EP3 Limited

Annual report and financial statements

for the year ended 30 June 2016

Registered number: 04281831

Annual report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements of EP3 Limited (the "Company") for the year ended 30 June 2016.

Small company provisions
This report has been prepared in accordance with the special provisions of part 15 of the small companies regime of the Companies Act 2006. The Company has also taken the small companies exemption from preparing a Strategic Report.

Principal activities, business review and future development
The Company 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 in line with expectations. 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 Company to pay for the renovations.

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

Principal risks and uncertainties
All turnover is received under contract from the Imperial War Museum, which is a non-departmental public body with exempt charity status. The rental income is set to cover the majority of the costs. A relatively small proportion of total income is not inflation-linked and a rise in the associated costs above the general rate of inflation would be borne by the Company.

A small proportion of cash flow is derived from bank interest on cash balances. The current low levels of interest rates have reduced this interest but this has not impacted on the project significantly as cash balances held by the Company are small.

Results and dividends
The Company recorded a loss for the financial year of £47,000 in the year (2015: £29,000 profit). No dividend is proposed for the year (2015: £nil). The retained loss will be added to reserves.

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

S P Fraser (appointed 25 August 2015)
N M Johnson (resigned 25 August 2015)
S F Slater (resigned 8 March 2016)
M Boor (appointed 25 October 2016)
M J Packer (appointed 25 October 2016)

Political donations
The Company made no political donations during the year (2015: £nil).

Disclosure of information to auditors
Each director at the date of the approval of the financial statements has confirmed:
a) that so far as they are each 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.

Directors' report (continued)

Re-appointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board

S P Fraser
Director

20 Triton Street
Regent's Place
London
NW1 3BF
24 April 2017

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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) including Financial Reporting Standard 102, the *Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)*.

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, including FRS 102, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of EP3 Limited

Report on the financial statements

Our opinion

In our opinion, EP3 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss 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.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 30 June 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

H. Macnamara

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

24 April 2017

Statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Turnover		249	235
Administrative expenses		(249)	(235)
Operating profit	2	-	-
Interest payable and similar charges	3	(339)	(348)
Interest receivable and similar income	4	380	388
Profit on ordinary activities before taxation		41	40
Tax on profit on ordinary activities	5	(88)	(11)
(Loss) / profit for the financial year	11	**(47)**	**29**
Other comprehensive income			
Movement due to effective hedges		(279)	(186)
Total comprehensive expense after tax		**(326)**	**(157)**

The results for the year arise wholly from continuing operations.

Statement of financial position as at 30 June 2016

	Note	2016 £'000	2015 £'000
Assets			
Debtors: amounts falling due within one year	6	265	239
Debtors: amounts falling due after more than one year	6	5,080	5,233
		5,345	5,472
Cash at bank and in hand		442	178
		5,787	5,650
Creditors: amounts falling due within one year	8	(2,490)	(1,898)
Total assets less current liabilities		**3,297**	3,752
Creditors: amounts falling due after more than one year	9	(4,751)	(4,880)
Net liabilities		**(1,454)**	(1,128)
Capital and reserves			
Called up share capital	10	1	1
Cash flow hedging reserve		(1,536)	(1,257)
Retained earnings	11	81	128
Total shareholders' deficit		**(1,454)**	(1,128)

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2017 and signed on its behalf by:

S P Fraser
Director

EP3 Limited
Registered Number 04281824

Statement of changes in shareholder's equity as at 30 June 2016

	Note	Called up share capital £'000	Cashflow hedging reserve £'000	Retained earnings £'000	Total shareholder's funds £'000
Balance at 1 July 2014	13	1	(1,071)	99	**(971)**
Total comprehensive income for the year		-	-	29	**29**
Movement due to hedges		-	(186)	-	**(186)**
Balance at 30 June 2015		**1**	**(1,257)**	**128**	**(1,128)**
Total comprehensive loss for the year		-	-	(47)	**(47)**
Movement due to hedges		-	(279)	-	**(279)**
Balance at 30 June 2016		**1**	**(1,536)**	**81**	**(1,454)**

Notes to the financial statements for the year ended 30 June 2016

1 Accounting policies

Basis of preparation
EP3 Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The address of it's registered office is 20 Triton Street, Regent's Place, London, England, NW1 3BF.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effectively immediately, have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made three measurement and recognition adjustments. An explanation of how the transition to FRS 102 has performance of the Company is provided in note 13.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements — the Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company is a wholly owned subsidiary of EP3 Holdings Limited, EP3 Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of EP3 Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of EP3 Holdings 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. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Turnover
Turnover represents amounts due from the Trustees of the Imperial War Museum in respect of the company's trading activities. All turnover originates in the United Kingdom, is stated exclusive of value added tax and is recognised in the accounting period in which the services are rendered and when the amount of revenue can be measured reliably.

