

# EP3 Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2017

TUESDAY



\*L6FT66M9\*

L11

26/09/2017

#161

COMPANIES HOUSE

# **EP3 Limited**

## **Contents**

|  |          |
|--|----------|
| Company Information  | 1        |
| Directors' Report  | 2 to 3   |
| Statement of Directors' Responsibilities                   | 4        |
| Independent Auditor's Report to the Members of EP3 Limited | 5 to 6   |
| Statement of Profit or Loss and Other Comprehensive Income | 7        |
| Statement of Financial Position                            | 8        |
| Statement of Changes in Equity                             | 9        |
| Notes to the Financial Statements                          | 10 to 19 |

## **EP3 Limited**

### **Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | M Boor<br>S Fraser<br>M Packer  |
| <b>Registered office</b> | 20 Triton Street<br>Regent's Place<br>London<br>England<br>NW1 3BF                    |
| <b>Auditors</b>          | KPMG LLP<br>Chartered Accountants<br>15 Canada Square<br>London<br>England<br>E14 5GL |

## **EP3 Limited**

### **Directors' Report for the Year Ended 30 June 2017**

The directors present their report and the financial statements of EP3 Limited (the "Company") for the year ended 30 June 2017.

#### **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 developments**

The Company is engaged in agreements with H.M.Treasury and 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 profit for the financial year of £43,000 (2016: £46,000 loss). No dividend is proposed for the year (2016: £nil). The retained profit will be added to reserves.

#### **Directors of the company**

The directors who held office during the year were as follows:

M Boor (appointed 25 October 2016)

S Fraser

M Packer (appointed 25 October 2016)

#### **Political donations**

The Company made no political donations during the year (2016: £nil).

#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

## **EP3 Limited**

### **Directors' Report for the Year Ended 30 June 2017 (continued)**

#### **Reappointment of auditor**

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

Approved by the Board on 15 September 2017 and signed on its behalf by:



.....  
S Fraser  
Director

## **EP3 Limited**

### **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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *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 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, 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.

## **Independent Auditor's Report to the Members of EP3 Limited**

### **Opinion**

We have audited the financial statements of EP3 Limited ("the company") for the year ended 30 June 2017 which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and related notes, including the summary of significant accounting policies and other explanatory information.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the 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 that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **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, 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

## **Independent Auditor's Report to the Members of EP3 Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for 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.

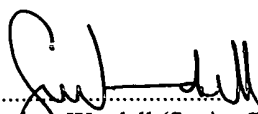
### **Auditor's responsibilities**

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 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 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).

### **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.

  
Stephen Wardell (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
England  
E14 5GL

18 September 2017



# EP3 Limited

## Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2017

|  | Note | 30 June<br>2017<br>£ 000 | 30 June<br>2016<br>£ 000 |
|--|------|--------------------------|--------------------------|
| Turnover                                       |      | 241                      | 249                      |
| Administrative expenses                        |      | <u>(250)</u>             | <u>(249)</u>             |
| Operating loss                                 |      | <u>(9)</u>               | <u>-</u>                 |
| Interest income                                | 3    | 366                      | 381                      |
| Interest expense                               | 4    | <u>(328)</u>             | <u>(339)</u>             |
|  |      | <u>38</u>                | <u>42</u>                |
| Profit before tax                              |      | 29                       | 42                       |
| Taxation                                       | 8    | <u>14</u>                | <u>(88)</u>              |
| Profit/(loss) for the financial year           |      | 43                       | (46)                     |
| Movement due to effective hedges               |      | <u>257</u>               | <u>(279)</u>             |
| Total comprehensive income/(loss) for the year |      | <u><u>300</u></u>        | <u><u>(325)</u></u>      |

The above results were derived from continuing operations.

The notes on pages 10 to 19 form an integral part of these financial statements.

