium relief	-	-	-	1
Education 4 Ayrshire Ltd	Consortium relief	-	-	-	23
Infrastructure Investments LP	Directors' fees	-	-	135	130
Metier Healthcare Ltd	Consortium relief	-	-	-	75
Services Support (Manchester) Ltd	Consortium relief	-	-	-	235

# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 18 Related party transactions

(Continued)

#### Amounts owed to/by related parties

The following amounts were outstanding at the reporting end date:

	Amount owed to		Amounts owed by	
	2019	2018	2019	2018
	£000	£000	£000	£000
Eastbury Park Ltd	-	-	1	1
Enterprise Education Conwy Ltd	-	-	90	90
Metier Healthcare Ltd	-	-	-	3
Ravensbourne Health Services Ltd	-	-	25	25
Services Support (Manchester) Ltd	30	30	-	-

### 19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of AGP Holdings (1) limited incorporated in the United Kingdom. The registered office is 8 White oak Square, London Road, Swanley, BR8 7AG. Infrastructure Investments Holdings Limited is the shareholder of AGP Holdings (1) Limited and indirectly it is the majority shareholder of AGP Plc. The registered office of Infrastructure Investments Holdings Limited is 12 Charles 2nd Street, London, SW1Y 4QU.

The smallest and largest Group in which the results of the Company are consolidated is that headed by AGP Holdings (1) Limited. The consolidated accounts of this Group are available to the public and may be obtained from its registered office 8 White Oak Square, London Road, Swanley, BR8 7AG.

The ultimate parent company was HICL Infrastructure Company Limited incorporated in Guernsey, registered office East Wing, Trafalgar Court, Les Banques, St Peter port, GY1 3PP, Guernsey. On 1 April 2019, HICL Infrastructure Company Limited transferred all of its assets to HICL Infrastructure Plc. As a result, the ultimate beneficial owner of the company changed from HICL Infrastructure Company Limited to HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at 12 Charles II Street, London, SW1Y 4QU.

### 20 Cash generated from operations

	2019	2018
	£000	£000
Profit for the year after tax	6,260	4,964
<b>Adjustments for:</b>		
Taxation charged	1,458	760
Finance costs	16,254	17,827
Investment income	(13,915)	(14,149)
<b>Movements in working capital:</b>		
Decrease in debtors	3,204	3,711
Decrease in creditors	(106)	(667)
<b>Cash generated from operations</b>	<b>13,155</b>	<b>12,446</b>



# ANNES GATE PROPERTY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 21 Analysis of changes in net debt

	1 January 2019 £000	Cash flows £000	Other non- cash changes £000	31 December 2019 £000
Cash at bank and in hand	26,741	(2,813)	-	23,928
Borrowings excluding overdrafts	(231,157)	9,904	(2,948)	(224,201)
	<u>(204,416)</u>	<u>7,091</u>	<u>(2,948)</u>	<u>(200,273)</u>