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

Notes to the financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

Deferred taxation

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

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

Finance debtor

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 debtor in accordance with FRS 5 as the costs are to be recovered over the contract period.

Finance income on the finance debtor 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.

Cash flow statement

The company is a wholly owned subsidiary of EP3 Holdings Limited and the results of the company are included within the financial statements of that company. Consequently, EP3 Limited is exempt under FRS 102 from publishing a cash flow statement.

Financial instruments

The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss.

Notes to the financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities
Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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 other comprehensive income.

The Company applies hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting
Financial assets and liabilities are offset and the net amount 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.

Accounting estimates and judgements
The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:
- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate.

Notes to the financial statements for the year ended 30 June 2016 (continued)

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2016	2015
	£'000	£'000
Auditors' remuneration for audit services	21	9

Auditors' remuneration for audit services totalling £21,000 (2015: £9,000). The directors received no salary, fees or other benefits in the performance of their duties (2015: none). The company had no employees throughout either year. Management and administrative staffing resources are provided by secondee staff that are employed by the related parties for which no charge is made (see note 12).

3 Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest payable on loan	328	336
Loan issue costs	11	12
	339	348

Interest payable and similar charges of £339,000 (2015: £348,000) relates to interest charges with respect to the borrowings, totalling £328,000 (2015: £336,000), plus the amortisation of loan issue costs of £11,000 (2015: £12,000) in accordance with FRS 4.

4 Interest receivable and similar income

	2016	2015
	£'000	£'000
Finance income	380	388

5 Taxation on profit on ordinary activities

	2016	2015
	£'000	£'000
Current tax	-	-
Deferred tax: Origination and reversal of timing differences	(11)	(7)
Adjustments in respect of previous periods	75	-
Utilisation of tax losses	25	18
Effect of future change in UK tax rate (19%)	(1)	-
Tax on profit on ordinary activities	88	11

The current tax charge for the year is lower (2015: lower) than the standard rate of Corporation tax in the UK. The differences are explained below:

	2016	2015
Profit on ordinary activities before tax	41	40
Profit on ordinary activities multiplied by standard rate in the UK 20.0% (2015: 20.75%)	8	8
Effects of:		
Reduction in finance debtor	6	-
Adjustment in respect of previous periods	75	-
Permanent difference on change of tax rate	(1)	-
Other	-	3
Total tax charge	88	11

Notes to the financial statements for the year ended 30 June 2016 (continued)

5 Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge:

Reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

6 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Other debtors	**131**	119
Finance debtor	**134**	120
	265	239
Amounts falling due after more than one		
Finance debtor	**4,721**	4,856
Deferred tax asset (see note 7)	**359**	377
	5,080	5,233
Finance debtor		
Opening balance	**4,976**	5,087
Finance debtor reimbursed	**(501)**	(499)
Finance income recognised	**380**	388
Closing balance	**4,855**	4,976
Classified as receivable within one year	**(134)**	(120)
Classified as receivable after more than one year	**4,721**	4,856

7 Deferred tax asset

Deferred tax assets and liabilities have been recognised in full as follows:

At 1 July 2015	377
Profit or loss	(88)
Other comprehensive income	70
At 30 June 2016	**359**

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Accelerated capital allowances	**-**	-	**(502)**	(548)	**(502)**	(548)
Tax losses	**550**	611	**-**	-	**550**	611
Other	**311**	314	**-**	-	**311**	314
Net tax assets / (liabilities)	**861**	925	**(502)**	(548)	**359**	377

Notes to the financial statements for the year ended 30 June 2016 (continued)

8 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Term loan repayable within one year (note 9)	**188**	174
Interest rate swap	**1,920**	1,571
Accruals and deferred income	**382**	153
	2,490	1,898

Interest rate swap contract – derivative financial instruments

The fair value of the interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

9 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Term loan	4,751	4,880
Repayable within one year	188	174
Repayable between two and five years	1,041	923
Repayable after five years	3,803	4,062
Total loans	5,032	5,159
Classified as payable within one year (note 8)	(188)	(174)
Loan issue costs	(93)	(105)
Total	**4,751**	4,880

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.

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 2016 was £1,919,933 out of the money (2015: £1,570,580 out of the money). Refer to note 13.

As at 30 June 2016, £5,032,000 (2015: £5,159,000) 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 company.