# EP3 Limited

## Statement of Financial Position as at 30 June 2017

|  |      |                | (As restated)  |
|--|------|----------------|----------------|
|  | Note | 2017<br>£ 000  | 2016<br>£ 000  |
| <b>Non current assets</b>                                      |      |                |                |
| Non current finance debtor                                     | 13   | 4,555          | 4,722          |
| Deferred tax asset   | 8    | 289            | 359            |
|  |      | <u>4,844</u>   | <u>5,081</u>   |
| <b>Current assets</b>  |      |                |                |
| Debtors  | 9    | 203            | 169            |
| Cash at bank and in hand                                       |      | 450            | 442            |
|  |      | 653            | 611            |
| <b>Creditors: Amounts falling due within one year</b>          | 10   | <u>(2,220)</u> | <u>(2,480)</u> |
| <b>Net current liabilities</b>                                 |      | <u>(1,567)</u> | <u>(1,869)</u> |
| <b>Total assets less current liabilities</b>                   |      | 3,277          | 3,212          |
| <b>Creditors: Amounts falling due after more than one year</b> | 10   | <u>(4,527)</u> | <u>(4,762)</u> |
| <b>Net liabilities</b>   |      | <u>(1,250)</u> | <u>(1,550)</u> |
| <b>Capital and reserves</b>                                    |      |                |                |
| Called up share capital  | 11   | 1              | 1              |
| Cash flow hedging reserve                                      |      | (1,279)        | (1,536)        |
| Retained earnings/(losses)                                     |      | 28             | (15)           |
| <b>Total equity</b>  |      | <u>(1,250)</u> | <u>(1,550)</u> |

Refer to note 16 for details of the restatement.

Approved and authorised by the Board on 15 September 2017 and signed on its behalf by:



S Fraser

Director

Company registration number: 04281831

The notes on pages 10 to 19 form an integral part of these financial statements.

**EP3 Limited**

**Statement of Changes in Equity for the Year Ended 30 June 2017**

|                            | <b>Called up share<br/>capital<br/>£ 000</b> | <b>Cash flow<br/>hedging reserve<br/>£ 000</b> | <b>Retained<br/>earnings/<br/>(losses)<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
|----------------------------|--|--|--|------------------------|
| At 1 July 2016             | 1  | (1,536)  | (15)   | (1,550)                |
| Profit for the year        | -  | -  | 43   | 43                     |
| Other comprehensive income | -  | 257  | -  | 257                    |
| Total comprehensive income | -  | 257  | 43   | 300                    |
| At 30 June 2017            | 1  | (1,279)  | 28   | (1,250)                |
|                            | <b>Called up share<br/>capital<br/>£ 000</b> | <b>Cash flow<br/>hedging reserve<br/>£ 000</b> | <b>Retained<br/>earnings/<br/>(losses)<br/>£ 000</b> | <b>Total<br/>£ 000</b> |
| At 1 July 2015             | 1  | (1,257)  | 31   | (1,225)                |
| Loss for the year          | -  | -  | (46)   | (46)                   |
| Other comprehensive loss   | -  | (279)  | -  | (279)                  |
| Total comprehensive loss   | -  | (279)  | (46)   | (325)                  |
| At 30 June 2016            | 1  | (1,536)  | (15)   | (1,550)                |

Refer to note 16 for details of the restatement.

The notes on pages 10 to 19 form an integral part of these financial statements.

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2017

#### 1 General information

The company is a private company limited by share capital incorporated in England.

The address of its registered office is:

20 Triton Street  
Regent's Place  
London  
England  
NW1 3BF

These financial statements were authorised for issue by the Board on 15 September 2017.

#### 2 Accounting policies

##### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. Lendlease Infrastructure Holdings (Europe) Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will make available such funds as they are needed by the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **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**

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

Current tax is the expected tax payable on the taxable income 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

##### **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.

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments (continued)**

###### **i) Financial assets (continued)**

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.

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, 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 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.

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

#### 2 Accounting policies (continued)

##### 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 company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate.

#### 3 Interest income

|                | 2017<br>£ 000 | 2016<br>£ 000 |
|----------------|---------------|---------------|
| Finance income | 366           | 381           |

#### 4 Interest expense

|                          | 2017<br>£ 000 | 2016<br>£ 000 |
|--------------------------|---------------|---------------|
| Interest payable on loan | (317)         | (328)         |
| Loan issue costs         | (11)          | (11)          |
|                          | <u>(328)</u>  | <u>(339)</u>  |

The amortisation of loan issue costs are in accordance with FRS 4.

#### 5 Staff costs

The company had no employees throughout the year (2016: nil). Management and administrative staffing resources are provided by secondeed staff that are employed by the related parties for which no charge is made (see note 14 "Related party disclosures").

#### 6 Directors' remuneration

The directors of the company are employees of the following entities:

- S Fraser: Lendlease Europe Limited
- M Boor: Lendlease Europe Limited
- M Packer: Lendlease Europe Limited

Any qualifying services in respect of EP3 Limited are considered to be incidental and part of the director's overall management responsibilities within Lendlease Europe Limited. Their remuneration for the current year and prior year was paid by and included in the financial statements of Lendlease Europe Limited.

