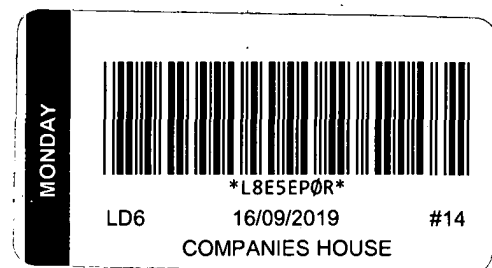


EQUITIX MA 6 CAPITAL EUROBOND LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2018**

Registered Number: 11104225



EQUITIX MA 6 CAPITAL EUROBOND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

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EQUITIX MA 6 CAPITAL EUROBOND LIMITED

DIRECTORS

Directors

H B Crossley

G A Jackson

J C Smith

N G B Parker (resigned 4 May 2018)

Registered office

10 -11 Charterhouse Square

London

EC1M 6EH

Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Principal banker

HSBC PLC

PO Box 68, 130 New Street

Birmingham

B2 4JU

STRATEGIC REPORT

BUSINESS MODEL

Equitix MA 6 Capital Eurobond Limited (the "Company") was incorporated in England and Wales on 8 December 2017 and issued 100 ordinary shares of £1 each. The financial statements are for the period ended 31 December 2018.

The Company's principal activity relates to investment in a long-term PPP/PFI contract held with Highways England.

REVIEW OF THE PERIOD

The Directors have considered a number of potential outcomes arising from the UK's exit from the European Union in 2019 and believe that the Company has sufficient reserves and business controls to address any financial impact of these outcomes for the foreseeable future and have decided not to make a specific provision in the accounts. Due to the availability-based nature of the investment asset and focus on contracted cashflows, this means there will be little to no impact on income/cashflows from Brexit. Due to the inflation relationship of asset returns, it is likely that the majority of project distributions should be correlated with inflation.

KEY PERFORMANCE INDICATORS

The key performance indicators for the Company are primarily client and financially focused; including those listed below.

- tracking the performance and delivery of the services in conjunction with the KPIs set by the local authorities;
- the progress of the project company;
- the comparison of actual cash flows costs to those that have been forecast;
- the value of investment held in the project company in association with the expected future cash flows; and
- that the operational project is performing within the restrictions of the project documentation.

The latest operational model shows the current project is performing in line with expectations and the project documentation with no material or significant unavailability deductions being suffered in the period.

The results for the period are shown on page 10 in the Statement of Comprehensive Income. This shows a total comprehensive profit of £19k and a net finance expense amounting to £3,395k. The profit for the period includes an increase in the fair value of the investments of £3,414k. The Directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease; the Company will continue to act as holding company for the Equitix MA 6 LP PFI / PPP asset.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has entered into inter-company loan agreement with its parent entity and into a loan arrangement with its investment. A principal risk is the Company not receiving interest payments in order to make interest payments to its parent entity. Therefore, the Company's main concerns are attributable to the sound operation of the underlying PFI/PPP infrastructure assets, ensuring that the modelled cash flows, made up of, but not limited to, subordinated debt principal repayments, subordinated debt interest payments, dividends and other fees are indeed received. The Company will monitor actual and projected cash flows to ensure that the returns are as expected. In addition, the Company will also look to optimise returns from the underlying PFI/PPP local authority infrastructure assets through achieving efficiencies at project level and by maximising synergies at portfolio level.

By order of the Board



J C Smith
14 June 2019

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the period ended 31 December 2018.

DIRECTORS

The Directors who served throughout the period are shown on page 1.

RESULTS AND DIVIDENDS

The Company's performance reflects the position under the various inter-company and inter-group agreements that have been put in place during the period, and the ongoing performance and value of the investment portfolio. Please refer to the Strategic Report for further detail.

FINANCIAL RISK REVIEW

Interest rate risk

The Company's investment has a senior debt agreement to fund project construction and operations. The loan is non-recourse to Company and is typically raised with a floating interest rate and interest rate swap agreements are used to fix senior debt interest rates to obtain the desired interest profile and to manage the Company's exposure to interest rate fluctuations.

Market risks

The Company has adopted a policy of only dealing with creditworthy counterparties and the PFI/PPP concession was entered into with semi-government authorities, thereby protecting income streams over the course of long term contracts. The characteristics of the long-term contract mean that income and cost are typically fixed or capped throughout the life of the project and, therefore, the Company has very limited exposure to market risks.

