

Registration number: 04281831

EP3 Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2020



EP3 Limited

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EP3 Limited

Directors' Report for the Year Ended 30 June 2020

The directors of EP3 Limited (the "Company") present their report and the financial statements for the year ended 30 June 2020.

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 (IWM) to renovate and then make available the facilities at the main Treasury Building known as the Churchill 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.

Results and dividends

The Company recorded a profit for the financial year of £184,000 (2019: loss of £310,000). No dividend is proposed for the year (2019: £nil).

Directors of the company

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

Mark Boor (resigned 3 August 2020)

Steven Fraser

Mark Packer

Political donations

The Company made no political donations during the year (2019: £nil).

Outlook

The Company continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, Lendlease believes in the long-term viability of the UK as a place to invest.

EP3 Limited

Directors' Report for the Year Ended 30 June 2020 (continued)

Lendlease is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The Directors and management of the wider Lendlease Group have taken immediate and significant actions, all within management's control, to reduce costs and optimise the cash flow and liquidity position, including reduction of non-essential capital and project expenditure and overhead reduction initiatives. IWM, the tenants of the Company, had to close the Churchill War Rooms on 17 March 2020 in response to the COVID-19 pandemic. Although it was reopened on 1 August 2020, visitor figures have been, and will continue to be, greatly reduced by the need to social distance and the reduction in tourism. IWM has access to additional government funding and have reviewed and have adjusted their budgeted expenditure to mitigate the reduction in revenue.

The full impact the pandemic will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown, however to date, there has been no impact and Imperial War Museum have continued to make rental payments in line with expectations. However, given the extended impact COVID-19 is expected to have on IWM, management are in the process of negotiating a 24 month capital repayment holiday on the loan which the Company holds. This would then be passed down as a reduction in the rental payments owed by IWM during this period. Refer to note 15 Subsequent Events.


Disclosure of information to the auditor

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

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 21 September 2020 and signed on its behalf by:



.....
Mark Packer

Director

Company Registration Number: 04281831

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 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 accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with FRS 102;
- 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 Auditors' 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 2020 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 in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2020 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

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

Independent Auditors' Report to the Members of EP3 Limited (continued)

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.

Directors' responsibilities

As explained more fully in their 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; 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.

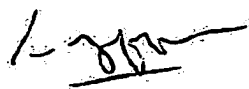
Auditors' responsibilities

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 an auditor's report that includes our opinion. 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.

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.



.....
Ian Griffiths (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
England
E14 5GL

Date: 22 September 2020.....

EP3 Limited

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Turnover		267	261
Administrative expenses		<u>(272)</u>	<u>(266)</u>
Operating loss		<u>(5)</u>	<u>(5)</u>
Interest income	3	326	343
Interest expense	4	<u>(279)</u>	<u>(288)</u>
Net interest income		<u>47</u>	<u>55</u>
Profit before tax		42	50
Taxation	7	<u>142</u>	<u>(360)</u>
Profit/(loss) for the financial year		184	(310)
Movement due to effective hedges		<u>24</u>	<u>36</u>
Total comprehensive income for the year		<u><u>208</u></u>	<u><u>(274)</u></u>

The above results were derived from continuing operations.

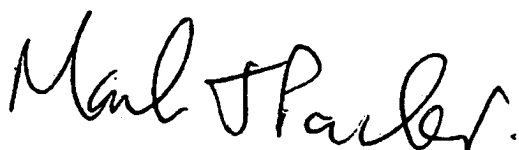
The notes on pages 9 to 19 form an integral part of these financial statements.

EP3 Limited

Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Non current assets			
Non current finance debtor	8	3,901	4,135
Current assets			
Debtors	9	240	223
Cash at bank and in hand		<u>482</u>	<u>193</u>
		722	416
Creditors: Amounts falling due within one year	10	<u>(952)</u>	<u>(660)</u>
Net current liabilities		<u>(230)</u>	<u>(244)</u>
Total assets less current liabilities		3,671	3,891
Creditors: Amounts falling due after more than one year	10	(4,822)	(5,114)
Deferred tax liabilities	7	<u>(39)</u>	<u>(175)</u>
Net liabilities		<u>(1,190)</u>	<u>(1,398)</u>
Capital and reserves			
Called up share capital	12	1	1
Hedging reserve		(893)	(917)
Retained losses		<u>(298)</u>	<u>(482)</u>
Total equity		<u>(1,190)</u>	<u>(1,398)</u>

Approved and authorised by the Board on 21 September 2020 and signed on its behalf by:



.....
Mark Packer
Director
Company Registration Number: 04281831

The notes on pages 9 to 19 form an integral part of these financial statements.

