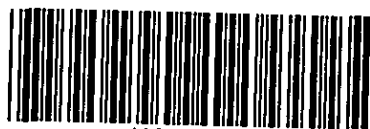


Exchequer Partnership (No 2) Plc  
Directors' report and financial statements  
for the year ended 31 December 2012

Registered Number 04426513

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Exchequer Partnership (No 2) Plc  
Directors' report and financial statements  
for the year ended 31 December 2012

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

**Registered Number 4426513**

## **Directors' report for the year ended 31 December 2012**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

### **Principal activities and business review**

The company 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 H M 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.

### **Business review**

The results of the company for the year are set out in the profit and loss account on page 6.

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

### **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 company's management services agent and periodic reporting by the independent Technical Assessor. This year a programme of variations, continuing into 2013, has been agreed to improve workplace optimisation. Occupancy levels are expected to rise in 2013 and this is governed by a contract variation signed in this year.

### **Risk Management**

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

### **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 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.

### **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. The minimum required ratio is 1.10 and at 31 December 2012 the ratio was 1.25 (2011: 1.21).

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

**Registered Number 4426513**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Financial Instruments**

The company'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 company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities. The main risks arising from the company'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 company 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 company 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

#### *Interest rate Risk*

The company 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

### **Results and dividends**

The company achieved a profit after tax of £2,153,000 in the year (2011 £1,764,000). Dividends totalling £1,741,000 were paid in the year (2011 £nil)

### **Directors**

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

BIF Corporate Services Limited

C Brunning (resigned 31 July 2012)

K W Gillespie (alternate to C T Solley)

A L Tennant (resigned 5 October 2012)

C T Solley (appointed 5 October 2012)

R D Hoile (appointed 31 July 2012)

B Millsom

M Turnbull-Fox (alternate to B Millsom resigned 1 November 2012)

H M Murphy (alternate to B Millsom appointed 1 November 2012)

P R Veerapen (resigned 31 July 2012)

**Exchequer Partnership (No 2) Plc**  
**Registered Number 4426513**

**Directors' report for the year ended 31 December 2012 (continued)**

**Creditor payment policy**

The company's policy is to agree terms of payments with key suppliers. For all other suppliers, terms are agreed for each transaction. The company endeavours to abide by the terms of payment agreed with suppliers. As at 31 December 2012 the creditor days represented by the closing creditors balance were 24 (2011: 29 days).

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

**Disclosure of information to auditors**

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

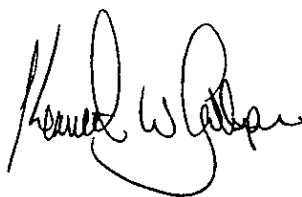
- (a) that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish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

**K W Gillespie**  
**Director**  
18 April 2013



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

Registered Number 4426513

## **Independent auditors' report to the shareholders of Exchequer Partnership (No 2) Plc**

We have audited the financial statements of Exchequer Partnership (No 2) Plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. 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).

### **Respective responsibilities of directors and auditors**

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). 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.

### **Scope of the audit of the financial statements**

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 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or

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

Registered Number 4426513

### **Independent auditors' report to the members of Exchequer Partnership (No 2) Plc (continued)**

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

- we have not received all the information and explanations we require for our audit



Ian Marsden (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
18 April 2013

**Exchequer Partnership (No 2) Plc**  
Registered Number 4426513

**Profit and loss account for the year ended 31 December 2012**

|                                                        | Notes | 2012<br>£'000 | 2011<br>£'000 |
|--------------------------------------------------------|-------|---------------|---------------|
| <b>Turnover</b>                                        |       | <b>16,924</b> | 10,758        |
| Cost of sales                                          |       | (11,632)      | (6,159)       |
| Gross profit                                           |       | <b>5,292</b>  | 4,599         |
| Administrative expenses                                |       | (2,671)       | (2,475)       |
| <b>Operating profit</b>                                | 1     | <b>2,621</b>  | 2,124         |
| Interest payable and similar charges                   | 2     | (9,074)       | (9,410)       |
| Interest receivable and similar income                 | 3     | <b>9,458</b>  | 9,617         |
| <b>Profit from ordinary activities before taxation</b> |       | <b>3,005</b>  | 2,331         |
| Tax on profit on ordinary activities                   | 4     | (852)         | (567)         |
| <b>Profit for the financial year</b>                   | 10    | <b>2,153</b>  | 1,764         |