# EP3 Limited

## Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

### 7 Auditor's remuneration

|   | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---------------|---------------|
| Statutory audit of the financial statements     | 10            | 21            |
| Under accrual of prior year statutory audit fee | 3             | -             |
|   | <u>13</u>     | <u>21</u>     |

### 8 Taxation

Tax credited/(charged) in the income statement

|  | 2017<br>£ 000 | 2016<br>£ 000 |
|--|---------------|---------------|
| <b>Current taxation</b>                        | -             | -             |
| <b>Deferred taxation</b>                       |               |               |
| Origination and reversal of timing differences | (6)           | 11            |
| Adjustment in respect of previous periods      | 21            | (75)          |
| Utilisation of tax losses                      | -             | (25)          |
| Effect of future change in UK tax rate         | (1)           | 1             |
| Total deferred taxation                        | <u>14</u>     | <u>(88)</u>   |
| Tax credit/(expense) in the income statement   | <u>14</u>     | <u>(88)</u>   |

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2017: 19.75% (2016: 20.00%) to the Company's accounting loss before taxation for the following reasons:

|  | 2017<br>£ 000 | 2016<br>£ 000 |
|--|---------------|---------------|
| Profit before tax                          | <u>29</u>     | <u>42</u>     |
| Corporation tax at standard rate           | (6)           | (8)           |
| Reduction in finance debtor                | -             | (6)           |
| Permanent difference on change in tax rate | (1)           | 1             |
| Adjustment in respect of previous periods  | <u>21</u>     | <u>(75)</u>   |
| Total tax credit/(expense)                 | <u>14</u>     | <u>(88)</u>   |



# EP3 Limited

## Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

### 8 Taxation (continued)

#### Deferred tax

Deferred tax assets and liabilities

|                                | Asset<br>£ 000 | Liability<br>£ 000 |
|--------------------------------|----------------|--------------------|
| <b>2017</b>                    |                |                    |
| Accelerated capital allowances | -              | (493)              |
| Tax losses                     | 555            | -                  |
| Cash flow hedging reserve      | 300            | -                  |
| Other                          | -              | (73)               |
|                                | <u>855</u>     | <u>(566)</u>       |
| <b>2016</b>                    |                |                    |
| Accelerated capital allowances | -              | (502)              |
| Tax losses                     | 550            | -                  |
| Cash flow hedging reserve      | 384            | -                  |
| Other                          | -              | (73)               |
|                                | <u>934</u>     | <u>(575)</u>       |

#### Tax relating to items recognised in other comprehensive income or equity

|   | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---------------|---------------|
| Deferred tax related to items recognised as items of other comprehensive income | <u>(84)</u>   | <u>70</u>     |

#### Factors that may affect future tax charges

A reduction in the corporate tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. Accordingly, the Company's profits for the accounting period are taxed at a statutory rate of 19.75% (2016: 20%).

### 9 Debtors

|                                       | 2017<br>£ 000 | 2016<br>Restated<br>£ 000 |
|---------------------------------------|---------------|---------------------------|
| Trade debtors                         | 18            | -                         |
| Finance debtor                        | 165           | 134                       |
| Accrued income                        | <u>20</u>     | <u>35</u>                 |
| Total current trade and other debtors | <u>203</u>    | <u>169</u>                |

# EP3 Limited

## Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

### 10 Creditors

|  | Note | 2017<br>£ 000  | 2016<br>£ 000  |
|--|------|----------------|----------------|
| <b>Due within one year</b>                                   |      |                |                |
| Term loan  | 12   | (197)          | (177)          |
| VAT payable  |      | (37)           | (37)           |
| Accruals and deferred income                                 |      | (407)          | (346)          |
| Interest rate swap   |      | <u>(1,579)</u> | <u>(1,920)</u> |
|  |      | <u>(2,220)</u> | <u>(2,480)</u> |
| <b>Due after one year</b>                                    |      |                |                |
| Term loan  | 12   | <u>(4,527)</u> | <u>(4,762)</u> |
| <b>Interest rate swap - derivative financial instruments</b> |      |                |                |

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 rate for a similar instrument at the measurement date.

