

EP3 Holdings Limited

Directors' report and financial statements
for the year ended 30 June 2010

Registered Number 4281824

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EP3 Holdings Limited

Directors' report and financial statements for the year ended 30 June 2010

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EP3 Holdings Limited

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Directors' report for the year ended 30 June 2010

The directors present their report and the audited financial statements of the group for the year ended 30 June 2010

Principal activity and business review

The group is engaged in agreements with H M Treasury and with the Trustees of the Imperial War Museum to renovate and then make available the facilities at the main Treasury Building known as The Cabinet War Rooms for a period of 29 years. The renovations were completed in 2003.

The business has operated smoothly. The rents for the facilities leased from H M Treasury and let to the Trustees of the Imperial War Museum are contractually linked to the RPI index. A second rental from the Trustees of the Imperial War Museum funds the repayment of the term loan taken out by the group to pay for the renovations.

Results and dividends

The group produced a profit of £254,000 in the year (£39,000 – 2009). No dividend is proposed (£nil – 2009). The retained profit will be transferred to reserves.

Key performance indicators (“KPIs”)

Given the straightforward nature of the business, the group's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements are given below:

R J Watts	(resigned 19 August 2010)
M E Davis	(resigned 30 June 2010)
M Paskin	(appointed 30 June 2010)
S C Grant	(appointed 19 August 2010)

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' report for the year ended 30 June 2010 (continued)

Disclosure of information to auditors

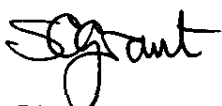
Each director at the date of the approval of the financial statements has confirmed

- a) that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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



Director

~~M. P. Grant~~ S. GRANT

17 December 2010

EP3 Holdings Limited

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Independent auditors' report to the members of EP3 Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of EP3 Holdings Limited for the year ended 30 June 2010 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's profit and group's cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

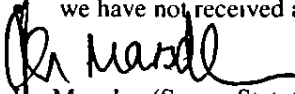
EP3 Holdings Limited

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Independent auditors' report to the members of EP3 Holdings Limited (continued)

Matters on which we are required to report by exception (continued)

we have not received all the information and explanations we require for our audit



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

10 December 2010

Consolidated profit and loss account for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Revenue		189	187
Administrative expenses		(153)	(187)
Operating profit	1	36	-
Interest payable and similar charges	2	(386)	(380)
Interest receivable and similar income	3	412	419
Profit on ordinary activities before taxation		62	39
Taxation credit	4	192	-
Profit on ordinary activities after taxation	11	254	39

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

The group has no recognised gains or losses other than those reported above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

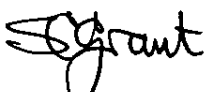
The notes on pages 11 to 18 form part of these financial statements

EP3 Holdings Limited
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Consolidated balance sheet as at 30 June 2010

	Notes	2010 £'000	2009 Restated (note 5) £'000
Current assets			
Debtors due within one year	5	224	195
Debtors due after more than one year	5	5,497	5,358
		5,721	5,553
Cash at bank and in hand		137	119
		5,858	5,672
Creditors: amounts falling due within one year	7	(280)	(270)
Net current assets		5,578	5,402
Creditors: amounts falling due after more than one year	8	(5,510)	(5,588)
Net assets/(liabilities)		68	(186)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	11	67	(187)
Total shareholders' funds/(deficit)	10	68	(186)

The financial statements on pages 7 to 18 were approved by the board of directors on 17 December 2010 and signed on its behalf by



~~M. Grant~~ M. GRANT
Director

EP3 Holdings Limited
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EP3 Holdings Limited

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Company balance sheet for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	6	1	1
Net assets		1	1
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		-	-
Total shareholders' funds		1	1

The financial statements on pages 7 to 18 were approved by the board of directors on 17 December 2010 and signed on its behalf by


~~M. Grant~~  GRANT
Director

EP3 Holdings Limited

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Consolidated cash flow statement for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Cash inflow from operating activities		69	35
Return on investments and servicing of finance	12	40	53
Cash inflow before management of liquid resources and financing		109	88
Financing		(91)	(94)
Increase/ (decrease) in cash in the year		18	(6)
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		36	-
Decrease in debtors		24	49
Increase/(decrease) in creditors		9	(14)
Net cash inflow from operating activities		69	35
Reconciliation of net cash flow to movement in net debt			
Opening balance		(5,570)	(5,644)
Increase/ (decrease) in cash in year		18	(6)
Cash flow from decrease in debt		91	94
Non-cash movement		(14)	(14)
Net debt at the end of the year	13	(5,475)	(5,570)

EP3 Holdings Limited

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Statement of accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies, which have been applied consistently throughout the year, are set out below

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 Cabinet War Rooms 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 on the finance receivable is recognised so as to generate a constant rate of return over the contract period

Finance charges

Costs incurred in raising finance are written off over the period that each respective financial instrument is to remain in place. The directors have determined this to be 29 years for the term loan facility

Deferred taxation

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

Deferred tax assets are recognised when it is more likely than not they will be recovered. The deferred tax assets and liabilities are discounted

Cash

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

EP3 Holdings Limited

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Notes to the financial statements for the year ended 30 June 2010

1 Operating profit

Operating profit is stated after charging

	2010 £'000	2009 £'000
Auditors' remuneration for audit and tax services	9	11

Auditors' remuneration for audit and tax services totalling £9,000 (2009 £11,000) relates to audit £5,000 (2009 £5,000) and tax compliance services £4,000 (2009 £6,000) during the year. The directors received no salary, fees or other benefits in the performance of their duties directly from the group. The group had no employees throughout the year. Management and administrative staffing resources are provided by secondees that are employed by the related parties for which no charge is made (see note 14).