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 year and therefore no separate statement of total recognised gains and losses has been prepared

The result is stated on the historical cost basis

The notes on pages 8 to 17 form part of these financial statements

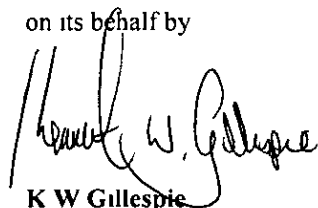
# Exchequer Partnership (No 2) Plc

Registered Number 4426513

## Balance sheet as at 31 December 2012

|                                                         | Note | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------------------------|------|---------------|---------------|
| <b>Current assets</b>                                   |      |               |               |
| Debtors amounts due within one year                     | 5    | 4,154         | 5,027         |
| Debtors amounts due after more than one year            | 5    | 146,559       | 149,970       |
|                                                         |      | 150,713       | 154,997       |
| Cash at bank and in hand                                |      | 22,577        | 18,865        |
|                                                         |      | 173,290       | 173,862       |
| <b>Current liabilities</b>                              |      |               |               |
| Creditors amounts falling due within one year           | 6    | (10,023)      | (8,309)       |
| <b>Net current assets</b>                               |      | 163,267       | 165,553       |
| Creditors: amounts falling due after more than one year | 7    | (153,607)     | (156,853)     |
| Provision for liabilities and charges                   | 8    | (5,676)       | (5,128)       |
| <b>Net assets</b>                                       |      | 3,984         | 3,572         |
| <b>Capital and reserves</b>                             |      |               |               |
| Called up share capital                                 | 9    | 50            | 50            |
| Profit and loss account                                 | 10   | 3,934         | 3,522         |
| <b>Total shareholders' funds</b>                        | 11   | 3,984         | 3,572         |

The financial statements on pages 6 to 17 were approved by the board of directors on 18 April 2013 and signed on its behalf by



**K W Gillespie**  
Director  
Exchequer Partnership (No 2) Plc  
Registered Number 4426513

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

Registered Number 4426513

## **Accounting policies**

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

### **Basis of preparation**

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable UK Financial Reporting Standards and the Companies Act 2006. They include the results of the activities described in the Directors' Report, all of which are continuing.

### **Turnover**

Turnover represents amounts due from HM Customs and Excise and Inland Revenue in respect of the company's trading activities. All turnover originates in the United Kingdom, is stated exclusive of value added tax and is recognised in the accounting period in which the services are rendered and can be measured reliably.

### **Taxation**

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

### **Finance receivable**

The costs incurred in respect of bid development, design and construction prior to the occupational availability of the 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 and Inland Revenue 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.

### **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.

### **Cash flow statement**

The company is a wholly owned subsidiary of Exchequer Partnership (No 2) Holdings Limited and the results of the company are included within the accounts of that company. Consequently, Exchequer Partnership (No 2) Plc is exempt under FRS 1 (revised 1996) from publishing a cash flow statement.

### **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) Plc

Registered Number 4426513

## Notes to the financial statements for the year ended 31 December 2012

### 1 Operating profit

Operating profit is stated after charging

|                                                   | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| Directors' remuneration                           | 151           | 120           |
| Auditors' remuneration for audit and tax services | 20            | 20            |

Auditors' remuneration for audit and tax services totalling £20,000 (2011 £20,000) relates to audit £12,000 (2011 £12,000) and tax compliance services £8,000 (2011 £8,000) during the year. The directors received no salary, fees or other benefits in the performance of their duties directly from the company, other than K W Gillespie who received £21,000 (2011 £nil) for other services. Directors' fees totalling £151,000 (2011 £120,000) were charged by certain related parties (see note 15). The company had no employees throughout the year. Management and administrative staffing resources are provided by secondees that are employed by certain related parties (see note 15). The employment costs relating to the secondees are recharged to the company within a management service charge.