EP3 Limited

Statement of Changes in Equity for the Year Ended 30 June 2020

	Called up share capital £ 000	Hedging reserve £ 000	Retained earnings/ (losses) £ 000	Total £ 000
At 1 July 2019	1	(917)	(482)	(1,398)
Profit for the year	-	-	184	184
Other comprehensive income	-	24	-	24
Total comprehensive income	-	24	184	208
At 30 June 2020	1	(893)	(298)	(1,190)

	Called up share capital £ 000	Hedging reserve £ 000	Retained earnings/ (losses) £ 000	Total £ 000
At 1 July 2018	1	(953)	(172)	(1,124)
Loss for the year	-	-	(310)	(310)
Other comprehensive income	-	36	-	36
Total comprehensive loss	-	36	(310)	(274)
At 30 June 2019	1	(917)	(482)	(1,398)

The notes on pages 9 to 19 form an integral part of these financial statements.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

1 General information

The Company is incorporated in the United Kingdom.

The address of its registered office is:

20 Triton Street

Regent's Place

London

NW1 3BF

United Kingdom

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.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

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 Company is a wholly owned subsidiary of EP3 Holdings Limited. The Company is included in the consolidated accounts of Lendlease Europe Holdings Limited, which are prepared under IFRS and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff. In regards to the preparation of these financial statements under FRS 102, the Company is considered to be a qualifying entity 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
- Financial instruments.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

2 Accounting policies (continued)

Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited ("LLEH"), the Company's ultimate UK parent entity. LLEH has indicated its intention to continue to make available financial support for twelve months from the signing date of these financial statements, or earlier, to such period when either LLEH or the Company ceases to be part of the group headed by LLEH, to enable the Company to trade, and not to call for settlement of amounts owing to LLEH where to do so would place the Company in an insolvent position. LLEH itself has been provided with a letter of support from Lendlease International Pty Limited which accepts responsibility of providing and undertakes to provide, sufficient financial assistance to the Company, as and when it is required, to enable the Company to continue its operations and fulfil all of its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors of the Company 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 Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the letters of support, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

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

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the statement of financial position date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is the expected tax payable or receivable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that do not affect accounting or taxable profit.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using applicable tax rates and laws at the reporting date.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

2 Accounting policies (continued)

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 section 11 of FRS 102 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 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.

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.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

2 Accounting policies (continued)

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.

Financial instruments (continued)

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. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

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

3 Interest income

	2020 £ 000	2019 £ 000
Finance income	<u>326</u>	<u>343</u>

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

4 Interest expense

	2020 £ 000	2019 £ 000
Interest on bank overdrafts and borrowings	(257)	(260)
Loan issue costs	(10)	(14)
Bank charges	(1)	(1)
Interest payable on loans from group undertakings	(11)	(13)
	<u>(279)</u>	<u>(288)</u>

5 Auditors' remuneration

	2020 £ 000	2019 £ 000
Statutory audit of the financial statements	<u>10</u>	<u>10</u>

6 Directors' remuneration

The directors of the Company were all directly employed by Lendlease Construction (Europe) Limited during the financial year however their costs were recharged to the following entities:

Mark Boor: Lendlease Real Estate Investment Services Limited
Steven Fraser: Lendlease Development (Europe) Limited
Mark Packer: Lendlease Europe Limited

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management responsibilities for the above entities. The directors' remuneration for the current year and prior year is included in the financial statements of the above entities.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	(21)
UK corporation tax adjustment to prior periods	28	25
	<u>28</u>	<u>4</u>
Deferred taxation		
Current year	185	(181)
Adjustment in respect of previous periods	(25)	(202)
Effect of changes in tax rates	(46)	19
Total deferred taxation	<u>114</u>	<u>(364)</u>
Tax receipt/(expense) in the income statement	<u>142</u>	<u>(360)</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019: lower than the standard rate of corporation tax in the UK) of 19% (2019: 19%)

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>42</u>	<u>50</u>
Income tax using the domestic corporation tax rate 19% (2019: 19%)	(8)	(10)
Adjustment in respect of previous periods	3	(177)
Change in tax rate	(46)	19
Effect on deferred tax from unrecognised tax loss or credit	193	(193)
Other	-	1
Total tax credit/(charge)	<u>142</u>	<u>(360)</u>

