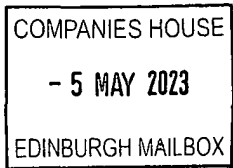
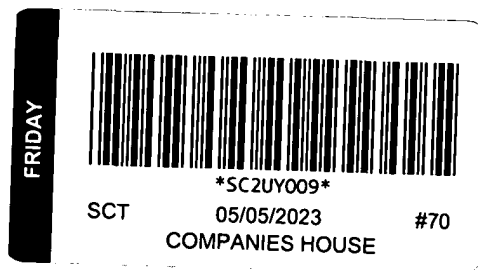


REGISTERED NUMBER: 04426554 (England and Wales)



**Group Strategic Report, Directors' Report and**  
**Audited Consolidated Financial Statements for the Year Ended 31 December 2022**  
**for**  
**Exchequer Partnership (No.2)**  
**Holdings Limited**



**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Contents of the Consolidated Financial Statements**  
**for the year ended 31 December 2022**

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**Exchequer Partnership (No.2)  
Holdings Limited**

**Company Information  
for the year ended 31 December 2022**

<b>Directors:</b>	M Donn B P Millsom S M Prior C T Solley F D Laing M T Smith
<b>Secretary:</b>	A Mitchell
<b>Registered office:</b>	C/O Albany SPC Services Ltd 3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
<b>Registered number:</b>	04426554 (England and Wales)
<b>Independent auditor:</b>	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
<b>Bankers:</b>	Bank of Scotland 33 Old Broad Street London BX2 QLB
<b>Solicitors:</b>	Macfarlanes 20 Cursitor Street London EC4A 1LT

**Exchequer Partnership (No.2)  
Holdings Limited (Registered number: 04426554)**

**Group Strategic Report  
for the year ended 31 December 2022**

The directors present their Strategic Report for the company and group for the year ended 31 December 2022.

**Group objectives**

The objectives of the Group are to manage the facilities at the East End of the main Treasury building formerly Government offices at Great George Street, Whitehall, London for a period of 35 years under a concession agreement with HM Customs and Excise and Inland Revenue (now HM Revenue and Customs) following renovations which were completed in November 2004.

**Group's strategy**

To ensure that the group achieves its objectives, 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.

**Performance of the business and future developments**

The group made a pre-tax profit of £6,869,000 compared to £6,136,000 in 2021, the increase due to the impact of higher inflation. Net assets increased from £1,969,000 at 31 December 2021 to £2,926,000 at 31 December 2022 due to the timing of lifecycle payments.

The business has operated smoothly with minimal deductions which when incurred, are passed down to the sub-contractors. Relationships with the Government Property Agency who are EP2's contractual counter party remain good. The provision of facilities services is closely monitored throughout the year by the full-time representation on site of the group's managing services agent and periodic reporting by the independent Technical Advisor. A number of large projects are in the planning stage such as the changeover to LED lights throughout the building and an extensive upgrade to the Wi-Fi system.

The delivery of operational services is generally running well and it is expected to continue to do so.

In 2016 a dispute arose over certain construction defects. The group is undertaking a programme of remedial works and has recovered the costs from the construction contractor.

**Transition to SONIA**

Following the discontinuation of the London Interbank Offered Rate ("LIBOR"), an amendment to the Facility Agreement with the Lender was signed on 12th January 2023 to update the Reference Rate used to calculate interest on the Company's Mezzanine loan from LIBOR to Sterling Overnight Index Average ("SONIA") compounded in arrears with a five Business Day lag plus a Credit Adjustment Spread for 6 month periods. The first payment date under SONIA will be on 13th July 2023.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Group Strategic Report**  
**for the year ended 31 December 2022**

**Principal risks and uncertainties**

As the project is currently in its operational phase, operational risks are monitored closely. 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 plus regular dialogue with the executive team of HM Customs and Excise and Inland Revenue (HMRC).

Whilst the main elements of cash flow (unitary payments, facility management costs and lifecycle costs) are contractually linked to the RPI index, a relatively small proportion of total costs is not. 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, current premium renewals have not been excessive.