2 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable on loan	372	366
Other charges	14	14
	386	380

Interest payable and similar charges of £386,000 (£380,000 – 2009) relates to interest charges with respect to the borrowings, totalling £5,782,000 (£5,873,000 – 2009), plus the amortisation of loan issue costs of £14,000 (£14,000 – 2009) in accordance with FRS 4.

3 Interest receivable and similar income

	2010 £'000	2009 £'000
Finance income	412	416
Bank interest	-	3
	412	419

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Notes to the financial statements for the year ended 30 June 2010 (continued)

4 Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax	-	-
Deferred taxation: current year	181	-
adjustment in respect of prior year	11	-
Total tax credit for the year	192	-
The current tax for the year is lower than the standard rate of Corporation Tax in the UK. The differences are explained below:		
Profit before tax	62	39
UK Corporation Tax at 28% (2009: 28%)	17	11
Effects of:		
Allocation against prior year losses	(17)	(11)
Total current tax charge	-	-

Notes to the financial statements for the year ended 30 June 2010
(continued)

5 Debtors

	2010 £'000	2009 Restated £'000
Amounts due within one year		
Other debtors	171	146
Finance debtor	53	49
	224	195
Amounts due after more than one year		
Finance debtor	5,305	5,358
Deferred taxation	192	-
	5,497	5,358

Finance debtor receivable		
Opening balance	5,407	5,452
Finance debtor receivable reimbursed	(461)	(461)
Finance income recognised	412	416
Total finance receivable	5,358	5,407
Classified as receivable within one year	(53)	(49)
Closing balance	5,305	5,358

The 2009 finance debtor has been restated to reflect a more accurate ageing of the balance

	2010 £'000	2009 £'000
Deferred tax asset		
Opening balance	-	-
Credit to the profit and loss account in the year	192	-
Closing balance	192	-

At 30 June 2010 the company had a deferred tax asset of £903,000 (£899,000 – 2009) in respect of tax losses brought and carried forward and deferred tax liabilities of £763,000 (£745,000 – 2009) in respect of accelerated capital allowances and other timing differences. The overall net deferred tax asset has been recognised at its discounted level of £192,000 in 2010 as it is now considered that it will be recoverable in the foreseeable future.

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Notes to the financial statements for the year ended 30 June 2010 (continued)

6 Fixed asset investments

	2010 £'000	2009 £'000
Company		
Opening balance	1	1
Closing balance	1	1

The company owns the entire issued share capital of EP3 Limited, a company incorporated in England. EP3 is engaged in a 29 year contract with the Imperial War Museum to renovate and make available the facilities of the Cabinet War Rooms.

7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Accruals	170	169
Tax and social security	8	-
Term loan repayable within one year (note 8)	102	101
	280	270

8 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Loan facility	5,510	5,588
Repayable within one year	102	101
Repayable between two and five years	582	520
Repayable after five years	5,098	5,252
Total loans outstanding	5,782	5,873
Classified as payable within one year (note 7)	(102)	(101)
Loan issue costs	(170)	(184)
Total	5,510	5,588

Term loan facility

The term loan facility is scheduled to be repaid by 27 September 2030. Interest charged on the amount drawn under the facility is based on floating LIBOR rate.

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Notes to the financial statements for the year ended 30 June 2010 (continued)

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

The loan is subject to a fixed interest rate swap which results in interest being charged at 5.28%. The market value of the swap at 30 June 2010 was £1,224,000 out of the money (£680,000 out of the money – 2009).

As at 30 June 2010 £5,782,000 (£5,873,000 – 2009) was outstanding under the term loan facility. The total facility is for a maximum of £6,325,000.

The term loan is secured by charges over all the assets of the subsidiary undertaking.

Loan issue costs

Arrangement fees relating to the issuing of the facility have been offset against the related loan and are being amortised over the duration of the term loan as part of the finance cost, in accordance with FRS 4.

9 Share capital

	2010 £'000	2009 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

10 Movements in shareholders' funds/(deficit)

	Company		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Opening shareholders' opening funds/ (deficit)	1	1	(186)	(225)
Profit for the year	-	-	254	39
Closing equity shareholders' closing funds/ (deficit)	1	1	68	(186)

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Notes to the financial statements for the year ended 30 June 2010 (continued)

11 Reserves

	Company 2010 £'000	Group 2010 £'000
Balance at 1 July 2009	-	(187)
Profit for the year	-	254
Balance at 30 June 2010	-	67

12 Analysis of cash flows

	2010 £'000	2009 £'000
Returns on investment and servicing of finance		
Interest received	412	419
Interest payable on borrowings	(372)	(366)
	40	53

13 Analysis of net debt

	At beginning of year £'000	Cash flow £'000	Other non-cash changes £'000	At end of year £'000
Cash at bank and in hand	119	18	-	137
Loan facility	(5,689)	91	(14)	(5,612)
Net debt	(5,570)	109	(14)	(5,475)

Other non-cash changes relate to the amortisation of capitalised debt issue costs

14 Related party disclosures

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

Catalyst Lend Lease Holdings Limited
Stanhope plc

During the course of the year ended 30 June 2010, no transactions have occurred between EP3 Holdings Limited and either of the above related parties. Therefore no amounts are owed to or by related parties as at the year end.

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Notes to the financial statements for the year ended 30 June 2010 (continued)

15 Ultimate controlling party

Under the terms of a Put Option Deed Stanhope plc has transferred its shareholding to Catalyst Lend Lease Holdings Limited on 23 August 2010. In the opinion of the directors, the ultimate controlling party prior to the exercise of the put option comprised Catalyst Lend Lease Holdings Limited and Stanhope plc acting together and afterwards Catalyst Lend Lease Holdings Limited acting alone.