

Registered number: 11022369

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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EQUITIX MA 5 CAPITAL EUROBOND LIMITED

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EQUITIX MA 5 CAPITAL EUROBOND LIMITED

COMPANY INFORMATION

DIRECTORS	H B Crossley G A Jackson J C Smith
REGISTERED NUMBER	11022369
REGISTERED OFFICE	3rd Floor, South Building 200 Aldersgate Street London EC14 4HD
INDEPENDENT AUDITOR	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The Company's performance reflects the position under the various inter-company and intra-group agreements that have been put in place during the year, and the ongoing performance and value of the investment portfolio. See the Strategic Report for further details.

DIRECTORS

The Directors who served during the year are shown on page 2.

GOING CONCERN

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net liability position of the Company, show that the Company should be able to operate within the level of its current resources. The Company has obtained a letter of support from its ultimate parent to assist in meeting the liabilities of the Company as they fall due for at least 12 months from the approval of these financial statements.

The Directors therefore have a reasonable expectation that the Company has 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. Refer to note 2.2 for further details on the Directors' assessment of going concern.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on pages 6-7 and form part of this report by cross-reference.

FINANCIAL RISK MANAGEMENT

The Company's management of financial risks including interest rate, credit and liquidity risk during the year are detailed in note 14.

AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed 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 ought to have been taken as a Director in order to be 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.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board and signed on its behalf.



J C Smith
Director

Date: 1st October 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 the 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.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL ACTIVITIES

The principal activity of Equitix MA 5 Capital Eurobond Limited ("the Company") is to act as a holding company for the Equitix MA 5 LP investment in a long-term infrastructure asset.

BUSINESS REVIEW

During the year, the Company received distributions from its wholly owned subsidiary, Equitix Offshore 1 Limited, which consisted of £1,464k of loan interest and £2,270k of loan principal repayments.

The underlying investment outperformed power generation forecasts for the year, however revenues were impacted by reduced power prices as a result of the COVID-19 pandemic.

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 at the individual project company;
- the progress of the individual project companies;
- the comparison of actual cash flows to those that have been forecast;
- the value of investments held in the group portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

The latest financial models show the values of the current portfolio are performing in line with expectations and the project documentation with no material or significant unavailability deductions being suffered in the year.

The results for the year are shown on page 12 in the Statement of Total Comprehensive Income. This shows a loss before tax of £8,468k (2019: £7,081k profit) and a net finance expense amounting to £1,593k (2019: £1,340k). The loss for the year includes an decrease in the fair value of the investments of £6,875k (2019: £8,421k increase). The Directors do not recommend the payment of a dividend (2019: £nil).

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has entered into inter-company loan agreements with a related group entity and with its subsidiaries. A principal risk is the Company not receiving interest payments in order to make interest payments to the lender company. Therefore, the Company's main concerns are attributable to the sound operation of the underlying 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 infrastructure assets through achieving efficiencies at project level and by maximising synergies at portfolio level.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board and signed on its behalf.



J C Smith
Director

Date: 1st October 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 5 CAPITAL EUROBOND LIMITED

Opinion

We have audited the financial statements of Equitix MA 5 Capital Eurobond Limited (the "Company") for the year ended 31 December 2020 which comprise the statement of total comprehensive income, the statement of financial position, the 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 5 CAPITAL EUROBOND LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as inquiring whether they have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of the meetings of the Directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an affect: anti-bribery, money laundering and GDPR compliance recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 5 CAPITAL EUROBOND LIMITED

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

We have nothing to report in this regard.

Strategic report and directors' report

The Directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 5 CAPITAL EUROBOND LIMITED

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 and for 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.

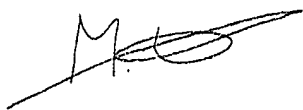
Auditor's responsibilities

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

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

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.



Matthew Williams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: 4 October 2021

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Investment income	7	1,024	899
Fair value (loss)/gain on investments	10	(6,875)	8,421
Operating (loss)/profit	5	(5,851)	9,320
Finance costs	8	(2,617)	(2,239)
(Loss)/profit before tax		(8,468)	7,081
Tax	9	-	-
(Loss)/profit after tax		(8,468)	7,081
Other comprehensive income		-	-
Total comprehensive (loss)/income		(8,468)	7,081

All the above items relate to continuing operations.

