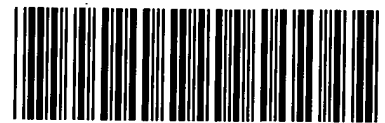


Exchequer Partnership (No. 2) Holdings Limited
Annual report and financial statements
for the year ended 31 December 2014

Registered Number: 04426554

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Exchequer Partnership (No. 2) Holdings Limited

Annual report and financial statements for the year ended 31 December 2014

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Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Strategic report for the year ended 31 December 2014

Group objectives

The company is a holding company with a single subsidiary, Exchequer Partnership (No. 2) Plc ('EPP'). EPP was established to bid for, and subsequently to complete, a 35-year contract with HM Customs and Excise and Inland Revenue to renovate and then manage the facilities at the East End of the main Treasury building formerly Government Offices, Great George Street, Whitehall, London. The renovations were completed in November 2004 and HM Customs and Excise and Inland Revenue then moved into the refurbished accommodation. Management of the facilities commenced from this time.

The project agreement with HM Customs and Excise and Inland Revenue was signed on 13 December 2002 and Financial Close for the project was achieved on 15 January 2003.

Group's strategy

To ensure that the group achieves its objective, the strategy is to implement processes, policies and procedures to comply with the control matrices stipulated in the project documentation committed to at the inception of the project. This includes minimising performance and availability deductions, cash monitoring and maintenance of good working relationships between all stakeholders.

Principal risks and uncertainties

The availability fee and the majority of the costs are contractually linked to the Retail Price index. A relatively small proportion of total costs is not inflation-linked and a rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals are competitive and within budgeted amounts. A small proportion of cash flows are derived from bank interest on cash balances. The reduction in credit interest rates is therefore a risk to the business and its compliance with debt covenants. Funds not immediately required are placed on term deposit to maximise potential interest earnings.

Key performance indicators

The level of performance and availability deductions arising from failures to achieve specified levels of contract service is a key performance indicator. These are reported monthly to the Board and have been extremely small in relation to total availability fee payments.

Another key indicator is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the senior debt provider.

Development and performance of the business

The business has operated smoothly with minimal deductions from availability fee payments. The facilities maintenance service has been closely monitored throughout the year. This takes the form of full-time representation on site through the group's management services agent and periodic reporting by the independent Technical Assessor. A number of contract variations have been successfully implemented and the variations to improve workplace optimisation were completed last year. Occupancy levels have risen as expected and this is governed by a contract variation. Total net assets decreased from £4,407,000 at 31 December 2013 to £3,897,000 at 31 December 2014. Future results are expected to be in line with contractual expectations.

Risk Management

The board has overall accountability for ensuring that risk is effectively managed across the group and they regularly review the effectiveness of the group risk process and consider risk in all strategic decision-making.

On behalf of the Board



Director

20 April 2015

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Directors' report for the year ended 31 December 2014

The directors present their report and the audited consolidated financial statements of the company and the group for the year ended 31 December 2014.

Business review

The results of the group for the year are set out in the profit and loss account on page 7. Further details are included within the strategic report on page 1.

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

Results and dividends

The group achieved a profit after tax of £2,863,000 in the year (2013:£2,484,000). Dividends totalling £3,373,000 were paid in the year (2013: £2,061,000).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

P P Ashbrook (resigned 31 July 2014)

M A Donn (resigned 26 January 2015)

K W Gillespie

K M Hill (appointed 26 January 2015)

G S Jackson (appointed 31 July 2014)

B P Millsom (reappointed 15 September 2014)

H M Murphy (resigned 15 September 2014)

C T Solley

A L Tennant

Financial Instruments

The group's principal financial instruments comprise short term bank deposits, a fixed-rate guaranteed secured bond, a Mezzanine loan and subordinated loan stock.

The main objective of these financial instruments is to ensure that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement.

The group does not undertake financial instrument transactions which are speculative or unrelated to the group's trading activities. The main risks arising from the group's financial instruments are finance risk, liquidity risk, credit risk, and interest rate risk.

Finance risk

In order to fund the development of the Treasury building, the group has issued fixed rate debt to achieve a correlation between the portion of the unitary payment that increases at a fixed inflationary rate and the finance charges.

Liquidity Risk

The group builds up sufficient cash balances to ensure it is able to meet its loan and other liabilities.

Credit risk

The above financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure. The Board maintains regular liaison with Assured Guaranty (Europe) Limited as insurance guarantor of the Bond.

