

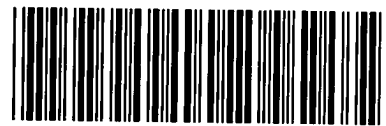
Registration number: 04281831

# EP3 Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021

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## **EP3 Limited**

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## **EP3 Limited**

### **Directors' Report for the Year Ended 30 June 2021**

The directors of EP3 Limited (the "Company") present their report and the financial statements for the year ended 30 June 2021.

#### **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 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. Due to the impact of Covid-19, Imperial War Museum requested a 12 month service rental holiday and capital loan repayment holiday which was agreed to by EP3, H.M.Treasury and Lloyds Bank. This has changed the adjusted the repayment of the debt from 6 July 2029 to 30 October 2030 and impacted the unwind of the financial asset. The long term swap has been reprofiled accordingly to maintain the hedged position.

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 loss for the financial year of £40,000 (2020: profit of £184,000). No dividend is proposed for the year (2020: £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

Jae Hee Park (appointed 11 May 2021)

#### **Political donations**

The Company made no political donations during the year (2020: £nil).

#### **Outlook**

Lendlease is closely monitoring the situation relating to COVID-19 which emerged in early 2020 and continues into 2021. With the roll out of the vaccine there is optimism that the UK's economy will start to bounce back although the speed of recovery is unknown. 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 due to the nature of the Company, to date, there has not been a material impact. Refer to note 2 of the financial statements which provides further details around the director's assessment of the Company to continue as a going concern.

## **EP3 Limited**

### **Directors' Report for the Year Ended 30 June 2021 (continued)**

#### **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 17/09/2021 and signed on its behalf by:



.....  
Steven Fraser  
Director

20 Triton Street  
Regent's Place  
London  
NW1 3BF  
United Kingdom

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 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 accounting estimates that are reasonable, relevant and reliable;
- 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 2021 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 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 2021 and of its loss 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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

### **Fraud and breaches of laws and regulations - ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgement. On this audit we do not believe there is a fraud risk related to revenue recognition as revenue is contractual in nature with limited customers.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias

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

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **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 Auditor's 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](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.



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

Chartered Accountants  
15 Canada Square  
London  
England  
E14 5GL

Date: 20 September 2021

**EP3 Limited**

**Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2021**

	Note	2021 £ 000	2020 £ 000
Turnover		88	267
Administrative expenses		<u>(95)</u>	<u>(272)</u>
Operating loss		<u>(7)</u>	<u>(5)</u>
Interest income	3	313	326
Interest expense	4	<u>(247)</u>	<u>(279)</u>
Net interest income		<u>66</u>	<u>47</u>
Profit before tax		59	42
Taxation	7	<u>(99)</u>	<u>142</u>
(Loss)/profit for the financial year		(40)	184
Movement due to effective hedges		<u>251</u>	<u>24</u>
Total comprehensive income for the year		<u><u>211</u></u>	<u><u>208</u></u>

The above results were derived from continuing operations.

The notes on pages 11 to 23 form an integral part of these financial statements.

**EP3 Limited**

**Statement of Financial Position as at 30 June 2021**

	Note	2021 £ 000	2020 £ 000
<b>Non current assets</b>			
Non current finance debtor	8	3,979	3,901
<b>Current assets</b>			
Debtors	9	90	240
Cash at bank and in hand		<u>177</u>	<u>482</u>
		267	722
<b>Creditors: Amounts falling due within one year</b>	10	<u>(505)</u>	<u>(952)</u>
<b>Net current liabilities</b>		<u>(238)</u>	<u>(230)</u>
<b>Total assets less current liabilities</b>		3,741	3,671
<b>Creditors: Amounts falling due after more than one year</b>	10	(4,574)	(4,822)
Deferred tax liabilities	7	<u>(145)</u>	<u>(39)</u>
<b>Net liabilities</b>		<u>(978)</u>	<u>(1,190)</u>
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Hedging reserve	13	(641)	(893)
Retained losses	13	<u>(338)</u>	<u>(298)</u>
<b>Total equity</b>		<u>(978)</u>	<u>(1,190)</u>

Approved and authorised by the Board on 17/09/2021 and signed on its behalf by:



.....  
Steven Fraser  
Director  
Company Registration Number: 04281831

The notes on pages 11 to 23 form an integral part of these financial statements.