The group's revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets. Any such deductions are passed down to the subcontractors so there is no direct financial consequence to the group. Sustained non-availability can lead to contract termination but there are no indications that the group is anywhere close to such termination trigger points. Compliance with the detailed and complex operational requirements of the PFI projects remains a key risk given the potential termination consequences. Directors receive regular reports on actual performance compared to termination trigger thresholds.

Another risk is the continued funding from the public sector counterparties to the PFI project agreements, especially as these counterparties are under pressure to make savings in their operational PFI contracts. To date, most of the pressure to make such cost savings has fallen on the sub-contractors to the project companies rather than on the project companies themselves. Furthermore, it is understood that current policy from central government is not to encourage voluntary termination of PFI projects.

The group's principal financial instruments comprise secured bonds, a mezzanine loan and finance debtor. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

In order to fund the development of the Government accommodation, the group has issued fixed rate debt and receives a proportion of its income increasing at a fixed inflation rate to achieve a correlation between revenue and finance charges.

The group does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities. The secured bonds are not exposed to interest rate risk. The group deposits excess funds not immediately required for operational costs or debt service.

**Financial 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, (see note 16).

**Key performance indicators**

The company's operations are managed under the supervision of its shareholders and lender and are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance of financial position of the business.

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 quarterly to the Board and have been extremely small in relation to total unitary payments (0.06%, 2021: 0.00%).

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.

**Exchequer Partnership (No.2)  
Holdings Limited (Registered number: 04426554)**

**Group Strategic Report  
for the year ended 31 December 2022**

**Statement in respect of section 172(1) of the companies act 2006**

The board of directors of the Company and the Group, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long term success of the Company and Group for the benefit of its members as a whole.

The Company and Group have no direct employees as the Company and Group are managed under a Managed Service Agreement (MSA). The board of Directors is satisfied that those people employed under the MSAs are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSAs to ensure the ongoing management of the underlying contracts of the Company and Group and they work collaboratively with the teams to achieve success.

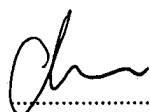
The Group is a holding company for special purpose companies which have a finite lifespan with a defined set of obligations under Concession Agreements. The Group delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the Group's objectives, whilst considering those stakeholders' needs. The Directors of the Company and Group meet regularly to review strategies for effective risk mitigation and service delivery in the context of its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the Group's operations, their impact on the community and environment is of paramount importance to the Group's success. Operating safely is the Group's primary objective and is as such integrated in everything the Group undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the Group, who reports directly to the Board of Directors.

The Group delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the Group's management.

The Group uses less than 40,000 kWh of energy or less in a year and on that basis, it is exempt from making the detailed energy and carbon reporting disclosures

**On behalf of the board:**



.....  
C T Solley - Director

Date: 28/04/2023  
.....

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Directors' Report**  
**for the year ended 31 December 2022**

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

**Principal activities**

The company is a holding company with a single subsidiary, Exchequer Partnership (No. 2) plc.

Exchequer Partnership (No. 2) plc is engaged in a 35-year contract with HM Revenue and Customs (HMRC) 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 (HMRC) then moved into the refurbished accommodation. Management of the facilities commenced from this time. The contract is scheduled to complete in August 2037.

**Results**

The results of the company are as set out in the statement of Consolidated Comprehensive Income on page 14. The 'review of business' is set out in strategic report on page 2.

**Events since the end of the year**

There are no post balance sheet events.

**Dividends**

The company made a dividend payment of £4,251,000 in the year (2021: £2,500,000).

The profit for the financial year is £5,208,000 (2021 profit: £1,856,000).

The retained earnings as at 31 December 2022 are £2,876,000 (2021: £1,919,000)

**Directors**

The directors shown below have held office during the period from 1 January 2021 to the date of this report.

M Donn

K M Hill (resigned 14.02.22)

F D Laing (appointed 14.02.22)

B P Millsom

S Prior

C T Solley

M T Smith (appointed 01.12.22)

A L Tennant (resigned 30.11.22)

No appointments or resignations of directors occurred between the year-end and the date of approval of these financial statements. The Directors of the company were in the office during the year and up to the date of signing of the financial statements.