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.

10 Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
1,000 (2015: 1,000) ordinary shares of £1 each	**1**	1

11 Retained earnings

	2016 £'000	2015 £'000
As at 1 July	**128**	99
(Loss)/profit for the financial year	**(47)**	29
As at 30 June	**81**	128

Notes to the financial statements for the year ended 30 June 2016 (continued)

12 Related party disclosures

The following company, together with undertakings within its group of companies, are considered to have been related parties to the company in the year, as defined in FRS 8:

Lendlease Infrastructure Holdings (Europe) Limited

During the course of the year ended 30 June 2016, no transactions have occurred between EP3 Limited and the above related party. Therefore no amounts are owed to or by related parties as at the year end.

The company has taken advantage of the exemption permitted by Financial Reporting Standard 8, 'Related Party Disclosures' not to disclose any transactions with other group companies as it is wholly-owned and controlled within the group and the ultimate parent prepares consolidated financial statements.

13 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table and the notes that accompany the table.

Reconciliation of equity

	1 July 2014			30 June 2015		
	UK GAAP	**Effect of transition**	**FRS 102**	**UK GAAP**	**Effect of transition**	**FRS 102**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current assets						
Debtors: amounts falling due within one year	233	-	233	239	-	239
Debtors: amounts falling due after more than one year *(c)*	5,076	242	5,318	4,947	286	5,233
Cash at bank and in hand	177	-	177	178	-	178
Creditors: amounts falling due within one year	(322)	(1,339)	(1,661)	(327)	(1,571)	(1,898)
Net current assets	**5,164**	**(1,097)**	**4,067**	**5,037**	**(1,285)**	**3,752**
Creditors: amounts falling due after more than one year	(5,038)	-	(5,038)	(4,880)	-	(4,880)
Net assets / (liabilities)	**126**	**(1,097)**	**(971)**	**157**	**(1,285)**	**(1,128)**
Capital and reserves						
Called up share capital	1	-	1	1	-	1
Cash flow hedging reserves *(a) (b)*	-	(1,071)	(1,071)	-	(1,257)	(1,257)
Retained earnings	125	(26)	99	156	(28)	128
Shareholders' funds / (deficit)	**126**	**(1,097)**	**(971)**	**157**	**(1,285)**	**(1,128)**

Notes to the financial statements for the year ended 30 June 2016 (continued)

13 Explanation of transition to FRS 102 from old UK GAAP (continued)

Notes to the reconciliation of equity

a) Derivatives

The company has entered in to an Interest rate swap to hedge the risk of variability in cash flows due to changes in interest rates. Under old UK GAAP, the fair value of the interest rate swap was held off balance sheet and only recognised in the accounts when it was realised. In accordance with the requirements of FRS 102.12, derivative financial instruments are required to be held at fair value on the balance sheet. As the cash flow hedge qualifies for hedge accounting, to the extent that the hedge is effective, changes in fair value are recognised in other comprehensive income.

b) Deferred tax on derivative financial instruments

Deferred tax has been recognised in respect of derivative financial instruments. Where the movement in fair value of the derivative is recognised in other comprehensive income, movements in deferred tax are recognised in deferred income.

c) Discounting of deferred tax

The company discounted its deferred tax assets and liabilities under old UK GAAP. In accordance with the requirements of FRS 102.29, current and deferred tax assets/liabilities are not permitted to be discounted.

Reconciliation of profit for the year ended 30 June 2015

	30 June 2015		
	UK GAAP £'000	**Effect of transition £'000**	**FRS 102 £'000**
Turnover	235	-	235
Administrative expenses	(235)	-	(235)
Operating profit/(loss)	**-**	**-**	**-**
Interest payable and similar charges	(348)	-	(348)
Interest receivable and similar income	388	-	388
Profit on ordinary activities before	**40**	**-**	**40**
Tax on profit on ordinary activities	(9)	**(2)**	(11)
Profit for the financial year	**31**	**(2)**	**29**

14 Parent undertaking and ultimate controlling party

The company is a wholly owned subsidiary of EP3 Holdings Limited, a company that is incorporated in England and Wales which also heads the smallest group in which the results are consolidated. Copies of the group financial statements of EP3 Holdings Limited can be obtained from 20 Triton Street, Regent's Place, London NW1 3BF.

In the opinion of the directors, the ultimate controlling party is Lendlease Infrastructure Holdings (Europe) Limited.

Lendlease Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements are available from Level 4, 30 The Bond, 30 Hickson Road, Millers Point, NSW 2000 Australia.