Liquidity risk

The Company has limited liquidity risk, which mostly relates to the risk of borrower not meeting the repayment schedule. This risk is mitigated by continuously monitoring forecast and actual cash flows stemming from the underlying project and matching maturity profiles of financial assets and liabilities.

Currency risk

The Company only deals in sterling and therefore has no exposure to foreign exchange risk.

Performance Risk

The Company mitigates performance risk through a robust asset management process, and passes on risks of non-performance to service providers and subcontractors.

GOING CONCERN

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net current liability position of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix MA 6 LP structure, as disclosed in note 21. After making enquiries, the Directors have a reasonable expectation that the Company and its parents have adequate resources to continue in operational existence for the foreseeable future, and for a minimum of 12 months from the date of signing of this report, despite any economic uncertainties. In forming this conclusion, the following has been taken into consideration:

- Equitix MA 6 LP (the "Fund") is fully drawdown and fully invested so there are no future investment commitments;
- both the Fund and the Company have limited other outgoings and the Fund has sufficient cash flows forecast to cover these as they fall due;
- the Fund's financial model, which consolidates the returns from the Company's investment;
- the Company's borrowings from Equitix MA 6 Finco Limited, are Eurobonds listed on The International Stock Exchange.

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG LLP have been appointed as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



J C Smith
14 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report, that comply with that law and those regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 6 CAPITAL EUROBOND LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Equitix MA 6 Capital Eurobond Limited ("the company") for the period ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have fulfilled our ethical responsibilities under, and we are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit.	<p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in Valuation of unquoted investments below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Company's future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> • Our Brexit knowledge – We considered the Directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • Sensitivity analysis – When addressing Valuation of unquoted investments and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty • Assessing transparency – As well as assessing individual disclosures as part of our procedures on Valuation of unquoted investments at fair value we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 6 CAPITAL EUROBOND LIMITED (CONTINUED)

	The risk (continued)	Our response (continued)
<p>Valuation of unquoted investments at fair value (£107 million)</p> <p><i>Refer to page 16 (accounting policy) and page 20 (financial disclosures).</i></p>	<p>Subjective valuation 100% of the Company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established using a discounted cash flow methodology (income approach), as there is no liquid market for this type of investments.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 3(a)) disclose the sensitivity estimated by the Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Test of details: For a sample of additions, vouching payments to bank statements and obtaining sale and purchase agreements to verify the cost of new investments. • Cash flows: Reviewing future forecast cash flows by reference to third party operating models; • Discount rates: Using our own internal valuation specialists to challenge the investment manager on the discount rates applied to a sample of projects and to each sector, by comparing to relevant peers and recent market transactions; • Macroeconomic assumptions: Challenging macroeconomic assumptions by reference to observable market data and forecasts; • Valuation model integrity: Reviewing the valuation model for formula accuracy and internal consistency. • Assessing transparency: Considering of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £804,000, determined with reference to a benchmark of total assets, of which it represents 0.75%.

In addition, we applied materiality of £603,000 to identify items for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the company's members' assessment of the financial performance of the Company.

We agreed to report to the Directors any corrected or uncorrected identified misstatements exceeding £40,000 in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the company's head office in London.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 6 CAPITAL EUROBOND LIMITED (CONTINUED)

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was the Company's ability to make interest payments to its lender.

As this risk could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in this respect, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

6 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- 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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 6 CAPITAL EUROBOND LIMITED (CONTINUED)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
14 June 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2018

		For the period from 8 December 2017 to 31 December 2018
	Notes	£'000
Investment income	7	7,312
Fair value gain on investment	11	3,414
Profit from operations	5	<u>10,726</u>
Finance costs	8	(10,707)
Administrative expenses		-
Profit before tax		<u>19</u>
Tax	9	-
Profit after tax		<u>19</u>

The Company has no recognised gains or losses other than reported above and hence no separate statement of total comprehensive income is presented.

All the above items relate to continuing operations.

The notes on pages 14 to 25 form part of these financial statements.