### 2 Interest payable and similar charges

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Interest payable on bond            | 8,230         | 8,376         |
| Interest payable on other loans     | 376           | 367           |
| Interest payable to group companies | 16            | 210           |
| Other charges                       | 452           | 457           |
|                                     | 9,074         | 9,410         |

Interest payable and similar charges of £9,074,000 (2011 £9,410,000) relates to interest charges, commitment fees and credit enhancement fees, with respect to the borrowings, totalling £8,857,000 (2011 £9,192,000) plus the amortisation of loan issue costs of £217,000 (2011 £218,000) in accordance with FRS 4.

### 3 Interest receivable and similar income

|                               | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------|---------------|---------------|
| Interest receivable from bank | 106           | 120           |
| Finance income                | 9,352         | 9,497         |
|                               | 9,458         | 9,617         |

Interest receivable and similar income of £9,458,000 (2011 £9,617,000) relates to finance income generated on finance receivable of £9,352,000 (2011 £9,497,000) together with interest income from the company's bank accounts of £106,000 (2011 £120,000).

## Exchequer Partnership (No 2) Plc

Registered Number 4426513

### Notes to the financial statements for the year ended 31 December 2012 (continued)

#### 4 Tax on profit on ordinary activities

|                                                     | 2012  | 2011  |
|-----------------------------------------------------|-------|-------|
|                                                     | £'000 | £'000 |
| <b>Current tax</b>                                  |       |       |
| - UK corporation tax on profits in the current year | -     | -     |
| Total current tax                                   | -     | -     |
| <b>Deferred taxation</b>                            |       |       |
| - origination and reversal of timing differences    | 295   | 532   |
| - effect of changes in tax rates                    | 255   | 278   |
| - utilisation of tax losses                         | 648   | 303   |
| - movement in discount                              | (346) | (546) |
| Total deferred tax charge (note 5)                  | 852   | 567   |
| Tax on profit on ordinary activities                | 852   | 567   |

#### Factors affecting the tax charge for the year

The current tax charge for the year is lower (2011 lower) than the standard rate of Corporation Tax in the UK for the year ended 31 December 2012 of 24.5 % (2011 26.5%). The differences are explained below

|                                                                                           | 2012  | 2011  |
|-------------------------------------------------------------------------------------------|-------|-------|
|                                                                                           | £'000 | £'000 |
| Profit on ordinary activities before tax                                                  | 3,005 | 2,331 |
| Profit on ordinary activities multiplied by standard rate in the UK of 24.5% (2011 26.5%) | 736   | 618   |
| <b>Effects of:</b>                                                                        |       |       |
| Capital allowances in excess of amortisation and other timing differences                 | (341) | (563) |
| Amortisation of assets not eligible for capital allowances                                | 340   | 315   |
| Permanent deductions (primarily deemed lease premium relief)                              | (45)  | (48)  |
| Utilised prior year tax losses                                                            | (690) | (322) |
| Current tax charge for the year                                                           | -     | -     |

#### Factors affecting the future tax charge

The Finance Act 2012 was substantively enacted on 17 July 2012 and included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012. A further reduction to 23% from 1 April 2013 was also substantively enacted. The deferred tax asset at 31 December 2012 has been re-measured accordingly. In addition to the changes in rates of corporation tax disclosed above, further changes to the UK corporation tax system were announced in the Autumn Statement 2012. This includes a further reduction to the main rate to reduce it to 21% from 1 April 2013. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

