

EP3 Limited

Directors' report and financial statements
for the year ended 30 June 2003

Registered Number 4281831



EP3 Limited

Directors' report and financial statements for the year ended 30 June 2003

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EP3 Limited

Directors' report for the year ended 30 June 2003

The directors present their report and the audited financial statements of the company for the year ended 30 June 2003.

Principal activity and business review

The company is engaged in an agreement with the Trustees of the Imperial War Museum to renovate and then make available the facilities at the main Treasury Building known as The Cabinet War Rooms for a period of 29 years. At the year end, the renovations were complete.

Future developments

Practical completion of the building works was achieved on 19 July 2002. The commencement of the availability period was six months after this date, being 19 January 2003.

Results and dividends

The costs incurred in respect of bid development, design and construction prior to the occupational availability of the Cabinet War Rooms have been accumulated within a finance receivable as the costs are to be recovered over the contract period.

The company incurred a loss of £191,000 in the year (£180,000 – 2002). No dividend is proposed.

Directors and their interests

The directors who held office during the year are given below:

S Hockaday
R J Watts

The directors have no interest in the share capital of the company according to the Register maintained by the company under Section 325 of the Companies Act 1985.

Creditor payment policy

The company's policy is to agree terms of payments with key suppliers. For all other suppliers, terms are agreed for each transaction. The company endeavours to abide by the terms of payment agreed with suppliers. The level of trade creditors at the year end was not significant and therefore no creditor days figure has been presented.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year.

In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.


The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EP3 Limited

Auditors

The directors have appointed PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read "S. Hockaday", with a long horizontal flourish extending to the right.

S Hockaday
Director 27 April 05

EP3 Limited

Independent auditors' report to the shareholders of EP3 Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

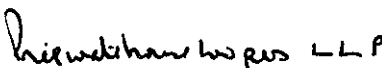
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 30 June 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

27 April 2004

EP3 Limited

Profit and loss account for the year ended 30 June 2003

	Notes	2003 £'000	2002 £'000
Revenue		107	-
Administrative expenses		(112)	-
Operating loss	1	(5)	-
Interest payable and similar charges	2	(398)	(180)
Interest receivable and similar income	3	212	-
Loss from ordinary activities after taxation and result for the year	10	(191)	(180)

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

The company has no recognised gains or losses other than those reported above and therefore no separate statements of total recognised gains and losses have been presented.

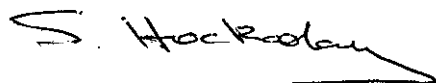
The notes on pages 6 to 10 form part of these financial statements.

EP3 Limited

Balance sheet as at 30 June 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Debtors: due within one year	5	270	177
Debtors: due after more than one year	5	5,554	5,727
		5,824	5,904
Cash at bank and in hand		72	520
		5,896	6,424
Creditors: amounts falling due within one year	6	(332)	(859)
Net current assets		5,564	5,565
Creditors: amounts falling due after more than one year	7	(5,934)	(5,744)
Net assets		(370)	(179)
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	10	(371)	(180)
Total equity shareholders' deficit	9	(370)	(179)

The financial statements on pages 4 to 10 were approved by the board of directors on 27 Apr and signed on its behalf by:



S Hockaday
Director

EP3 Limited

Accounting policies

A summary of the principal accounting policies of the company is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Financial Reporting Standards. They include the results of the activities described in the Directors' Report, all of which are continuing.

Turnover

Turnover represents amounts due from IWM in respect of the activities described in the Directors' report. All turnover originates in the United Kingdom and is stated exclusive of value added tax.

Taxation

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

Finance receivable

The costs incurred in respect of bid development, design and construction prior to the occupational availability of the Cabinet War Rooms have been accumulated within a finance receivable in accordance with FRS 5 as the costs are to be recovered over the contract period.

Once the construction is complete, rental payments from the Imperial War Museum will commence. Finance income on the finance receivable is recognised so as to generate a constant rate of return over the contract period although the amount has been restricted during construction to reflect the uncertainty faced at this stage of the contract.

Finance charges

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

Deferred taxation

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

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

Cash flow statement

The company is a wholly owned subsidiary of EP3 Holdings Limited and the results of the company are included within the accounts of that company. Consequently, EP3 Limited is exempt under FRS1 (revised) from publishing a cash flow statement.