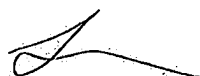
EQUITIX MA 6 CAPITAL EUROBOND LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018 £'000
Non-current assets		
Investments held at fair value	11	<u>107,069</u>
		107,069
Current assets		
Trade and other receivables	13	<u>-</u>
		-
Total assets		<u>107,069</u>
Current liabilities		
Trade and other payables	14	<u>(2,665)</u>
		(2,665)
Net current liabilities		<u>(2,665)</u>
Non-current liabilities		
Borrowings	15	<u>(104,385)</u>
		(104,385)
Total liabilities		<u>(107,050)</u>
Net liabilities		<u>19</u>
Equity		
Share capital	16	-
Retained earnings		<u>19</u>
		19
Shareholders' equity		<u>19</u>

The notes on pages 14 to 25 form part of these financial statements.

The notes to the financial statements of Equitix MA 6 Capital Eurobond Limited, registered number 11104225 were approved by the Board of Directors and authorised for issue on 14 June 2019 and were signed on its behalf by:



J C Smith
Director

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 8 December 2017	-	-	-
Share issue	-	-	-
Profit for the period	-	19	19
Balance as at 31 December 2018	-	19	19

The notes on pages 14 to 25 form part of these financial statements.

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018

For the period from 8
December 2017 to 31
December 2018

		£'000
Cash flows from operating activities		
Profit for the period		19
Fair value gain on investments	11	(3,414)
Investment income	7	(7,312)
Finance cost	8	10,707
Cash flow from operations		<u>-</u>
Investment income received		10,189
Interest paid		<u>(10,189)</u>
Net cash flows from operating activities		<u>-</u>
Cashflows from investing activities		
Purchase of investments		<u>(104,385)</u>
Net cash used in investing activities		<u>(104,385)</u>
Cash flows from financing activities		
Borrowings from a related party		<u>104,385</u>
Net cash from financing activities		<u>104,385</u>
Net movement in cash and cash equivalents		-
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		<u>-</u>

The notes on pages 14 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

Equitix MA 6 Capital Eurobond Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2 and the Directors' Report on pages 3 and 4. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. Monetary amounts are rounded to the nearest £'000.

2 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (collectively IFRSs). A summary of the principal accounting policies, all of which have been applied consistently throughout the period, are set out below.

The Company has considered the need to prepare consolidated financial statements under IFRS. The Company meets the definition of an Investment Entity under International Financial Reporting Standard (IFRS) 10 and is required to account for its investments at fair value through profit and loss and only consolidates those entities within the Group that provide investment activity services. All subsidiaries of the Company are classified as investments under IFRS 10 and, accordingly, the Company has not produced consolidated accounts under IFRS.

These financial statements, for the period ended 31 December 2018, have been prepared in accordance with the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements incorporating accounting for Investment Entities.

a) Basis of preparation

The Company is applying the Investment Entities standards (Amendments to IFRS 10, IFRS 12 and IAS 27).

The Investment Entities standard introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an Investment Entity and require a parent entity that is an Investment Entity to measure its subsidiaries at fair value through profit or loss, in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement instead of consolidating those subsidiaries. The Company meets the definition of an Investment Entity on the basis of the following criteria:

- (i) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (ii) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.
- (iii) the Company obtains funds from multiple investors for the purpose of providing those investors with investment management services;

To determine if the Company meets the definition of an Investment Entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company.

- (i) it has ownership interests in the form of equity or similar interest; and
- (ii) it holds investment for a limited period only i.e. it has an exit strategy for its investment.

Investments

IFRS 10 requires the Company to measure its interests in subsidiary investments at fair value in accordance with IFRS 13. The investments are valued at fair value with gains or losses on measurement of investments accounted for through profit or loss (see note 11).

b) Going concern

Notwithstanding net current liabilities of £2,665k as at 31 December 2018, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds.

Those forecasts are dependent on the parent entity not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £104,385k, and providing additional financial support during that period. The parent has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the Statement of Financial Position date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2 ACCOUNTING POLICIES (CONTINUED)

c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. In relation to the fair value exercise interest revenue is adjusted to remove any double counting of cash flows.