**Political donations and expenditure**

There have been no political donations or political expenditure made during the year (2021: No such expenditure).

**Directors and directors' interests**

The directors who held office during the year are set out on page 1.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

**Directors' indemnity insurance**

No directors benefit from qualifying third party indemnity provisions.

**Other information**

An indication of likely future developments in the business has been included in the Strategic Report on page 2.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Directors' Report**  
**for the year ended 31 December 2022**

**Going concern**

The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to August 2037. The Group has considerable financial resources together with long-term contracts with HM Customs and Excise and Inland Revenue (HMRC). As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Further detail can be found in the accounting policies going concern note.

The directors have reviewed the balance sheet position at 31 December 2022 together with the group's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the group to continue trading for at least 12 months from the date of signing the annual report and financial statements and have therefore prepared the financial statements on a going concern basis.

**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. The group deposits excess funds not immediately required.

Interest rate risk is the sensitivity of the value of financial instruments to changes in related interest rates. The group's financial instruments are not subject to significant changes in interest rates.

**Liquidity risk**

The latest financial forecasts show that the unitary payment receivable by the project company under the terms of the Concession Agreement will be sufficient to repay all future bond payments as they fall due.

**Credit risk**

The above financial instruments are subject to credit risk. The carrying value of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £166,837,000 (2021: £170,207,000).

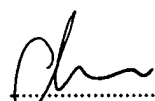
**Statement as to disclosure of information to auditor**

So far as the directors are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Independent auditor**

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

**On behalf of the board:**



.....  
C T Solley - Director

Date: 28/04/2023  
.....

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Statement of Directors' Responsibilities**  
**for the year ended 31 December 2022**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

# **Independent Auditor's Report to the members of Exchequer Partnership (No.2) Holdings Limited for the year ended 31 December 2022**

## **Opinion**

We have audited the financial statements of Exchequer Partnership (No.2) Holdings Limited ('the parent company'), and its subsidiaries ('the group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the consolidated financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022, and of the group's profit 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.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If,

## **Independent Auditor's Report to the members of Exchequer Partnership (No.2) Holdings Limited for the year ended 31 December 2022**

based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company 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.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the group's and parent 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 the Directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor responsibilities for the audit of the financial statements**

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 is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Independent Auditor's Report to the members of Exchequer Partnership (No.2) Holdings Limited for the year ended 31 December 2022**

*Extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and the sector in which they operate, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Generally Accepted Accounting Practice, including FRS 102;
- Companies Act 2006;
- UK Corporation taxes legislation; and
- VAT legislation.

We gained an understanding of how the group and parent company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns and board meeting minutes.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and

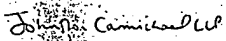
## **Independent Auditor's Report to the members of Exchequer Partnership (No.2) Holdings Limited for the year ended 31 December 2022**

- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

### **Use of our report**

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Grant Roger (Senior Statutory Auditor)**  
**For and behalf of Johnston Carmichael LLP**  
**Statutory Auditor**  
Edinburgh, United Kingdom  
7-11 Melville Street  
Edinburgh  
EH3 7PE

28 / 04 / 2023

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Turnover</b>	3	<b>20,813</b>	<b>17,618</b>
Cost of sales		<u>(12,616)</u>	<u>(10,399)</u>
<b>Gross profit</b>		<b>8,197</b>	<b>7,219</b>
Administrative expenses		<u>(1,655)</u>	<u>(1,548)</u>
<b>Operating profit</b>	5	<b>6,542</b>	<b>5,671</b>
Interest receivable and similar income	6	<b>7,536</b>	<b>7,778</b>
Interest payable and similar expenses	7	<u>(7,209)</u>	<u>(7,313)</u>
<b>Profit before taxation</b>		<b>6,869</b>	<b>6,136</b>
Tax on profit	8	<u>(1,661)</u>	<u>(4,280)</u>
<b>Profit for the financial year</b>		<b>5,208</b>	<b>1,856</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>5,208</b></u>	<u><b>1,856</b></u>
Profit attributable to: Owners of the parent		<u><b>5,208</b></u>	<u><b>1,856</b></u>
Total comprehensive income attributable to: Owners of the parent		<u><b>5,208</b></u>	<u><b>1,856</b></u>