# Exchequer Partnership (No 2) Plc

Registered Number 4426513

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 5 Debtors

|                                                   | 2012           | 2011           |
|---------------------------------------------------|----------------|----------------|
|                                                   | £'000          | £'000          |
| <b>Amounts due within one year:</b>               |                |                |
| Trade debtors                                     | 1,307          | 2,363          |
| Amounts owed by related party undertakings        | 5              | -              |
| Other debtors                                     | 282            | 261            |
| Finance debtor                                    | 2,560          | 2,403          |
|                                                   | <b>4,154</b>   | <b>5,027</b>   |
| <b>Amounts due after more than one year:</b>      |                |                |
| Finance debtor                                    | 144,220        | 146,779        |
| Deferred tax asset                                | 2,339          | 3,191          |
|                                                   | <b>146,559</b> | <b>149,970</b> |
| <b>Finance debtor</b>                             |                |                |
| Balance at 1 January                              | 149,182        | 151,439        |
| Finance receivable reimbursed                     | (11,754)       | (11,754)       |
| Finance income recognised                         | 9,352          | 9,497          |
| Balance at 31 December                            | <b>146,780</b> | <b>149,182</b> |
| <b>Amounts due within:</b>                        |                |                |
| 1 year                                            | 2,560          | 2,403          |
| 1 - 2 years                                       | 2,726          | 2,560          |
| 2 - 5 years                                       | 9,288          | 8,721          |
| Over 5 years                                      | 132,206        | 135,498        |
| <b>Total finance debtor receivable</b>            | <b>146,780</b> | <b>149,182</b> |
| Classified as receivable within one year          | (2,560)        | (2,403)        |
| Classified as receivable after one year           | <b>144,220</b> | <b>146,779</b> |
| <b>Deferred tax asset</b>                         |                |                |
| Balance at 1 January                              | 3,191          | 3,758          |
| Charge to the profit and loss account in the year | (852)          | (567)          |
| Balance at 31 December                            | <b>2,339</b>   | <b>3,191</b>   |

At 31 December 2012 the company had a deferred tax asset of £ 7,621,000 (2011 £8,583,000) in respect of tax losses brought and carried forward and deferred tax liabilities of £ 5,282,000 (2011 £5,392,000) in respect of accelerated/deferred capital allowances and other timing differences. Discounting is considered appropriate as the losses are forecast to be utilised over the next 7-8 years, whereas the deferred tax liabilities are forecast to take up to 26 years to reverse.

**Exchequer Partnership (No 2) Plc**

Registered Number 4426513

**Notes to the financial statements for the year ended 31 December 2012 (continued)****6 Creditors: amounts falling due within one year**

|                                            | 2012<br>£'000 | 2011<br>£'000 |
|--------------------------------------------|---------------|---------------|
| Trade creditors                            | 600           | 380           |
| Other creditors                            | 73            | -             |
| Amounts owed to related party undertakings | 1,208         | 378           |
| Other taxation                             | 534           | 395           |
| Accruals                                   | 4,362         | 4,105         |
| Related party loan                         | -             | 222           |
| Mezzanine loan                             | 157           | 142           |
| Bonds                                      | 3,089         | 2,687         |
|                                            | <b>10,023</b> | <b>8,309</b>  |

**7 Creditors: amounts falling due after more than one year**

|                | 2012<br>£'000  | 2011<br>£'000  |
|----------------|----------------|----------------|
| Mezzanine loan | 8,137          | 8,294          |
| Bonds          | 145,470        | 148,559        |
|                | <b>153,607</b> | <b>156,853</b> |

|                                         | 2012                           |                            |                | 2011                           |                            |                |
|-----------------------------------------|--------------------------------|----------------------------|----------------|--------------------------------|----------------------------|----------------|
|                                         | Related<br>Party Loan<br>£'000 | Mezzanine<br>Loan<br>£'000 | Bonds<br>£'000 | Related<br>Party Loan<br>£'000 | Mezzanine<br>Loan<br>£'000 | Bonds<br>£'000 |
| Repayable within one year               | -                              | 172                        | 3,285          | 222                            | 159                        | 2,887          |
| Repayable between two<br>and five years | -                              | 846                        | 13,188         | -                              | 781                        | 13,733         |
| Repayable after five years              | -                              | 7,562                      | 135,191        | -                              | 7,799                      | 137,931        |
| <b>Total loans outstanding</b>          | -                              | <b>8,580</b>               | <b>151,664</b> | 222                            | 8,739                      | 154,551        |
| Loan issue costs                        | -                              | (286)                      | (3,105)        | -                              | (303)                      | (3,305)        |
| <b>Total</b>                            | -                              | <b>8,294</b>               | <b>148,559</b> | 222                            | 8,436                      | 151,246        |

## Exchequer Partnership (No 2) Plc

Registered Number 4426513

### Notes to the financial statements for the year ended 31 December 2012 (continued)

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

##### Related party loan

The amounts due to related party undertakings include £nil (2011 £222,000) unsecured loan notes bore interest at 0% to 31 December 2005 and at 15% per annum thereafter. The loan notes were redeemed at par in accordance with a deed poll dated 21 January 2003 during the year.