EP3 Limited

Notes to the financial statements for the year ended 30 June 2003

1 Operating loss

Operating loss is stated after charging:

	2003 £'000	2002 £'000
Auditors' remuneration	5	5

The directors received no salary, fees or other benefits in the performance of their duties. The company had no employees throughout the year. Management and administrative staffing resources are provided by secondeed staff that are employed by certain related parties (see note 12).

2 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on loan	389	174
Other charges	9	6
	398	180

Interest payable and similar charges of £389,000 (£174,000 – 2002) relates to interest charges with respect to the borrowings, totalling £5,959,000 (£5,756,000 – 2002), plus the amortisation of loan issue costs of £9,000 (£6,000 – 2002) in accordance with FRS 4.

3 Interest receivable and similar income

	2003 £'000	2002 £'000
Finance income	212	-
	212	-

Interest receivable and similar income of £212,000 relates to finance income generated on the finance receivable of £5,555,000.

EP3 Limited

4 Taxation

	2003 £'000	2002 £'000
Current tax	-	-
Deferred tax	-	-
Total tax charge for the year	-	-
The current tax charge for the year is lower than the standard rate of Corporation tax in the UK. The differences are explained below:		
Loss before tax	(191)	(180)
UK Corporation tax at 30%		
Effects of:	57	54
Losses not recognised	(57)	(54)
Total current tax charge	-	-

At 30 June 2003 the company had a deferred tax asset of £384,000 in respect of tax losses brought and carried forward and deferred tax liabilities of £327,000 in respect of accelerated capital allowances and other timing differences. The overall net deferred tax asset of £57,000 has not been recognised, as it is not considered that it will be recoverable in the foreseeable future.

5 Debtors

	2003 £'000	2002 £'000
Amounts due within one year		
Other debtors	269	177
Finance receivable due within one year	1	-
	270	177
Amounts due after more than one year:		
Finance receivable	5,554	5,727
Finance receivable		
At 1 July	5,727	-
Movement in the year	(172)	5,727
Finance receivable reimbursed	(212)	-
Finance income recognised	212	-
At 30 June	5,555	5,727

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6 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts due to related party undertakings	-	751
Accruals	299	96
Term loan repayable within one year (note 8)	25	12
Other creditors	8	-
	332	859

7 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Loan facility	5,934	5,744
Repayable within one year	25	12
Repayable between two and five years	207	160
Repayable after five years	5,975	5,841
Total loans outstanding	6,207	6,013
Classified as payable within one year (note 6)	(25)	(12)
Loan issue costs	(248)	(257)
Total	5,934	5,744

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.

As at 30 June 2003, £6,207,000 (£6,013,000 – 2002) has been drawn 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 has been offset against the related loan and are being amortised over the duration of the term loan as part of the finance cost, in accordance with FRS 4.

8 Share capital

	2003 £'000	2002 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

EP3 Limited

9 Movements in equity shareholders' funds

	2003 £'000	2002 £'000
Equity shareholders deficit	(179)	-
Proceeds of shares issued for cash	-	1
Loss for the year	(191)	(180)
Equity shareholders deficit	(370)	(179)

10 Reserves

	2003 £'000	2002 £'000
As at 1 July	(180)	-
Loss for the year	(191)	(180)
As at 30 June	(371)	(180)

11 Capital commitments

Under the terms of the contract with the Trustees of the Imperial War Museum dated 12 October 2001 the company is committed to payments totalling approximately £46,000 in respect of design and construction work through to July 2003.

12 Related party disclosures

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

Bovis Lend Lease Holdings Limited
Stanhope plc

Construction contract

Bovis Lend Lease Limited, a subsidiary of Bovis Lend Lease Holdings Limited, is contracted with EP3 Limited in respect of the construction and renovation work. The costs charged by Bovis Lend Lease Limited in this regard in the year ended 30 June 2003 totalled £46,000.

As at 30 June 2003 no amounts were owed to or from related parties.
All transactions with related parties were carried out on arms length terms.

13 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. In the opinion of the directors, the ultimate controlling party comprises Bovis Lend Lease Holdings Limited and Stanhope plc acting together.