The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Consolidated Balance Sheet**  
**31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	17,353	11,825
Debtors: amounts falling due after more than one year	12	110,019	114,614
Cash at bank		39,465	43,768
		<u>166,837</u>	<u>170,207</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(28,721)</u>	<u>(25,241)</u>
<b>Net current assets</b>		<u>138,116</u>	<u>144,966</u>
<b>Total assets less current liabilities</b>		<u>138,116</u>	<u>144,966</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(124,319)	(128,438)
<b>Provisions for liabilities</b>	17	<u>(10,871)</u>	<u>(14,559)</u>
<b>Net assets</b>		<u><u>2,926</u></u>	<u><u>1,969</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	50	50
Retained earnings		<u>2,876</u>	<u>1,919</u>
<b>Shareholders' funds</b>		<u><u>2,926</u></u>	<u><u>1,969</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 26/04/2023 and were signed on its behalf by:



C T Solley - Director

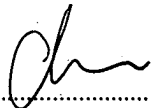
The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Company Balance Sheet**  
**31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investments	11	50	50
<b>Total assets less current liabilities</b>		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	18	50	50
<b>Shareholders' funds</b>		<u>50</u>	<u>50</u>
<b>Company's profit for the financial year</b>		<u>4,251</u>	<u>2,500</u>

The financial statements were approved by the Board of Directors and authorised for issue on  
26/04/2023 and were signed on its behalf by:



.....  
C T Solley - Director

The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2022**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2021</b>	50	2,563	2,613
<b>Changes in equity</b>			
Dividends	-	(2,500)	(2,500)
Total comprehensive income	-	1,856	1,856
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	50	1,919	1,969
	<hr/>	<hr/>	<hr/>
<b>Changes in equity</b>			
Dividends	-	(4,251)	(4,251)
Total comprehensive income	-	5,208	5,208
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2022</b>	50	2,876	2,926
	<hr/>	<hr/>	<hr/>

The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Company Statement of Changes in Equity**  
**for the year ended 31 December 2022**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2021</b>	50	-	50
<b>Changes in equity</b>			
Profit for the year	-	2,500	2,500
Total comprehensive income	-	2,500	2,500
Dividends	-	(2,500)	(2,500)
Total transactions with owners, recognised directly in equity	-	(2,500)	(2,500)
<b>Balance at 31 December 2021</b>	50	-	50
<b>Changes in equity</b>			
Profit for the year	-	4,251	4,251
Total comprehensive income	-	4,251	4,251
Dividends	-	(4,251)	(4,251)
Total transactions with owners, recognised directly in equity	-	(4,251)	(4,251)
<b>Balance at 31 December 2022</b>	50	-	50

The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Consolidated Cash Flow Statement**  
**for the year ended 31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	11,509	11,946
Tax paid		(2,386)	(1,482)
Net cash from operating activities		<u>9,123</u>	<u>10,464</u>
<b>Cash flows from investing activities</b>			
Interest received		<u>7,441</u>	<u>7,778</u>
Net cash from investing activities		<u>7,441</u>	<u>7,778</u>
<b>Cash flows from financing activities</b>			
Interest paid in year		(10,544)	(7,163)
Loan repayments in year		(5,520)	(2,726)
Shareholder loans (made)/repaid		(552)	(1,800)
Equity dividends paid		(4,251)	(2,500)
Net cash from financing activities		<u>(20,867)</u>	<u>(14,189)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(4,303)</u>	<u>4,053</u>
<b>Cash and cash equivalents at beginning of year</b>	22	<u>43,768</u>	<u>39,715</u>
<b>Cash and cash equivalents at end of year</b>	22	<u><u>39,465</u></u>	<u><u>43,768</u></u>

The notes on pages 18 to 33 form part of these financial statements

**Exchequer Partnership (No.2)  
Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements  
for the year ended 31 December 2022**

**1. Statutory information**

Exchequer Partnership (No.2) Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

**2. Accounting policies**

**Basis of preparing the financial statements**

These group and financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentational currency of these financial statements is sterling.