The notes on pages 16 to 28 form part of these financial statements.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED
REGISTERED NUMBER: 11022369

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Investments	10	39,911	49,496
		<u>39,911</u>	<u>49,496</u>
Current assets			
Interest and other receivables	11	2,202	1,085
		<u>2,202</u>	<u>1,085</u>
Total assets		<u>42,113</u>	<u>50,581</u>
Liabilities			
Non-current liabilities			
Borrowings	12	(43,500)	(43,500)
		<u>(43,500)</u>	<u>(43,500)</u>
Total liabilities		<u>(43,500)</u>	<u>(43,500)</u>
Net (liabilities)/assets		<u>(1,387)</u>	<u>7,081</u>
Issued capital and reserves			
Share capital	13	-	-
Retained earnings		<u>(1,387)</u>	<u>7,081</u>
Shareholders' (deficit)/funds		<u>(1,387)</u>	<u>7,081</u>

The notes on pages 16 to 28 form part of these financial statements.

The financial statements of Equitix MA 5 Capital Eurobond Limited, registered number 11022369, were approved by the Board of Directors and authorised for issue and were signed on its behalf by:



J C Smith
Director

Date: 1st October 2021

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Retained earnings £000	Total equity £000
At 1 January 2019	-	-
Profit for the year	7,081	7,081
	<u>7,081</u>	<u>7,081</u>
Total comprehensive income for the year		
	<u>7,081</u>	<u>7,081</u>
At 31 December 2019	7,081	7,081
	<u>7,081</u>	<u>7,081</u>
At 1 January 2020	7,081	7,081
Loss for the year	(8,468)	(8,468)
	<u>(8,468)</u>	<u>(8,468)</u>
Total comprehensive loss for the year		
	<u>(8,468)</u>	<u>(8,468)</u>
At 31 December 2020	(1,387)	(1,387)
	<u>(1,387)</u>	<u>(1,387)</u>

The notes on pages 16 to 28 form part of these financial statements.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Company does not have a bank account and therefore has no cash transactions (2019: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. GENERAL INFORMATION

Equitix MA 5 Capital Eurobond Limited (the "Company") is a private company limited by shares, domiciled and registered in England and Wales in the UK under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 6 and 7. 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

2.1 Basis of preparation

These financial statements have been prepared in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRSs"). A summary of the principal accounting policies, all of which have been applied consistently throughout the year, are set out below.

The financial statements are prepared on the historical cost basis except for investments measured at fair value.

The Company qualifies as an Investment Entity (Amendments to IFRS 10, IFRS 12, and IAS 27) on the basis of the following criteria:

- i) the Company obtains funds from investors for the purpose of providing those investors with investment management services;
- ii) 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
- iii) the Company measures and evaluates the performance of substantially all of its investment on a fair value basis.

As such it is required to account for its investments at fair value through profit and loss and hence has not prepared consolidated financial statements.

Joint ventures are those entities over which the Company has significant influence and joint control as defined in IAS 28 'Investments in Associates and Joint Ventures'. By virtue of the Company meeting the definition of a fund management company and the wholly-owned subsidiary of an investment fund and the exemption provided by IAS 28, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit and loss.

2.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate based on the cashflow forecasts prepared by them for a period of 12 months.

Whilst the Company holds a single asset investment, the investment has a high degree of revenue backed by the government. Therefore, the Directors consider that no severe but plausible downside event would prevent the Company being able to meet its liabilities as they fall due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

Further, whilst the Company is in a net liabilities position. The parent has indicated its intention to continue to make available such funds as are needed and does not intend to seek repayment of any amounts payable for the next twelve months from the balance sheet date. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors of the Company have also considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The main risk resulting from COVID-19 for the Company is in respect of the impact on the valuation of investments held at fair value through profit and loss. The Directors of the Company have considered the impact on the Company of potentially lower valuations and does not consider there to be any significant impact on the going concern basis of preparation of financial statements.

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.

2.3 Revenue

Interest income

Interest income is recognised using the effective interest rate method, 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.

Income from participating interests

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (continued)

2.4 Borrowings

Borrowings are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

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.

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of Total Comprehensive Income.

2.6 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 Total Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years 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 provided 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 loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. 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.