# EP3 Limited

## Statement of Changes in Equity for the Year Ended 30 June 2021

	Called up share capital £ 000	Hedging reserve £ 000	Retained earnings/ (losses) £ 000	Total £ 000
At 1 July 2020	1	(892)	(298)	(1,189)
Loss for the year	-	-	(40)	(40)
Other comprehensive income	-	251	-	251
Total comprehensive income	-	251	(40)	211
At 30 June 2021	1	(641)	(338)	(978)

	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 loss	-	24	184	208
At 30 June 2020	1	(893)	(298)	(1,190)

The notes on pages 11 to 23 form an integral part of these financial statements.

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2021**

#### **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 2021 (continued)**

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

##### **Going Concern**

Notwithstanding net current liabilities of £238k as at 30 June 2021 and a loss for the year then ended of £40k the financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have considered the cash requirements of the Company for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, that 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 at least 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 letter 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.

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

##### **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.

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

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

##### **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.

##### **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.

## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

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

##### **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.

##### **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.



## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 2 Accounting policies (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

	2021 £ 000	2020 £ 000
Finance income	<u>313</u>	<u>326</u>

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 4 Interest expense

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	(227)	(257)
Loan issue costs	(9)	(10)
Bank charges	(1)	(1)
Interest payable on loans from group undertakings	(10)	(11)
	<u>(247)</u>	<u>(279)</u>

#### 5 Auditors' remuneration

	2021 £ 000	2020 £ 000
Statutory audit of the financial statements	<u>12</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:

Jae Hee Park: Lendlease Europe Limited

Steven Fraser: 90% Lendlease Developments (Europe) Limited, 10% Lendlease Europe Limited

Mark Packer: Lendlease Europe Limited

Mark Boor: 80% Lendlease Real Estate Investment Services Limited, 20% 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 2021 (continued)

#### 7 Taxation

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	-	(28)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	22	(185)
Arising from changes in tax rates and laws	77	46
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	25
Total deferred taxation	<u>99</u>	<u>(114)</u>
Tax expense/(receipt) in the income statement	<u>99</u>	<u>(142)</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%)

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	<u>59</u>	<u>42</u>
Income tax using the domestic corporation tax rate 19% (2020: 19%)	(11)	(8)
Adjustment in respect of previous periods	-	3
Change in tax rate	(88)	(46)
Effect on deferred tax from unrecognised tax loss or credit	<u>-</u>	<u>193</u>
Total tax (charge)/credit	<u>(99)</u>	<u>142</u>

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 7 Taxation (continued)

##### Deferred tax

##### Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
<b>2021</b>		
Accelerated capital allowances	32	-
Tax losses	525	-
Cash flow hedging reserve	202	-
Finance debtor	-	(997)
	93	-
	<u>852</u>	<u>(997)</u>
<b>2020</b>		
Accelerated capital allowances	25	-
Tax losses	433	-
Cash flow hedging reserve	209	-
Finance debtor	-	(786)
	80	-
	<u>747</u>	<u>(786)</u>

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 7 Taxation (continued)

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

	2021 £ 000	2020 £ 000
Deferred tax related to items recognised as items of other comprehensive income	<u>8</u>	<u>22</u>

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantively enacted on 24 May 2021 and will be effective from 1 April 2023.