Income from participating interests is recognised when the shareholders' rights to receive payment have been established.

d) Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

e) Accruals and provisions

Accruals and provisions are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

f) Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from the net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable difference arising on investments, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and the rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company, and the Company intends to settle its current tax assets and liabilities on a net basis.

g) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2 ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (continued)*Financial assets*

Financial assets, are classified in the following categories: fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(i) *Investments at fair value through profit or loss*

Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value both the equity and subordinated debt investments in PPP assets together. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value observable transactions are considered and fair value is measured using assumptions that market participants would use when pricing assets including assumptions regarding risk. The sub debt and equity are considered to have the same risk characteristics. As such, the debt and equity form a single class of financial instrument for the purposes of this disclosure. The Company measures its investments as a simple class of financial asset at fair value in accordance with IFRS 13 fair Value Measurement. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating Statement of Comprehensive Income.

Investments in subsidiaries

The Company is required under Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment related services or activities. The Company measures its investments in PPP assets that are subsidiaries at fair value in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement.

Equitix MA 6 Capital Eurobond Limited holds 31% of the issued share capital and debt of BBDE Orbital Holdings LLP, which owns the investee company and the associated intermediate holding companies. The fair value of investments is determined by valuing the underlying portfolio investee companies and intermediate holding companies. Investments are designated as "financial assets at fair value through profit and loss" as these assets are managed on a fair value basis for capital gain. The investments are initially recognised at fair value and are subsequently re-measured at fair value, which is determined by the Directors. Recognised gains and losses and unrealised gains and losses arising from the revaluation of investments at the period end are taken directly to the Statement of Comprehensive Income.

The current portfolio of investments held by the Company are valued using discounted cash flow analysis based on financial models that form part of the project documents. Future forecast shareholder cash flows are discounted at a rate which allows for influences of individual project attributes and general economic conditions to reflect a value as at the balance sheet date; these values are then compared against recent, similar market transactions as a gauge of estimations and uncertainties.

(ii) *Trade and other receivables*

Trade receivables, loans and other receivables that are non derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'amortised cost'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the Statement of Financial Position date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Impairment of financial assets

Financial Assets are assessed for impairment under the expected credit loss model ("ECL"). Assessment for impairment is based on a three-stage approach based on changes in credit risk since initial recognition, with each stage representing a change in the credit risk of Financial Assets. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to stage two but is not yet deemed to be credit impaired; financial instruments that are deemed to be credit impaired are moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for stage two and three financial instruments is equal to expected credit losses on a lifetime basis. ECLs are recognised in the Statement of Comprehensive Income. Amounts receivable from Financial Assets are written off, when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the receivable. Amounts receivable from Financial Assets are reviewed regularly and write off will be prompted by insolvency, adverse changes in operations and similar events associated with the Financial Asset.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Fair value estimation

The fair value of financial instruments that are not traded in an active markets is derived the following ways:

- (i) *Investments at fair value through profit or loss*
Fair value is calculated by discounting future cash flows, from investments in both equity and subordinated loans (interest and repayments), the Company at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions. The discount rate that has been applied to the financial assets at 31 December 2018 was 6.56%.
- (ii) *Loans and receivables*
Loans and borrowings are held at amortised cost.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2 ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (continued)*Financial liabilities and equity*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are classified as 'other financial liabilities' and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

h) Financial risk management

The Company has a loan from Equitix MA6 Finco Limited, a related party, with a fixed interest rate. The loan, including accrued interest, is repayable when the Company has sufficient surplus cash. The value of the loan shown on the balance sheet represents the value of the loan as at the balance sheet date.

i) Assessable risks*Credit risk*

The Company is not exposed to significant credit risk as the Company derives interest from subsidiaries which are PFI concession with government department. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the PFI contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

Liquidity risk

The Company has limited liquidity risk, which mostly relates to the risk of borrower not meeting the repayment schedule. This risk is mitigated by continuously monitoring forecast and actual cash flows stemming from the underlying project and matching maturity profiles of financial assets and liabilities.

Foreign exchange risk

The Company does not currently have any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its focus.

j) Share capital

Ordinary shares are classified as equity.

k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

l) Expenses

All expenses are accounted for on an accruals basis. Any relevant expenses are charged through the Statement of Comprehensive Income.

m) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment in infrastructure which is currently in a private finance initiative and public private partnership company in one geographical area, the United Kingdom, therefore no additional segmental reporting is required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 the revision and future periods if the revision affects both current and future periods.

a) Investments at fair value through profit or loss

By virtue of the Company's status as an Investment Entity under IFRS 10, investments in subsidiaries are designated upon initial recognition, and subsequently accounted for, at fair value through profit or loss.