All amounts in the financial statements have been rounded to the nearest £1,000.

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

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**Financial reporting standard 102 - reduced disclosure exemptions**

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The company proposes to continue to adopt the reduced disclosure framework of FRS102 in its next Financial Statements.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

In assessing control, the group takes into consideration potential voting rights that are currently exercisable. A special purpose entity (SPE) is consolidated if the group concludes that it controls the SPE.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. In the parent financial statements, investments in subsidiaries are carried at cost less impairment. In the parent financial statements the financial result for the year there was a profit of £4,251,000 (2021: £2,500,000).

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

**Exchequer Partnership (No.2)  
Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2022**

**2. Accounting policies - continued**

**Significant estimates and judgements**

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting estimates in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and the finance debtor requires estimation of a finance debtor interest rate. The balance on the finance debtor is disclosed in note 11 to the accounts and interest receivable in note 6.

**Going concern**

The Group currently has £127,800,000 (2021: £135,098,000) of total debt. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities for at least the next twelve months from the date of signing these financial statements.

The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2037. The group has sufficient financial resources to meet current obligations and is able to forecast long-term resources available to meet obligations through the recoverability of the Finance Debtor.

The Group's revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets. Any such deductions are generally passed down to the subcontractors so there is usually no direct financial consequence to the company. Sustained non-availability can lead to contract termination, with the exception of the deductions noted above, the Group has not reached such termination trigger points.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of signing the annual report and financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Exchequer Partnership (No.2)  
Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2022**

**2. Accounting policies - continued**

**Finance debtor and service income**

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 section 34c because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with HM Customs and Excise and Inland Revenue (HMRC).

The Company has taken the transition exemption in FRS102 Section 35.10(i) which allows it to continue the service concession arrangement accounting policies from previous UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. Amounts receivable under the agreement with HM Customs and Excise and Inland Revenue (HMRC) relating to the East End of the main Treasury building facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**2. Accounting policies - continued**

**Classification of financial instruments issued by the group**

In accordance with Section 22 of FRS 102, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**Basic financial instruments**

**Trade and other debtors / creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**Interest-bearing borrowings classified as basic financial instruments**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Cash and Cash equivalents**

Cash at bank and in hand comprises cash balances and call deposits.

**Restricted cash**

The Group is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £5,893,000 at the year end (2021: £5,150,000).

The Group is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £19,009,000 at the year end (2021: £19,252,000).

The Group is also obligated to keep a separate cash reserve in respect of future capex costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,199,000 at the year end (2021: £1,203,000).

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**2. Accounting policies - continued**

**Taxation**

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Impairment excluding deferred tax assets**

**Financial assets (including trade and other debtors)**

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Interest receivable and interest payable**

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**2. Accounting policies - continued**

**Dividend income**

Dividend income is recognised in the profit and loss account on the date the company's right to receive payment is established.

**Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

**3. Turnover**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2022 £'000	2021 £'000
Operational services	17,730	16,182
Pass through services	3,083	1,436
	<u>20,813</u>	<u>17,618</u>

The turnover arose entirely within the United Kingdom.

**4. Employees and directors**

	2022 £000	2021 £000
Recharges in respect of non-executive directors' services to third parties	<u>306</u>	<u>283</u>

The Group had no employees during the year (2021: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges.

The Directors received no remuneration for their services during the year (2021: £nil). A payment is made for the services of the non-executive directors to their employer.

**5. Operating profit**

The operating profit is stated after charging:

	2022 £'000	2021 £'000
Auditors' remuneration	19	17
Auditing of these financial statements	<u>2</u>	<u>2</u>

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**5. Operating profit - continued**

Auditor's remuneration of £1,755 (2021: £2,500) was, without recharge, borne by Exchequer Partnership (No.2) Plc, the company's subsidiary undertaking. All fees relate to audit services. No non-audit services were provided.