The carrying amount of a deferred tax asset is reviewed at each Statement of Financial Position 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 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.

2.7 Investments

Investments are measured at at fair value through profit or loss. See note 3 for information about the methods used and key inputs.

2.8 Receivables

Trade receivables 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'. These financial instruments are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Estimates

Eurobond Loan Notes - Interest rate

The Company has listed Eurobonds on The International Stock Exchange with a fixed interest rate of 6% which were issued by Equitix MA 5 Finco Limited, a related party of the Company.

The Directors consider that those debt terms are still comparable to the applicable terms for similar listed debt instruments in the current market so, therefore, the Directors believe that the book value of the loan note value in these financial statements approximates fair value at the Statement of Financial Position date.

Investments at fair value through profit or loss

The Company holds share capital of, and owns debt due from, several subsidiaries, which in turn own a portfolio of invested companies and their associated intermediate holding companies. The fair value of investments is determined by valuing the underlying portfolio invested companies and intermediate holding companies.

The transaction price of any transactions within 3 months of the measurement date are used as an estimate of fair value as the directors judge this to be a reasonable indicator.

Otherwise, the fair value of the investment in aggregate is calculated by discounting total future cash flows from the investments. Where the interest rate of the debt element of the investment is considered not to reflect market rates at the date of valuation, then in order to separately disclose the fair value of the debt a market debt rate is determined and applied to the separate debt cash flows.

The principal drivers of internally prepared valuations are therefore:

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

Future cash flows 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 procuring party in relation to performance conditions, demand, availability and inflation.

(i) Future cash flows are the future distributions expected to be received by the Company from its investments. Future distributions involve a degree of uncertainty in terms of their amount and timing as cash flows in the underlying Investments are exposed to risks, for example, in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions and macroeconomic changes. These cashflows are based on the latest financial model available for each investment. These are updated for actual figures periodically and, for levered investments, reviewed by senior debt providers; as such these provide the most reliable estimate of future cash flows. The Investment Manager updates these financial models for the latest macroeconomic forecasts to ensure consistency across the Company's portfolio.

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 a decrease of £3,991k (2019: £4,950k) or increase of £3,991k (2019: £4,950k) respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)**

Estimates (continued)

(ii) Discount rates are based on a risk-free rate adjusted by an appropriate premium to reflect the specific risks of the investment. The risk-free rate is derived from UK government bond rates for the 24-month average yield-to-maturity matching individual investment life. During the year, the Company changed the methodology for determining risk-free rate used for this purpose. In previous years, risk-free rate was taken to be the UK government bond rate matching the fund maturity profile. The Directors believe that the new method is more appropriate as it better represents the risk-free profile of each individual asset.

A discount rate premium is then calculated considering multiple factors pertaining to the specific risk of the investment, including base infrastructure risk, construction risk (if applicable), duration risk due to an extended project life, sector specific risks, and any project specific risks.

The discount rate used for the 2020 valuation was 6.18% (2019: 7.01%). An increase or decrease in the discount rates applied by +/-1% would have resulted in a movement in fair value of the investments of (£2,783k) or £3,150k (2019: (£3,903k) or £4,475k) respectively.

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.

In addition, the following economic assumptions were used in the discounted cash flow valuations:

UK inflation rate	3% for 2020, long term 3%
UK deposit interest rates	0.2% for 2020, long term 1%
UK corporation tax	19% for 2020, long term 17%

Judgements

Deferred tax

The Company has not recognised deferred tax on the temporary difference between the fair value of the investment and its tax base because the Directors are of the view that the fair value of the subordinated debt component of the investment approximates to its nominal value and so any movement in fair value is attributable to the equity component only. In this case there would be no taxation arising because the value of the equity component will be realised through the receipt of non-taxable dividends and/or by a sale for which reliefs from taxation will be available.

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

A number of new standards are effective 1 January 2020 but do not have a material effect on the Company's Financial Statements. The notable policy changes are listed below:

- Definition of a Business (Amendments to IFRS 3)
- Amendments to References to the Conceptual Framework in IFRS Standards and Revised Conceptual Framework
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19 Related Rent Concessions (Amendments to IFRS 16)

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

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. OPERATING LOSS

The loss 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 the Equitix MA 5 Capital Eurobond Limited of £14.4k (2019: £10.6k) has been borne by Equitix MA 5 LP, who will not seek compensation from the Company. There were no non-audit fees (2019: £nil).