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. As disclosed in note 2 to the financial statements, the Directors principally use discounted cash flow analysis to make their best estimation of the fair value. The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

The principal drivers of internally prepared valuations are therefore:

- i) expected future net cash flows; and
- ii) the discount rate to be applied.

The fair value estimation takes into account the future distributions to be received by the Company from its investments.

Future distributions involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions

If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be £10,707k loss/gain respectively.

The discount rate is determined in relation to the particular risks for each investment. All relevant risks such as interest rate risk, credit risk and liquidity risk are incorporated in the fair value of the investments by adjusting the expected cash flows or discount rate used for the valuation of investments. The discount rate used for the 2018 valuation was 6.56%. If the discount rate used in the valuation was increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss of £9,731k or a gain of £11,204k, respectively.

b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The fair value of financial instruments that are not traded in active markets is derived in one of the following ways:

i) Financial assets at fair value through profit and loss

Financial assets are recognised initially at fair value. Subsequent to initial recognition, the financial assets are measured at fair value using the discounted cash flow methodology. In determining the discount rate, regard is had to risk free rates and risk premia that are specific to the individual concession.

ii) Loans, receivables, and payables

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

iii) Borrowings

Intercompany loans are held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

4 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") - ADOPTION OF NEW REVISED STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16 Leases (January 2019);
- Annual Improvements to IFRSs – 2012-2014 Cycle (January 2016)

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the Company in future periods.

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. This includes the adoption of IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") and IFRS 9 'Financial Instruments' ("IFRS 9").

Given the nature of the business activities in which the Company operates, IFRS 15 does not have a material impact on the Company.

The requirements of IFRS 9 represent a significant change from IAS 39. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The financial assets and liabilities of the Company are now classified as amortised cost or fair value through profit or loss. Classification is based on the characteristics of the financial asset. All disclosures have been updated where applicable to reflect the requirements of IFRS 9.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements had no material impact on the allowance for impairment.

5 PROFIT FROM OPERATIONS

The profit from operations of the Company is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee for Equitix MA 6 Capital Eurobond Limited of £8,500 has been borne by Equitix MA 6 LP, who will not seek compensation from the Company. There were no non-audit fees.

6 DIRECTORS' REMUNERATION

No staff were directly employed by the Company.

No Directors received any remuneration for services to the Company during the period. The Company is managed by secondees from other Equitix companies. No recharge for services rendered has been made during the period.

7 INVESTMENT INCOME

	2018
	£'000
Interest income on loans to investments	7,312
Total investment revenue	<u>7,312</u>

8 FINANCE COSTS

	2018
	£'000
Interest expense on loans from a related party	(10,707)
Total finance cost	<u>(10,707)</u>

9 TAX

Taxation is based on the profit for the period and comprises:

	2018
	£'000
UK corporation tax at a rate of 19%	
Current period	-
Tax	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

9 TAX (CONTINUED)

The differences between the total current tax shown above and the amount calculated by applying the average rate of UK corporation tax to the profit before tax are as follows:

	2018
	£'000
Profit on ordinary activities before tax	<u>19</u>
Profit on ordinary activities multiplied by the standard Rate of corporation tax in the UK of 19%	4
Tax effect of income not taxable in determining taxable profit	(649)
Losses not utilised in the period	<u>645</u>
Total current tax	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses for the period as there is insufficient evidence that the asset will be recovered. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10 FAIR VALUE MOVEMENTS ON INVESTMENTS

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Further detail is given in note 11.

11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018
	£'000
Opening net book value	-
Acquisition of investment	104,385
Repayment of principal	(730)
Fair value gain	<u>3,414</u>
Closing net book value	<u>107,069</u>

The following economic assumptions were used in the discounted cash flow valuations

UK inflation rates	3.2% for 2018, 3% long term
UK deposit interest rates	0.63% for 2018, 3.5% long term
UK corporation tax	19% for 2018, 17% long term

Investments are generally restricted on their ability to transfer funds to the Company under the terms of the senior funding arrangement for that investment. Significant restrictions include:

- Historic and projected debt service and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the company;
- Project performance is in compliance with the terms of its senior funding arrangements; and
- Senior lenders have approved the annual budget for the Company.

A list of principal subsidiaries and joint ventures of the Company can be found on page 25 of these financial statements.