**6. Interest receivable and similar income**

	2022	2021
	£'000	£'000
Bank interest	36	4
Finance debtor interest	7,405	7,677
Loan interest received	95	97
	<u>7,536</u>	<u>7,778</u>

**7. Interest payable and similar expenses**

	2022	2021
	£'000	£'000
Interest payable on bonds and mezzanine loan	6,908	7,090
Other charges	301	223
	<u>7,209</u>	<u>7,313</u>

**8. Tax on profit**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax	1,979	1,822
Deferred tax	(318)	2,458
Tax on profit	<u>1,661</u>	<u>4,280</u>

UK corporation tax has been charged at 19% (2021 - 19%).

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**8. Tax on profit - continued**

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£'000	£'000
Profit before tax	6,869	6,136
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,305	1,166
Effects of:		
Expenses not deductible for tax purposes	391	691
Income not taxable for tax purposes	(35)	(35)
Adjustments to tax charge in respect of previous periods	-	(228)
Reduction in tax rate on deferred tax balances	-	2,686
Total tax charge	1,661	4,280

Deferred tax charges recognised in profit and loss relate to:

	2022	2021
	£000	£000
Tax losses	-	-
Origination and reversal of timing differences	(318)	(288)
Change in tax rate	-	2,686
	(318)	2,458

**Factors that may affect future tax charges**

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase to 25% with effect from 1 April 2023. The change has been substantively enacted at the balance sheet date and the deferred tax has been calculated on this basis.

**9. Individual statement of comprehensive income**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**10. Dividends**

	2022	2021
	£'000	£'000
Ordinary shares of £1 each		
Dividend	4,251	2,500

The dividend per share for the financial year was £85.03 (2021: £50.00).

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**11. Investments**

**Company**

	Shares in group undertakings £'000
<b>Cost</b>	
At 1 January 2022	
and 31 December 2022	50
<b>Net book value</b>	
At 31 December 2022	50
At 31 December 2021	50

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiary**

**Exchequer Partnership (No. 2) Plc**

Registered office: 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB.

Nature of business: Operation of facilities management

	%
Class of shares:	holding
Ordinary	100.00
	2022
	£'000
Aggregate capital and reserves	2,926
Profit for the year	5,208
	2021
	£'000
	1,969
	1,856

The carrying amount of the investment is supported by the net assets of the subsidiary undertaking.

**12. Debtors**

	Group
	2022
	£'000
2021	£'000
Amounts falling due within one year:	
Trade debtors	897
Finance debtor	4,920
Other debtors	7,906
Amounts due from related undertakings	2,352
VAT	873
Prepayments and accrued income	405
	17,353
	11,825

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**12. Debtors - continued**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due after more than one year:		
Finance debtor	<u>110,019</u>	<u>114,614</u>
Aggregate amounts	<u>127,372</u>	<u>126,439</u>

Amounts due from related undertakings comprise of short term shareholder loans due to be repaid to the group within one year. They carry an interest rate of 6.9% p.a.

Other debtors include a lifecycle debtor of £2,367,000. Reconciliation of opening accrual to closing debtor has been included in note 17.

**Lifecycle**

Lifecycle provisions represent the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

Under the terms of the contract with HMRC dated 21 January 2003 the group is committed to payments of £21.5 million (subject to inflation) for lifecycle expenditure over the remaining contract term.

**13. Creditors: amounts falling due within one year**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fixed rate guaranteed bonds (see note 15)	1,978	6,223
Mezzanine loan (see note 15)	176	437
Trade creditors	18,317	9,776
Corporation tax	522	929
Other creditors	2,647	3,019
Accruals and deferred income	5,081	4,857
	<u>28,721</u>	<u>25,241</u>

**14. Creditors: amounts falling due after more than one year**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fixed rate guaranteed bonds (see note 15)	118,738	122,499
Mezzanine loan (see note 15)	5,581	5,939
	<u>124,319</u>	<u>128,438</u>

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**15. Loans**

An analysis of the maturity of loans is given below:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year or on demand:		
Fixed-rate guaranteed secured bonds	1,978	6,223
Mezzanine loan	176	437
	<u>2,154</u>	<u>6,660</u>
Amounts falling due between one and two years:		
Fixed-rate guaranteed secured bonds	5,039	3,953
Mezzanine loan	398	363
	<u>5,437</u>	<u>4,316</u>
Amounts falling due between two and five years:		
Fixed-rate guaranteed secured bonds	19,570	17,382
Mezzanine loan	1,425	1,305
	<u>20,995</u>	<u>18,687</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Fixed-rate guaranteed secured bonds	94,129	101,164
Mezzanine loan	3,758	4,271
	<u>97,887</u>	<u>105,435</u>