#### 8 Finance debtor

	Note	2021 £ 000	2020 £ 000
Opening balance		4,135	4,353
Finance debtor reimbursed		(385)	(544)
Finance income recognised		<u>313</u>	<u>326</u>
Closing balance		<u>4,063</u>	<u>4,135</u>
Classified as receivable within one year	9	<u>85</u>	<u>235</u>
Classified as receivable after more than one year		<u>3,979</u>	<u>3,901</u>

As a consequence of closure of the facilities during the Covid-19 pandemic, all parties to the concession agreed a short extension to the overall term, in exchange for a deferral of unitary payments during parts of the current financial year. The nature of this variation has no material consequence to the overall accounting treatment for the arrangement.

#### 9 Debtors

	2021 £ 000	2020 £ 000
<b>Current</b>		
Finance debtor	85	235
Accrued income	<u>5</u>	<u>5</u>
Total current trade and other debtors	<u>90</u>	<u>240</u>

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 10 Creditors

	Note	2021 £ 000	2020 £ 000
<b>Current</b>			
Term loan	11	(140)	(291)
Amounts due to related parties	14	(237)	(241)
Other payables		(63)	(282)
Accrued expenses		<u>(65)</u>	<u>(138)</u>
		<u>(505)</u>	<u>(952)</u>
<b>Non current</b>			
Term loan	11	(3,732)	(3,720)
Interest rate swap		<u>(842)</u>	<u>(1,102)</u>
		<u>(4,574)</u>	<u>(4,822)</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

	2021 £ 000	2020 £ 000
<b>Non current loans and borrowings</b>		
Term loan	(3,763)	(3,758)
Loan issue costs	<u>31</u>	<u>38</u>
	<u>(3,732)</u>	<u>(3,720)</u>

## EP3 Limited

### Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

#### 11 Loans and borrowings (continued)

##### Current loans and borrowings

Term loan	(147)	(300)
Loan issue costs	<u>7</u>	<u>9</u>
	<u>(140)</u>	<u>(291)</u>

	2021 £ 000	2020 £ 000
Repayable within one year	(147)	(300)
Repayable between two and five years	(1,480)	(1,508)
Repayable after five years	<u>(2,283)</u>	<u>(2,250)</u>
Total loans	<u>(3,911)</u>	<u>(4,058)</u>
Loan issue costs	<u>39</u>	<u>47</u>
Total	<u>(3,872)</u>	<u>(4,011)</u>

##### Term loan facility

As a result of the capital loan repayment holiday agreed, the term loan facility is scheduled to be repaid by 7 October 2030 (2020: 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 4.5% (2020: 5.28%). The long term swap was reprofiled during the year to maintain the hedged position. The market value of the swap at 30 June 2021 was £842,000 out of the money (2020: £1,102,000 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 2021 (continued)

### 12 Share capital

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

	2021		2020	
	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>

### Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holders of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company

### 13 Reserves

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to the hedge transactions that have not yet occurred.

	Cash flow hedging reserve £ 000	Total £ 000
<b>2021</b>		
<b>Other comprehensive income</b>		
Effective portion of changes in fair value of cash flow hedges	<u>(251)</u>	<u>(251)</u>
Total other comprehensive income	<u>(251)</u>	<u>(251)</u>

	Cash flow hedging reserve £ 000	Total £ 000
<b>2020</b>		
<b>Other comprehensive income</b>		
Effective portion of changes in fair value of cash flow hedges	<u>(24)</u>	<u>(24)</u>
Total other comprehensive income	<u>(24)</u>	<u>(24)</u>



## **EP3 Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

#### **14 Related party transactions**

##### **Summary of transactions with key management**

Further details of directors' remuneration is disclosed in note 6.

##### **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 2021 the Company had a related party payable balance with Lendlease Europe Holdings Limited of £236,000 (2020: £241,000) which incurred interest costs of £10,000 (2020: £11,000).

The Company paid management charges during the period of £13,000 (2020: £13,000) to Lendlease Europe Limited.

#### **15 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](http://www.lendlease.com).

#### **16 Subsequent events**

There has been no event or circumstance since the balance sheet date that would significantly affect the Company.