12 ACQUISITION OF FAIR VALUE THROUGH PROFIT AND LOSS INVESTMENTS

On 23 February 2018, the Company purchased a 12.5% interest in M25 project, for further detail please refer to note 21.

13 TRADE AND OTHER RECEIVABLES

	2018
	£'000
Interest receivable from investments	<u>-</u>
Included on the balance sheet as follows	<u>-</u>
Current	<u>-</u>

The carrying value of these assets approximates their fair value.

Interest receivable from investments in the current period represents accrued interest on subordinated debt loans to the investments listed in the list of investments (note 21).

14 TRADE AND OTHER PAYABLES

	2018
	£'000
Interest payable to parent	(518)
Deferred income	<u>(2,147)</u>
	<u>(2,665)</u>
Included on the balance sheet as follows:	
Current	<u>(2,665)</u>
	<u>(2,665)</u>

The carrying amount of these liabilities approximates their fair value. Interest payable to parent in the current period represents accrued interest on loan note borrowings from Equitix MA 6 Finco Limited, a related party (note 15).

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

15	BORROWINGS	2018
		£'000
	Loans from a related party	(104,385)
	Bank loan	-
		(104,385)
	Included on the balance sheet as follows:	
	Non-current	(104,385)
		(104,385)

Amounts owing to Equitix MA 6 Finco Limited comprise of interest-bearing £104,385k intercompany loan notes which are unsecured, have an interest rate of 12% and fall due for repayment on 23 February 2043.

The carrying amount of these liabilities approximates their fair value.

16 SHARE CAPITAL

	2018	Issued
	Number	2018
		£'000
<i>Ordinary shares of £1 each</i>	100	-
Issued on incorporation and at 31 December	100	-

17 FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company borrowings are as disclosed in note 15 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

a)	<u>Categories of financial instruments</u>	2018
	Financial assets	£'000
	Fair value through profit and loss	
	Investments	107,069
	Loans and receivables at amortised cost	
	Interest receivable from investments	-
		107,068
	Financial liabilities at amortised cost	
	Borrowings	(104,385)
	Other payables	(2,665)
		(107,050)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

17 FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management objectives

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

The Company does not enter into financial derivative contracts.

Market risk

The Company's activities expose it primarily to the financial risks of interest rates and performance risk.

Interest rate risk management

The Company has limited exposure to interest rate risk from intra group loans as the underlying borrowings are at a fixed interest rate. Therefore the Company is not exposed to cash flow risk due to changes in interest rates over variable rate borrowings. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

Interest rate sensitivity analysis

The Company has no exposure to interest rate risk from intercompany loan because the loan held with Equitix MA6 Finco Limited has a fixed interest rate of 12%.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements.

Performance risk management

Performance risk management refers to the risk that the underlying project companies will not perform in line with expectations, and as such the Company will not receive forecast cashflows as expected. To mitigate this risk, the projects are closely managed by the asset management team and risks of non-performance are passed onto service providers and subcontractors by the PFI contract structure, leaving the PFI investment insulated from issues of non-performance.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparty and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial asset consists of amounts receivable from related parties.

The Company only transacts with creditworthy PFI / PPP concession company that have a cash flow derived from projects in agreement with government or semi-government authorities. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the PFI contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

c) Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other non-derivative financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities, recorded at amortised cost in the financial statements, are approximately equal to their fair values.

The tables presented on the following page detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on undiscounted cash flows of financial liabilities based on the earliest date the Company could be required to satisfy borrowing repayments. The table includes principal repayment and assumed interest cash flows:

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

17 FINANCIAL INSTRUMENTS (CONTINUED)

c) Fair value of financial instruments (continued)

Liabilities	Less than 1				Total
	year	1-2 years	3-5 years	5+ years	
2018	£'000	£'000	£'000	£'000	£'000
Borrowings	-	-	-	(104,385)	(104,385)
Interest payable to parent	(2,665)	-	-	-	(2,665)
	<u>(2,665)</u>	<u>-</u>	<u>-</u>	<u>(104,385)</u>	<u>(107,050)</u>

Borrowings comprise inter-company loan agreements entered into between the Company and Equitix MA 6 Finco Limited. For further consideration of the fair value of the intercompany loan notes, please refer to note 15

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period

Assets	Less than 1				Total
	year	1-2 years	3-5 years	5+ years	
2018	£'000	£'000	£'000	£'000	£'000
Interest receivable from investments	-	-	-	-	-
Other receivables	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, where inputs are observable;
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) where inputs are directly or indirectly observable; and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data, where the inputs are unobservable

There have been no transfers between these categories in the current period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

	2018	2018	2018	2018
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments at fair value through profit or loss	-	-	107,069	107,069
	<u>-</u>	<u>-</u>	<u>107,069</u>	<u>107,069</u>

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

17 FINANCIAL INSTRUMENTS (CONTINUED)

The fair value calculation is performed on a recurring, annual basis, as defined by IFRS 13.