##### 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 floating LIBOR rate.

As at 31 December 2012, £8,580,000 (2011 £8,739,000) 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 company.

#### 8 Provisions for liabilities

|                                                    | Lifecycle costs<br>£'000 |
|----------------------------------------------------|--------------------------|
| At 1 January                                       | 5,128                    |
| Charged to the profit and loss account in the year | 1,660                    |
| Utilised during the year                           | (1,112)                  |
| <b>At 31 December</b>                              | <b>5,676</b>             |

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.

#### 9 Called up share capital

|                                       | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------|---------------|---------------|
| <b>Authorised</b>                     |               |               |
| 10,000,000 ordinary shares of £1 each | 10,000        | 10,000        |
| <b>Allotted and fully paid</b>        |               |               |
| 50,000 ordinary shares of £1 each     | 50            | 50            |

## Exchequer Partnership (No 2) Plc

Registered Number 4426513

### Notes to the financial statements for the year ended 31 December 2012 (continued)

#### 10 Profit and loss account

|                               | 2012<br>Profit<br>and loss<br>account<br>£'000 | 2011<br>Profit<br>and loss<br>account<br>£'000 |
|-------------------------------|------------------------------------------------|------------------------------------------------|
| At 1 January                  | 3,522                                          | 1,758                                          |
| Profit for the financial year | 2,153                                          | 1,764                                          |
| Dividends                     | (1,741)                                        | -                                              |
| <b>At 31 December</b>         | <b>3,934</b>                                   | <b>3,522</b>                                   |

#### 11 Movement in shareholders' funds

|                                    | Share capital<br>£'000 | Retained profit<br>£'000 | Total<br>£'000 |
|------------------------------------|------------------------|--------------------------|----------------|
| Opening shareholders' funds        | 50                     | 3,522                    | 3,572          |
| Profit for the financial year      | -                      | 2,153                    | 2,153          |
| Dividends                          | -                      | (1,741)                  | (1,741)        |
| <b>Closing shareholders' funds</b> | <b>50</b>              | <b>3,934</b>             | <b>3,984</b>   |

#### 12 Dividends

The following dividends were recognised during the period

|                                                   | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| £34 811 (2011 £nil) per qualifying ordinary share | 1,741         | -             |

#### 13 Capital commitments

Under the terms of the contract with the First Secretary of State dated 21 January 2003, the company is committed to payments of approximately £33.6 million for lifecycle expenditure over the remaining contract term. There is a commitment to payment of £4.7 million, in the variation programme, to be fully funded by HM Revenue & Customs.

# Exchequer Partnership (No 2) Plc

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## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 14 Financial instruments

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

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

The main risks arising from the company's financial instruments are interest rate risk, liquidity 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 company's financial assets and financial liabilities as at 31 December 2012

|                                    | 2012       | 2012       | 2011       | 2011       |
|------------------------------------|------------|------------|------------|------------|
|                                    | Book value | Fair value | Book value | Fair value |
|                                    | £'000      | £'000      | £'000      | £'000      |
| Fixed-rate guaranteed secured bond | 151,664    | 198,195    | 154,551    | 190,305    |
| Mezzanine loan                     | 8,580      | 8,415      | 8,739      | 8,473      |
| Loan stock                         | -          | -          | 222        | 222        |
| Total financial instruments        | 160,244    | 206,610    | 163,512    | 199,000    |

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

Market values have been used to determine the fair value of the listed debt issued. The fair values of the other items have been calculated by discounting expected future cash flows at 31 December 2012

Fair value judgements and changes in market conditions and assumptions could significantly affect these estimates. The disclosed values of 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 company 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 risk

Market risk is the sensitivity of the value of financial instruments to changes in related interest rates. The company'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%