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Directors' report for the year ended 31 December 2014 (continued)

Financial Instruments (continued)

Interest rate risk

The group has no hedging arrangements in place to eliminate risk from interest rate movements and fluctuations in Retail Price indices however a 'natural' hedge is arrived at by a percentage of the availability fee inflating at a fixed rate to match the fixed-rate senior debt servicing.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors


Each director at the date of the approval of the financial statements has confirmed:

- (a) that so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- (b) that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board


Director
20 April 2015

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Independent auditors' report to the members of Exchequer Partnership (No. 2) Holdings Limited

Report on the financial statements

Our opinion

In our opinion, Exchequer Partnership (No. 2) Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Exchequer Partnership (No.2) Holdings Limited, comprise:

- the consolidated and company balance sheets as at 31 December 2014;
- the consolidated profit and loss for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Independent auditors' report to the members of Exchequer Partnership (No.2) Holdings Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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

H. Macnamara

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

20 April 2015

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover		14,047	18,093
Cost of sales		(7,890)	(12,258)
Gross profit		6,157	5,835
Administrative expenses		(2,815)	(2,826)
Operating profit	1	3,342	3,009
Interest payable and similar charges	2	(8,599)	(8,814)
Interest receivable and similar income	3	9,084	9,253
Profit on ordinary activities before taxation		3,827	3,448
Tax on profit on ordinary activities	4	(964)	(964)
Profit for the financial year	11	2,863	2,484

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

There were no material recognised gains and losses for the year other than the profit for the years and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical costs equivalents.

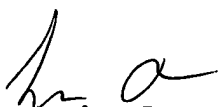
The accounting policies and notes on pages 10 to 22 form part of these financial statements.

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Consolidated balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Current assets			
Debtors: amounts due within one year	5	3,933	6,092
Debtors: amounts due after more than one year	5	139,002	142,869
		142,935	148,961
Cash at bank and in hand		22,758	20,104
		165,693	169,065
Current liabilities			
Creditors: amounts falling due within one year	7	(10,179)	(10,063)
Net current assets		155,514	159,002
Creditors: amounts falling due after more than one year	8	(146,037)	(149,757)
Provisions for liabilities	9	(5,580)	(4,838)
Net assets		3,897	4,407
Capital and reserves			
Called up share capital	10	50	50
Profit and loss account	11	3,847	4,357
Total shareholders' funds	12	3,897	4,407

The financial statements on pages 6 to 22 were approved by the board of directors on 20 April 2015 and signed on its behalf by:


A. L. Tennant
Director

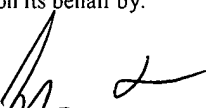
Exchequer Partnership (No. 2) Holdings Limited
Registered Number: 4426554

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Company balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	6	50	50
Net assets		50	50
Capital and reserves			
Called up share capital	10	50	50
Profit and loss account	11	-	-
Total shareholders' funds	12	50	50

The financial statements on pages 6 to 22 were approved by the board of directors on 20 April 2015 and signed on its behalf by:


A. Tennant
Director

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Consolidated cash flow statement for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	14	9,491	2,504
Returns on investment and servicing of finance			
Interest received		9,083	9,253
Interest paid		(8,490)	(8,712)
		593	541
Net cash inflow before financing		10,084	3,045
Financing			
Repayment of amounts borrowed		(4,057)	(3,457)
Net cash inflow/(outflow) before dividend		6,027	(412)
Dividends paid		(3,373)	(2,061)
Increase/(decrease) in cash		2,654	(2,473)

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Accounting policies

A summary of the principal accounting policies of the group, all of which have been applied consistently throughout the year are set out below.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. They include the results of the activities described in the Strategic Report, all of which are continuing.

The consolidated profit and loss account, cash flow statement and balance sheet include the financial statements of the company and its subsidiary as at 31 December 2014. Uniform accounting policies have been applied across the group and any profits or losses on intra group transactions have been eliminated.

Turnover

Turnover represents amounts due from HM Customs and Excise in respect of the group'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 when the amount of revenue can be measured reliably. The project is in its operational phase and this is therefore the policy applied during this phase of the project.

Finance receivable

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

Occupational availability payments from HM Customs and Excise are allocated between turnover in relation to the service element of the contract, reimbursement of the finance receivable and interest on the finance receivable so as to generate a constant rate of return over the contract period.