The key assumptions used in determining the fair values of unquoted investments and a sensitivity analysis is disclosed in note 3.

The investments at fair value through profit or loss, whose fair values include the use of Level 3 inputs, are valued by discounting future cash flows from investments in both equity (dividends and equity redemptions) and subordinated loans (interest and repayments) to the Company at an appropriate discount rate. The basis of each discount rate, which is a weighted average cost of capital, is a long run average government bond rates adjusted by an appropriate premium to reflect PPP specific risk, phase of the PPP project and counterparty credit risk. The weighted average discount rate applied was 6.56%. The discount rate is considered the most significant unobservable input through which an increase or decrease would have a material impact on the fair value of the investments at fair value through profit or loss. An increase in 1% in the discount rate would cause a decrease in fair value of the investments of £9,731k.

For a sensitivity analysis of Financial Assets at fair value through profit or loss, refer to note 3.

Gearing ratio

The gearing ratio at the period end is as follows:

	2018 £'000
Debt	(104,385)
Net debt	(104,385)
Equity	19
Net debt to equity ratio	100%

Debt is defined as long- and short-term borrowings as detailed in note 15.

Equity includes all capital and reserves of the Company that are managed as capital.

The ratio's numerator used is the amount of debt, whilst the denominator used comprises of equity and debt.

18 RELATED PARTY TRANSACTIONS

<u>Statement of Comprehensive Income transactions</u>		2018 £'000
Related party	Transaction description	
Equitix MA 6 Finco Limited	Interest Income	7,312
BBDE Orbital Holdings LLP	Interest Expense	(10,707)
		(3,395)

<u>Statement of Financial Position items</u>		2018 £'000	2018 £'000
		Amounts owed by related parties	Amounts owed to related parties
Related party	Transaction description		
Equitix MA 6 Finco Limited	Loan notes	-	(104,385)
Equitix MA 6 Finco Limited	Interest creditor	-	(518)
BBDE Orbital Holdings LLP	Deferred income	-	(2,147)
		-	(107,050)

EQUITIX MA 6 CAPITAL EUROBOND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

19 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is Equitix MA 6 Holdco Limited, a company incorporated in Guernsey. The Company's ultimate parent and controlling entity is Equitix MA 6 LP, a limited partnership registered in England and Wales. The Company's results are not consolidated as the Company and its ultimate parent entity meet the criteria of Investment Entities under IFRS 10 and the Company's parent does not prepare consolidated accounts.

20 POST-BALANCE SHEET EVENTS

£104,385k of intercompany loans were converted to Eurobond Loan Notes, listed on The International Stock Exchange on 13 February 2019, and subscribed to by Equitix MA 6 Finco Limited. The notes are unsecured, have an interest rate of 12% and fall due for repayment on 23 February 2043.

21 SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2018

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered address
BBDE Orbital Holdings LLP	31.25%	31 ordinary £1 shares	40% ownership of Parent company to Connect Plus (M25) Holdings Ltd and Connect Plus (M25) Intermediate Ltd	6th Floor 350 Euston Road, Regent's Place, London, United Kingdom, NW1 3AX
Connect Plus (M25) Holdings Limited	12.5%	13 ordinary £1 shares	Parent company to Connect Plus (M25) Ltd	St Albans Road, South Mimms, Hertfordshire, EN6 3NP
Connect Plus (M25) Intermediate Limited	12.5%	13 ordinary £1 shares	Financing company, lending to Connect Plus (M25) Ltd	St Albans Road, South Mimms, Hertfordshire, EN6 3NP
Connect Plus (M25) Limited	12.5%	13 ordinary £1 shares	Operation of PFI contract to develop and maintain the M25 motorway	St Albans Road, South Mimms, Hertfordshire, EN6 3NP