6. DIRECTORS' REMUNERATION

No staff were directly employed by the Company (2019: none).

No Directors received any remuneration for services to the Company during the year (2019: £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2019: £nil).

7. INVESTMENT REVENUE

	2020 £000	2019 £000
Interest income	1,024	899

8. FINANCE COSTS

	2020 £000	2019 £000
Interest expense	2,617	2,239

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. TAX

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:

	2020 £000	2019 £000
(Loss)/profit before tax	(8,468)	7,081
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,609)	1,345
Income and fair value movements not subject to taxation	1,306	(1,600)
Losses not utilised in the year	303	255
Total tax expense for the year	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to the accumulated loss from excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of the tax losses carried forward and not recognised as an asset is £557k (2019: £255k).

Changes in tax rates and factors affecting the future tax charges

The March 2021 Budget announced a proposed increase in corporation tax rates with a corporation tax rate of 25% applying with effect from 1 April 2023. This will increase the Company's future current tax charge accordingly.

10. INVESTMENTS

	2020 £000	2019 £000
Opening net book value	49,496	-
Acquisition of investment	-	43,500
Repayment of principal	(2,270)	(2,940)
Movement in accrued interest of debt element	(440)	515
Fair value gain on investments	(6,875)	8,421
Closing net book value	39,911	49,496

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. INVESTMENTS (continued)

The methodology, judgements and inputs into the valuation estimate are disclosed in note 3.

The investment comprises a debt element and an equity element as follows:

	2020 £000	2019 £000
Debt securities	14,852	17,123
Equity	24,983	31,858
Unpaid interest of debt securities	76	515
	<u>39,911</u>	<u>49,496</u>

The debt element carries a coupon of 6% (2019: 6%) and is repayable in 2029.

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 subsidiaries and joint ventures of the Company can be found in note 17 of these financial statements.

11. RECEIVABLES

	2020 £000	2019 £000
Other receivables	2,202	1,085
	<u>2,202</u>	<u>1,085</u>
Included on the Statement of Financial Position as follows:		
Current	2,202	1,085
	<u>2,202</u>	<u>1,085</u>

The carrying amount of these assets is considered to approximate their fair value due to its short term nature. There are no past due or impaired receivable balances.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. BORROWINGS

	2020 £000	2019 £000
Loans from Eurobond	43,500	43,500
	<hr/> 43,500	<hr/> 43,500
Included on the Statement of Financial Position as follows:		
Non-current	43,500	43,500
	<hr/> 43,500	<hr/> 43,500
	<hr/> <hr/>	<hr/> <hr/>

The total amount borrowed under the Eurobond facility is £43,500k (2019: £43,500k). The facility is repayable in 2029, or earlier at the option of the borrower, and bears interest at a rate of 6%.

The carrying amount of these liabilities approximates their fair value.

13. SHARE CAPITAL

	2020 Number	2020 £	2019 Number	2019 £
Authorised				
Unpaid ordinary shares of £1 each	100	100	100	100
	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

14. 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 12, and equity attributable to equity holders of the parent, comprising issued capital are as disclosed in note 13. The Company is not subject to any externally imposed capital requirements.

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. FINANCIAL INSTRUMENTS (continued)

	2020 £000	2019 £000
Financial assets		
Fair value through profit and loss		
Investments	39,911	49,496
Other receivables	2,202	1,085
	<hr/> 42,113	<hr/> 50,581
Financial liabilities at amortised cost		
Borrowings	(43,500)	(43,500)
	<hr/> (43,500)	<hr/> (43,500)

Financial risk management*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. The Company follows the Equitix Fund IV LP Group's policies approved by the board of Directors. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

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 limited exposure to interest rate risk because the loans held with Equitix MA 5 Finco Limited have a fixed interest rate of 6%.

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. This risk is mitigated through the contractual structure of the projects, whereby deductions or non-performance are passed down to the facilities manager, operations and maintenance provider or construction subcontractors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. FINANCIAL INSTRUMENTS (continued)*Credit risk management*

The Company is exposed to credit risk in respect to its current assets as outlined in the Statement of Financial Position through possible default of the relevant counterparty. The maximum gross exposure to credit risk, before credit enhancements and other mitigates, is represented by the carrying amounts of the financial assets that are carried on the Statement of Financial Position. This risk is mitigated through a combination of diversification of exposures across multiple projects and sectors, the majority of credit counterparties for projects being government, government backed or quasi government bodies, and the presences of collateral and credit enhancements at the project level including charges over, or ownership of, physical assets. This risk is therefore not considered to be significant.