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**15. Loans - continued**

**Terms and debt repayment schedule**

The total cash repayable on the loan (excluding interest) is as follows:

	Currency	Nominal interest	Year of maturity	Repayment schedule	2022 £000	2021 £000
Fixed rate guaranteed secured bonds	GBP	5.396%	2036	Semi-annual	121,941	126,920
Mezzanine loan	GBP	SONIA/ LIBOR +3.1%	2033	Semi-annual	5,859	6,399

The fixed-rate guaranteed secured bonds are secured by a fixed charge over the whole of the property, assets and undertaking of the company, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

Amortised costs of £1,328,000 (2021: £1,750,000), have been set off against total loan drawdowns.

The mezzanine loan is unsecured.

**Transition to SONIA**

Following the discontinuation of the London Interbank Offered Rate ("LIBOR"), an amendment to the Facility Agreement with the Lender was signed on 12th January 2023 to update the Reference Rate used to calculate interest on the Company's Mezzanine loan from LIBOR to Sterling Overnight Index Average ("SONIA") compounded in arrears with a five Business Day lag plus a Credit Adjustment Spread for 6 month periods. The first payment date under SONIA will be on 13th July 2023.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**16. Financial instruments**

	2022 £000	2021 £000
Assets measured at amortised cost	<u>127,370</u>	<u>126,440</u>
Liabilities measured at amortised cost	<u>(153,040)</u>	<u>(153,680)</u>

The Fixed-rate guaranteed secured bonds and Mezzanine loan are considered to be basic financial instruments as both satisfy the criteria set out in FRS102 Section 11.9 in that they are for a fixed amount of debt and both have either a fixed rate of interest or positive variable rates of interest. The finance debtor is also considered a basic financial instrument due to it being a long term receivable. As all are classed as basic financial instruments they are held at amortised cost.

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

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 maintains regular liaison with Assured Guaranty (Europe) Limited as insurance guarantor of the Bond.

The group does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities. The main risks arising from the group's financial instruments are finance risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they summarised below.

**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. The group deposits excess funds not immediately required.

Interest rate risk is the sensitivity of the value of financial instruments to changes in related interest rates. The company's financial instruments are not subject to significant changes in interest rates.

**Liquidity risk**

The latest financial forecasts show that unitary payment receivable under the Concession Agreement will be sufficient to repay all future bond payments as they fall due

**Credit risk**

The above financial instruments are subject to credit risk. The carrying value of financial assets represents the maximum credit exposure. therefore, the maximum exposure to credit risk at the balance sheet date was £166,837,000 (2021: £170,208,000).

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**17. Provisions for liabilities**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax	<b>10,871</b>	<b>11,190</b>
Other provisions		
Lifecycle provision	<b>-</b>	<b>3,369</b>
Aggregate amounts	<b>10,871</b>	<b>14,559</b>
<b>Group</b>		
	<b>Deferred tax</b>	<b>Life cycle provision</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2022	<b>11,190</b>	<b>3,369</b>
Utilised during year	<b>(319)</b>	<b>2,166</b>
Amount invoiced	<b>-</b>	<b>(7,902)</b>
Balance at 31 December 2022	<b>10,871</b>	<b>(2,367)</b>

**Lifecycle**

Lifecycle provisions represent the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

Under the terms of the contract with HMRC dated 21 January 2003 the group is committed to payments of £21.5 million (subject to inflation) for lifecycle expenditure over the remaining contact term.

In the current year the lifecycle position is an asset and has been disclosed within other debtors in note 12.