## Exchequer Partnership (No 2) Plc

Registered Number 4426513

### Notes to the financial statements for the year ended 31 December 2012 (continued)

#### 15 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 (No 2) Holdings Limited            | (holding company of Exchequer Partnership (No 2) Limited)                            |
| Exchequer Partnership Plc                                | (common shareholders and directors)                                                  |
| Consolidated Investment Holdings Limited                 | (shareholder and loan stock holder in Exchequer Partnership (No 2) Holdings Limited) |
| TBEP Investments Limited                                 | (shareholder and loan stock holder in Exchequer Partnership (No 2) Holdings Limited) |
| Barclays Integrated Infrastructure Fund LP               | (parent company of TBEP Investments Limited )                                        |
| Lend Lease PFI/ PPP Infrastructure CIHL Holdings Limited | (shareholder in Consolidated Investment Holdings Limited)                            |
| Lend Lease Construction Holdings (EMEA) Limited          | (sister company of Lend Lease Infrastructure Holdings (EMEA) Limited)                |
| BOS Infrastructure (No 3) Limited                        | (shareholder in Consolidated Investment Holdings Limited)                            |
| Bank of Scotland                                         | (parent company of BOS Infrastructure (No 3) Limited)                                |

#### Facilities Management contracts

Lend Lease Construction (EMEA) Limited is contracted by Exchequer Partnership (No2) Plc to carry out the hard facilities management services and Lend Lease Construction (EMEA) Limited has delegated the delivery of hard facilities management services to Lend Lease Facilities Management (EMEA) Limited as agent for Lend Lease Construction (EMEA) Limited Both Lend Lease Construction (EMEA) Limited and Lend Lease Facilities Management (EMEA) Limited are subsidiaries of Lend Lease Construction Holdings (EMEA) Limited The costs charged by Lend Lease Construction (EMEA) Limited in this regard in the year ended 31 December 2012 totalled £8,489,000 (2011 £3,960,000)

Lend Lease Infrastructure (EMEA) Limited, a subsidiary of Lend Lease Infrastructure Holdings (EMEA) Limited, provided the SPV Management Services The cost charged by Lend Lease Infrastructure (EMEA) Limited in the year totalled £362,000 (2011 £343,000) and £28,000 (2011 £nil) for other services

#### Directors' Fees

During the year directors' fees totalling £151,000 (2011 £120,000) were charged in the following ratio, Lend Lease PFI/PPP Infrastructure Fund LP 25% (2011 25%), BOS Infrastructure (No 3) Limited 25% (2011 25%) and BIIF Bidco Limited, which is part of the Barclays Integrated Infrastructure Fund LP group, 50% (2011 50%)

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

Registered Number 4426513

### **Notes to the financial statements for the year ended 31 December 2012 (continued)**

#### **15 Related party disclosures (continued)**

##### **Amounts owed to related parties**

|                                                 | <b>2012</b>  | <b>2011</b>  |
|-------------------------------------------------|--------------|--------------|
|                                                 | <b>£'000</b> | <b>£'000</b> |
| Exchequer Partnership (No 2) Holdings Limited   | -            | 222          |
| Lend Lease Facilities Management (EMEA) Limited | 1,178        | 378          |
| Lend Lease Infrastructure (EMEA) Limited        | 28           | -            |
| Lend Lease Construction (EMEA) Limited          | 2            | -            |

##### **Amounts owed by related parties**

|                                                 | <b>2012</b>  | <b>2011</b>  |
|-------------------------------------------------|--------------|--------------|
|                                                 | <b>£'000</b> | <b>£'000</b> |
| Lend Lease Facilities Management (EMEA) Limited | 5            | -            |

All transactions with related parties were carried out on arms length terms

#### **16 Parent undertaking and ultimate controlling party**

The company is a wholly owned subsidiary of Exchequer Partnership (No 2) Holdings Limited, a company which is incorporated in England and Wales which also heads the smallest and largest group in which the results are consolidated. Copies of the group accounts of Exchequer Partnership (No 2) Holdings Limited can be obtained from 3rd Floor, The Venus, 1 Old Park Lane, Trafford, Manchester, M41 7HG

In the opinion of the directors, the ultimate controlling party comprises Consolidated Investment Holdings Limited and Barclays Integrated Infrastructure Fund LP acting together