The Company's subsidiaries and investments transact with creditworthy infrastructure companies that have a cash flow derived from projects in agreement with government or semi government authorities.

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. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following tables 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:

Liabilities

	2020 £000	2019 £000
Less than 1 year		
Interest payable	5,031	4,932
2-5 years		
Interest payable	12,776	14,563
5+ years		
Borrowings	43,500	43,500
Interest payable	50,424	81,383
	93,924	124,883
Total		
Borrowings	43,500	43,500
Interest payable	68,231	100,878
	111,731	144,378

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. FINANCIAL INSTRUMENTS (continued)**Fair value of financial instruments**

The Company holds a number of financial instruments on the Statement of Financial Position at their fair values. The following hierarchy classifies each class of financial asset or liability depending upon the valuation technique applied in determining its fair value:

- 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.

Investments comprise both debt and equity investments. Both debt and equity investments are considered a Level 3 valuation. See note 3.

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

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

15. RELATED PARTY TRANSACTIONS

<u>Statement of total comprehensive income</u>		2020	2019
		£'000	£'000
Related party	Transaction description		
Equitix MA 5 Finco Ltd	Interest expense	(2,617)	(2,239)
Equitix Offshore 1 Ltd	Interest income	1,024	899
		<u>(1,593)</u>	<u>(1,340)</u>

	<u>Amounts owed by related parties</u>		<u>Amounts owed to related parties</u>		
	2020	2019	2020	2019	
<u>Statement of financial position</u>	£'000	£'000	£'000	£'000	
Related party	Transaction description				
Equitix MA 5 Finco Ltd	Loan notes	-	-	(43,500)	(43,500)
Equitix MA 5 Finco Ltd	Interest creditor - loan notes	2,202	1,085	-	-
Equitix Offshore 1 Ltd	Loan notes	14,852	17,123	-	-
Equitix Offshore 1 Ltd	Interest debtor - loan notes	-	-	-	-
		<u>17,054</u>	<u>18,208</u>	<u>(43,500)</u>	<u>(43,500)</u>

EQUITIX MA 5 CAPITAL EUROBOND LIMITED

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16. ULTIMATE PARENT

The Company's immediate parent company is Equitix MA 5 Holdco Limited, registered address Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB, a Company incorporated in Guernsey. The Company's ultimate parent and controlling entity, is Equitix MA 5 LP, registered address 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD, a Limited Partnership registered in England and Wales. The Company's results are not consolidated as the Company's immediate parent and its ultimate parent entity meets the criteria of Investment Entities under IFRS 10. The Company's parent does not prepare consolidated accounts.

17. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2020

Company name	Initial investment	Industry sector	Country of domicile	Equity holding %	Registered address
Equitix Offshore 1 Ltd	20/02/2019	Renewable power	UK	31.1%	3rd Floor, South Building, 200 Aldersgate Street, London EC1A 4HD
Equitix Offshore 2 Ltd	20/02/2019	Renewable power	UK	31.1%	3rd Floor, South Building, 200 Aldersgate Street, London EC1A 4HD
Equitix Offshore 3 Ltd	20/02/2019	Renewable power	UK	19.7%	3rd Floor, South Building, 200 Aldersgate Street, London EC1A 4HD
Equitix Offshore 4 Ltd	20/02/2019	Renewable power	UK	19.7%	3rd Floor, South Building, 200 Aldersgate Street, London EC1A 4HD
Equitix Offshore 5 Ltd	20/02/2019	Renewable power	UK	19.7%	3rd Floor, South Building, 200 Aldersgate Street, London EC1A 4HD
Scira Offshore Energy Ltd	20/02/2019	Renewable power	UK	7.9%	Wind Farm Place, Edgar Road, Walsingham, Norfolk, NR22 6EJ

All investments are held indirectly except for the investment in Equitix Offshore 1 Limited.

18. POST BALANCE SHEET EVENTS

There were no significant events or transactions following the Statement of Financial Position date.