**Deferred tax**

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	-	-	<b>(8,943)</b>	<b>(9,190)</b>	<b>(8,943)</b>	<b>(9,190)</b>
Unused tax losses	-	-	-	-	-	-
Other	-	-	<b>(1,928)</b>	<b>(2,000)</b>	<b>(1,928)</b>	<b>(2,000)</b>
Tax assets / (liabilities)	-	-	<b>(10,871)</b>	<b>(11,190)</b>	<b>(10,871)</b>	<b>(11,190)</b>
Net of tax (liabilities) / assets	-	-	-	-	-	-
Net tax liabilities	-	-	<b>(10,871)</b>	<b>(11,190)</b>	<b>(10,871)</b>	<b>(11,190)</b>

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**18. Called up share capital**

Allotted, issued and fully paid:		Nominal value:	<b>2022</b>	2021
Number:	Class:			
50,000	Ordinary	£1	<b>50,000</b>	50,000

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

**19. Ultimate parent company**

In the opinion of the directors, the ultimate controlling parties comprises of Consolidated Investment Holdings Limited and Aberdeen Sidecar LP Inc. acting together.

**20. Related party disclosures**

**Civis PFI/PPP Infrastructure Fund LP**

The related party is a 50% shareholder in Consolidated Investment Holdings Limited and provided the company with directors' services in the year amounting to £76,000 (2021: £68,000). At the balance sheet date, the amount owing to the related party was £Nil (2021: £Nil).

**Aberdeen Infrastructure Finance GP Ltd**

Registered office: Top Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ

The related party is a sister company of Aberdeen Infrastructure (No. 3) Limited, 50% shareholder in Consolidated Investment Holdings Limited. It provided the company with directors' services in the year amounting to £76,000 (2021: £72,000). At the balance sheet date, the amount owing to the related party was £Nil (2021: £Nil).

**Aberdeen Sidecar LP Inc.**

Registered office: Top Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ

The related party is a 50% shareholder in Exchequer Partnership Holdings (No. 2) Limited, and provided the company with directors' services in the year amounting to £153,000 (2021: £144,000). At the balance sheet date, the amount owing to the related party was £Nil (2021: £Nil).

**Albany SPC Services Ltd**

Registered office: 3rd floor, 3-5 Charlotte Street, Manchester, M1 4HB.

The related party is 100% owned by Civis PFI/PPP Infrastructure Fund LLP, and provided the company with management and other services in the year amounting to £243,000 (2021: £226,000). At the balance sheet date, the amount owing to the related party was £Nil (2021: £Nil).

**Loans to shareholders**

During the period shareholder loans of £2,352,000 (2021: £1,800,000) was made to the shareholders. At the balance sheet date £2,352,000 (2021: £1,800,000) was due from Exchequer Partnership Holdings (No. 2) Limited. Interest was charged at 6.9% p.a. on the loan.

**Exchequer Partnership (No.2)**  
**Holdings Limited (Registered number: 04426554)**

**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2022**

**21. Reconciliation of profit for the financial year to cash generated from operations**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	5,208	1,856
Increase in provisions	(3,369)	(3,206)
Decrease in finance debtor	4,614	4,326
Finance costs	7,209	7,313
Finance income	(7,536)	(7,778)
Tax on profit	1,661	4,280
	<b>7,787</b>	<b>6,791</b>
Increase in trade and other debtors	(4,662)	(3,580)
Increase in trade and other creditors	8,384	8,735
<b>Cash generated from operations</b>	<b>11,509</b>	<b>11,946</b>

**22. Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2022**

	<b>31.12.22</b>	<b>1.1.22</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	39,465	43,768

**Year ended 31 December 2021**

	<b>31.12.21</b>	<b>1.1.21</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	43,768	39,715

**23. Analysis of changes in net debt**

	<b>01/01/2022</b>	<b>Cash flows</b>	<b>Non cash</b>	<b>31/12/2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>movements</b>	<b>£'000</b>
			<b>£'000</b>	
<b>Cash</b>				
Cash at Bank	43,768	(4,303)	-	39,465
	<b>43,768</b>	<b>(4,303)</b>	<b>-</b>	<b>39,465</b>
<b>Debt</b>				
Debt within 1 year	(6,660)	6,858	(2,351)	(2,153)
Debt after 1 year	(128,438)	2,189	1,930	(124,319)
	<b>(135,098)</b>	<b>9,047</b>	<b>(421)</b>	<b>(126,472)</b>