Finance charges

Arrangement fees and certain costs directly relating to the issuing of the facilities have been offset against the related loans and are being amortised over the duration of each respective financial instrument as part of the finance cost, in accordance with FRS 4. The directors have determined this to be 34.5 years for the bonds and 29 years for the mezzanine loan.

Taxation

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

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 discounted. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provisions

Provisions are made in accordance with FRS 12 where an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Accounting policies (continued)

Cash

For the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at an appropriate rate on the carrying amount.

Exchequer Partnership (No 2) Holdings Limited
Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014

1 Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Directors' remuneration	244	220
Auditors' remuneration for audit and tax services	24	20

Auditors' remuneration for audit and tax services totalling £24,000 (2013: £20,000) relates to audit £12,000 (2013: £12,000) and tax compliance services £12,000 (2013: £8,000) during the year. The directors received no salary, fees or other benefits in the performance of their duties directly from the group, other than K W Gillespie who received £9,000 (2013: £23,000) for other services. Directors' fees totalling £244,000 (2013: £220,000) were charged by certain related parties (see note 19). The group had no employees throughout the year (2013: none). The employment costs relating to the management and administrative staffing resources are recharged to the group within a management service charge.

2 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on bond	7,857	8,056
Interest payable on other loans	311	317
Other charges	431	441
	8,599	8,814

Interest payable and similar charges of £8,599,000 (2013: £8,814,000) relates to interest charges, commitment fees and credit enhancement fees, totalling £8,392,000 (2013: £8,603,000) with respect to the borrowings plus the amortisation of loan issue costs of £207,000 (2013: £211,000) in accordance with FRS 4.

3 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from bank	56	59
Finance income	9,028	9,194
	9,084	9,253

Interest receivable and similar income of £9,084,000 (2013: £9,253,000) relates to finance income of £9,028,000 (2013: £9,194,000) generated on finance receivable together with interest income from the group's bank accounts of £56,000 (2013: £59,000).

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax on profits in the current year	-	-
Total Current tax	-	-
Deferred taxation		
Origination and reversal of timing differences	77	156
Impact of change in tax rates	66	222
Utilisation of tax losses	951	789
Adjustment to prior year	(4)	-
Movement in discount	(126)	(203)
Total deferred tax charge (note 5)	964	964
Tax on profit on ordinary activities	964	964

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2013: lower) than the standard effective rate of Corporation Tax in the UK for the year ended 31 December 2014 of 21.50% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	3,827	3,448
Profit on ordinary activities multiplied by standard effective rate in the UK of 21.50% (2013: 23.25%).	823	802
Effects of:		
Expenses not deductible for tax purposes	-	5
Capital allowances in excess of amortisation and other timing differences	(104)	(202)
Amortisation of assets not eligible for capital allowances	340	345
Permanent deductions (primarily deemed lease premium relief)	(39)	(43)
Utilisation of tax losses	(1,020)	(907)
Current tax charge for the year	-	-

Factors affecting the current and future tax charges

Changes to the UK Corporation tax rates were substantively enacted on 2 July 2013. These changes consisted of reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax balances have been re-measured accordingly.

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Debtors

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Amounts due within one year				
Trade debtors	151	-	2,608	-
Other debtors	879	-	758	-
Finance debtor	2,903	-	2,726	-
	3,933	-	6,092	-
Amounts due after more than one year:				
Finance debtor	138,591	-	141,494	-
Deferred tax asset	411	-	1,375	-
	139,002	-	142,869	-
Finance debtor	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Balance at 1 January	144,220	-	146,780	-
Finance receivable reimbursed	(11,754)	-	(11,754)	-
Finance income recognised	9,028	-	9,194	-
Balance at 31 December	141,494	-	144,220	-
Amounts due within:				
1 year	2,903	-	2,726	-
1 - 2 years	3,092	-	2,903	-
2 - 5 years	10,535	-	9,892	-
Over 5 years	124,964	-	128,699	-
Total finance debtor receivable	141,494	-	144,220	-
Classified as receivable within one year	(2,903)	-	(2,726)	-
Classified as receivable after one year	138,591	-	141,494	-

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Debtors (continued)

Deferred tax asset	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Balance at 1 January	1,375	-	2,339	-
Charge to the profit and loss account in the year	(964)	-	(964)	-
Balance at 31 December	411	-	1,375	-

At 31 December 2014 the group had a discounted deferred tax asset of £5,509,000 (2013: £6,228,000) in respect of tax losses brought and carried forward and discounted deferred tax liabilities of £5,098,000 (2013: £4,853,000) in respect of accelerated capital allowances and other timing differences. Discounting is considered appropriate as the losses are forecast to be utilised over the next 4-5 years, whereas the deferred tax liabilities are forecast to take up to 23 years to reverse.