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

7 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2020		
Accelerated capital allowances	25	-
Tax losses	433	-
Cash flow hedging reserve	209	-
Finance debtor	-	(786)
Other	80	-
	<u>747</u>	<u>(786)</u>
2019		
Accelerated capital allowances	22	-
Tax losses	278	-
Cash flow hedging reserve	188	-
Finance debtor	-	(740)
Other	77	-
	<u>565</u>	<u>(740)</u>

There are £Nil of unused tax losses (2019 - £1,014,000) for which no deferred tax asset is recognised in the Statement of Financial Position.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

7 Taxation (continued)

Tax relating to items recognised in other comprehensive income or equity

	2020 £ 000	2019 £ 000
Deferred tax related to items recognised as items of other comprehensive income	22	(7)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 30 June 2020 has been calculated at 19% (2019: 17%).

8 Finance debtor

	Note	2020 £ 000	2019 £ 000
Opening balance		4,353	4,555
Finance debtor reimbursed		(544)	(545)
Finance income recognised		326	343
Closing balance		4,135	4,353
Classified as receivable within one year	9	235	218
Classified as receivable after more than one year		3,901	4,135

9 Debtors

	2020 £ 000	2019 £ 000
Current		
Finance debtor	235	218
Accrued income	5	5
Total current trade and other debtors	240	223

10 Creditors

	Note	2020 £ 000	2019 £ 000
Current			
Term loan	11	(291)	(273)
Amounts due to related parties	13	(241)	(222)
VAT payable		(282)	2
Accruals and deferred income		(138)	(145)
Corporation tax		-	(22)
		(952)	(660)

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

10 Creditors (continued)

	Note	2020 £ 000	2019 £ 000
Non current			
Term loan	11	(3,720)	(4,010)
Interest rate swap		<u>(1,102)</u>	<u>(1,104)</u>
		<u><u>(4,822)</u></u>	<u><u>(5,114)</u></u>

Interest rate swap - 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 rate for a similar instrument at the measurement date.

11 Loans and borrowings

	2020 £ 000	2019 £ 000
Non current loans and borrowings		
Term loan	(3,758)	(4,058)
Loan issue costs	<u>38</u>	<u>48</u>
	<u><u>(3,720)</u></u>	<u><u>(4,010)</u></u>
Current loans and borrowings		
Term loan	(300)	(283)
Loan issue costs	<u>9</u>	<u>10</u>
	<u><u>(291)</u></u>	<u><u>(273)</u></u>

	2020 £ 000	2019 £ 000
Repayable within one year	(300)	(283)
Repayable between two and five years	(1,508)	(1,383)
Repayable after five years	<u>(2,250)</u>	<u>(2,675)</u>
Total loans	<u><u>(4,058)</u></u>	<u><u>(4,341)</u></u>
Loan issue costs	<u>47</u>	<u>58</u>
Total	<u><u>(4,011)</u></u>	<u><u>(4,283)</u></u>

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

11 Loans and borrowings (continued)

Term loan facility

The term loan facility is scheduled to be repaid by 6 July 2029. 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% (2019: 5.28%). The market value of the swap at 30 June 2020 was £1,102,000 out of the money (2019: £1,104,000 out of the money).

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.

EP3 Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

12 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	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>

13 Related party transactions

Summary of transactions with other related parties

Other related parties are group controlled entities that are neither the parent or subsidiaries of the Company.

At 30 June 2020 the Company had a related party payable balance of £241,000 (2019: £222,000).

The Company paid management charges during the period of £13,000 (2019: £10,000) to related parties and incurred related party interest costs of £11,000 (2019: £13,000).

14 Parent undertaking and ultimate controlling party

The Company's immediate parent is EP3 Holdings Limited. The ultimate parent is Lendlease Corporation Limited.

The parent of the smallest group in which these financial statements are consolidated is Lendlease Holdings Europe Limited, incorporated in England and Wales. The consolidated financial statements of that group may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

The parent of the largest group in which these financial statements are consolidated is Lendlease Corporation Limited, incorporated in Australia. The consolidated financial statements of that group may be obtained from www.lendlease.com.

15 Subsequent events

Subsequent to the balance sheet date, the Company has initiated negotiations with the lender on a 24 month capital repayment holiday. If approved, this would adjust the repayment of the debt from 6 July 2029 to 7 October 2030 and also impact the unwind of the financial asset.