### 11 Share capital

#### Allotted, called up and fully paid shares

|   | 2017     |          | 2016     |          |
|---|----------|----------|----------|----------|
|   | No. 000  | £ 000    | No. 000  | £ 000    |
| Allotted, called up and fully paid ordinary shares of £1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

### 12 Loans and borrowings

|   | 2017<br>£ 000  | 2016<br>£ 000  |
|---|----------------|----------------|
| <b>Non-current loans and borrowings</b> |                |                |
| Term loan                               | (4,599)        | (4,844)        |
| Loan issue costs                        | <u>72</u>      | <u>82</u>      |
|   | <u>(4,527)</u> | <u>(4,762)</u> |
| <b>Current loans and borrowings</b>     |                |                |
| Term loan                               | (207)          | (188)          |
| Loan issue costs                        | <u>10</u>      | <u>11</u>      |
|   | <u>(197)</u>   | <u>(177)</u>   |

# EP3 Limited

## Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)

### 12 Loans and borrowings (continued)

|                                      | 2017<br>£ 000  | 2016<br>£ 000  |
|--------------------------------------|----------------|----------------|
| Repayable within one year            | (207)          | (188)          |
| Repayable between two and five years | (1,122)        | (1,041)        |
| Repayable after five years           | (3,477)        | (3,803)        |
| Total loans                          | <u>(4,806)</u> | <u>(5,032)</u> |
| Loan issue cost                      | 82             | 93             |
| Total                                | <u>(4,724)</u> | <u>(4,939)</u> |

#### 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 2017 was £1,579,242 out of the money (2016: £ 1,919,933 out of the money).

As at 30 June 2017 £4,806,000 (2016: £5,032,000) 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.

### 13 Finance debtor

|   | Note | 2017<br>£ 000 | 2016<br>£ 000 |
|---|------|---------------|---------------|
| Opening balance                                   |      | 4,856         | 4,976         |
| Finance debtor reimbursed                         |      | (502)         | (501)         |
| Finance income recognised                         |      | 366           | 381           |
| Closing balance                                   |      | <u>4,720</u>  | <u>4,856</u>  |
| Classified as receivable within one year          | 9    | <u>(165)</u>  | <u>(134)</u>  |
| Classified as receivable after more than one year |      | <u>4,555</u>  | <u>4,722</u>  |

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

#### **14 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 2017, 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.

#### **15 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.

Lendlease Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of this group may be obtained from its website [www.lendlease.com](http://www.lendlease.com).

**EP3 Limited**

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**16 Restatement**

In the current year a historical error was noted in respect of the amount of accrued income recorded prior to 1 July 2015. The impact of the correction of this prior period restatement in the current year is detailed below:

|  | Previously<br>reported as at 1<br>July 2015<br>£'000 | Effect of<br>restatement<br>£'000 | Restated<br>balance as at 1<br>July 2015<br>£'000 | Previously<br>reported as at<br>30 June 2016<br>£'000 | Effect of<br>restatement<br>£'000 | Restated<br>balance as at 30<br>June 2016<br>£'000 |
|--|--|-----------------------------------|---|---|-----------------------------------|--|
| Debtors  | 239  | (96)                              | 143   | 265   | (96)                              | 169  |
| Cash at bank and in hand                               | 178  | -                                 | 178   | 442   | -                                 | 442  |
| Non current finance debtor                             | 4,856  | -                                 | 4,856   | 4,722   | -                                 | 4,722  |
| Deferred tax asset                                     | 377  | -                                 | 377   | 359   | -                                 | 359  |
| Creditors: amounts falling due within one year         | (1,899)  | -                                 | (1,899)   | (2,480)   | -                                 | (2,480)  |
| Creditors: amount falling due after more than one year | (4,880)  | -                                 | (4,880)   | (4,762)   | -                                 | (4,762)  |
| Net liabilities  | <u>(1,129)</u>                                       | <u>(96)</u>                       | <u>(1,225)</u>                                    | <u>(1,454)</u>  | <u>(96)</u>                       | <u>(1,550)</u>                                     |
| Called up share capital                                | 1  | -                                 | 1   | 1   | -                                 | 1  |
| Cash flow hedging reserve                              | (1,257)  | -                                 | (1,257)   | (1,536)   | -                                 | (1,536)  |
| Retained earnings/(losses)                             | <u>127</u>   | <u>(96)</u>                       | <u>31</u>   | <u>81</u>   | <u>(96)</u>                       | <u>(15)</u>  |
| Total equity   | <u>(1,129)</u>                                       | <u>(96)</u>                       | <u>(1,225)</u>                                    | <u>(1,454)</u>  | <u>(96)</u>                       | <u>(1,550)</u>                                     |