The deferred tax asset, assuming a tax rate of 20% (2013: 20%) can be analysed as follows:

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(9,901)	-	(9,940)	-
Tax losses	6,241	-	7,251	-
Discount	4,071	-	4,064	-
Balance at 31 December	411	-	1,375	-

6 Investments

	Company 2014 £'000	Company 2013 £'000
Company investment in subsidiary undertaking at cost	50	50

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company owns the entire issued share capital, 100% ordinary shares, of Exchequer Partnership (No. 2) Plc, a company incorporated in England. Exchequer Partnership (No. 2) Plc is now engaged in a 35 year contract with HM Treasury to renovate and then manage the facilities at the main Treasury buildings formerly Government Offices, Great George Street, Whitehall, London.

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014 (continued)**7 Creditors: amounts falling due within one year**

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Trade creditors	822	-	827	-
Other creditors	809	-	720	-
Amounts owed to related party undertakings	-	-	60	-
Taxation and social security	411	-	42	-
Accruals and deferred income	4,417	-	4,564	-
Mezzanine Loan	185	-	172	-
Bonds	3,535	-	3,678	-
	10,179	-	10,063	-

8 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Mezzanine loan	7,780	-	7,965	-
Bonds	138,257	-	141,792	-
	146,037	-	149,757	-

	2014		2013	
	Mezzanine Loan £'000	Bonds £'000	Mezzanine Loan £'000	Bonds £'000
Repayable within one year	202	3,721	187	3,869
Repayable between two and five years	991	9,565	915	11,550
Repayable after five years	7,027	131,224	7,306	132,960
Total loans outstanding	8,220	144,510	8,408	148,379
Loan issue costs	(255)	(2,718)	(271)	(2,909)
Total	7,965	141,792	8,137	145,470

Exchequer Partnership (No 2) Holdings Limited

Registered Number: 4426554

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Creditors: amounts falling due after more than one year (continued)

Mezzanine loan facility

The mezzanine loan facility is scheduled to be repaid by 13 January 2033. Interest charged on the amount drawn under the facility is based on a floating LIBOR rate.

As at 31 December 2014, £8,220,000 (2013: £8,408,000) was outstanding under the Mezzanine facility. The total facility was for a maximum of £10.3 million.

Bonds

On 15 January 2003 Exchequer Partnership (No2) plc issued £165,145,000 of 5.396%, guaranteed secured bonds due to be repaid in fixed instalments over the period 13 July 2005 to 13 July 2036.

The bonds are secured by charges over all the assets of the group.

9 Provisions for liabilities

	Lifecycle costs 2014 £'000
At 1 January 2014	4,838
Charged to the profit and loss account in the year	1,763
Utilised during the year	(1,021)
At 31 December 2014	5,580

The provision for lifecycle costs is established to provide for replacement costs of significant items of both revenue and capital nature during the concession period.

10 Called-up share capital

	2014 £'000	2013 £'000
Allotted and fully paid		
50,000 ordinary shares of £1 each	50	50

Exchequer Partnership (No 2) Holdings Limited

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Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Profit and loss account

	Group 2014 £'000	Company 2014 £'000
At 1 January	4,357	-
Profit for the financial year	2,863	3,373
Dividends	(3,373)	(3,373)
At 31 December	3,847	-

As permitted by Section 408 Companies Act 2006, the Company has not presented its own profit and loss account.

12 Reconciliation of movements in total shareholders' funds

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Profit for the financial year	2,863	3,373	2,484	2,061
Dividends	(3,373)	(3,373)	(2,061)	(2,061)
Net (reduction)/addition to shareholders' funds	(510)	-	423	-
Opening shareholders' funds	4,407	50	3,984	50
Closing shareholders' funds	3,897	50	4,407	50

13 Dividends

The following dividends were recognised during the year

	2014 £'000	2013 £'000
£67.46 (2013: £41.22) per qualifying ordinary share	3,373	2,061

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Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	3,342	3,009
Provision movement	742	(838)
Decrease in finance debtor	2,726	2,560
Decrease/(increase) in debtors	2,341	(1,772)
Increase/(decrease) in creditors	340	(455)
Net cash inflow from operating activities	9,491	2,504

15 Analysis of changes in net debt

	At 1 January 2014 £'000	Cash flow £'000	Other £'000	At 31 December 2014 £'000
Cash in hand and at bank	20,104	2,654	-	22,758
Debt				
Mezzanine loan	(8,137)	188	(16)	(7,965)
Bonds	(145,470)	3,869	(191)	(141,792)
	(133,503)	6,711	(207)	(126,999)

Other changes in net debt comprise amortisation of issue costs £207,000.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

16 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£'000	£'000
Increase/(decrease) in cash	2,654	(2,473)
Decrease in mezzanine loan	188	172
Decrease in bonds	3,869	3,285
Movement in net debt resulting from cash flows	6,711	984
Non-cash movements		
Amortisation of issue costs	(207)	(211)
Movement in net debt in year	6,504	773
Opening net debt at 1 January	(133,503)	(134,276)
Closing net debt at 31 December	(126,999)	(133,503)

17 Capital commitments

Under the terms of the contract with the First Secretary of State dated 21 January 2003, the group is committed to payments of approximately £31.1 million for lifecycle expenditure over the remaining contract term.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Financial instruments

The group holds or issues financial instruments for the purpose of financing the group's construction activity.

The group financed its construction activity by issuing fixed-rate guaranteed secured bonds.

The main risks arising from the group's financial instruments are finance and interest risk, liquidity risk, credit risk and market price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the group's financial assets and financial liabilities as at 31 December 2014:

	2014	2014	2013	2013
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Fixed -rate guaranteed secured bond	144,510	208,788	148,379	183,778
Mezzanine loan	8,220	7,419	8,408	8,187
Total financial instruments	152,730	216,207	156,787	191,965

The fair values above reflect the value of the group's financial instruments.

Market values have been used to determine the fair value of the listed debt issued. The fair value of the other item has been calculated by discounting expected future cash flows at 31 December 2014.

Fair value judgements and changes in market conditions and assumptions could significantly affect these estimates. The disclosed values are those which are representative of fair values at the dates indicated. No financial instruments were held for the purpose of dealing or other financial instrument trading activities.

Finance and interest rate risk

In order to fund the development of the Treasury building, the group has issued fixed rate debt to achieve a correlation between the portion of the unitary payment that increases at a fixed inflationary rate and the finance charges.

Liquidity risk

Repayment of the fixed-rate bond is funded by the revenue receivable under the terms of the Concession Agreement.

Credit risk

The above financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure.

Market price risk

Market risk is the sensitivity of the value of financial instruments to changes in related interest rates. The group's bond is not subject to significant changes in interest rates as the financial liabilities held are at a fixed coupon rate of 5.396%.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

19 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.

Exchequer Partnership Plc	(common shareholders and directors)
Consolidated Investment Holdings Limited	(shareholder in Exchequer Partnership (No. 2) Holdings Limited)
Lend Lease PFI/PPP Infrastructure CIHL Holdings Limited	(shareholder in Consolidated Investment Holdings Limited)
Aberdeen Infrastructure (No 3) Limited (formerly BOS Infrastructure (No 3) Limited)	(shareholder in Consolidated Investment Holdings Limited)
Bank of Scotland	(parent of Aberdeen Infrastructure (No 3) Limited)
Aberdeen Sidecar LP. Inc. (formerly BOSIP Sidecar LP Inc.)	(shareholder in Exchequer Partnership (No. 2) Holdings Limited)

The directors, as listed in the directors' report, are also considered to be related parties. Their emoluments are detailed within note 1. There are no other transactions with directors.

Directors' Fees

During the year directors' fees totalling £244,000 (2013: £220,000) were charged in the following ratios: Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP), 50% (2013: 50% from 1 July 2013) Lend Lease PFI/PPP Infrastructure Fund LP 25% (2013: 25%), Aberdeen Infrastructure (No 3) Limited (formerly BOS Infrastructure (No 3) Limited) 25% (2013: 25%) and to 1 July 2013 BIIF Bidco Limited, which is part of the Barclays Integrated Infrastructure Fund LP group, 50%.

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Amounts owed to related parties				
Aberdeen Sidecar LP Inc.(formerly BOSIP Sidecar LP Inc.)	-	-	60	-

All transactions with related parties were carried out on arm's length terms.

20 Ultimate controlling party

Consolidated Investment Holdings Limited is the parent entity of the largest group of entities to consolidate these financial statements. In the opinion of the directors, the ultimate controlling party comprises Consolidated Investment Holdings Limited and Aberdeen Sidecar LP Inc. (formerly BOSIP Sidecar LP Inc.) acting together.