

EQUITIX CAPITAL EUROBOND 2 LIMITED

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Registered Number: 07449938

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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DIRECTORS AND ADVISORS

Directors

G A Jackson
H B Crossley
N G B Parker
J C Smith

Registered office

Welken House
10-11 Charterhouse Square
London
EC1M 6EH

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Principal banker

HSBC Bank PLC
8 Canada Square
London
E14 5HQ

EQUITIX CAPITAL EUROBOND 2 LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company are to act as the holding company for the Equitix Fund II LP highways, streetlighting, healthcare, education, student accommodation, social housing, offshore transmission and local police authority assets which are UK Government PFI/PPP infrastructure projects. The Company holds contracts with local authorities in the UK to develop and operate schools, hospitals, healthcare centres, community centres, highways, streetlighting, student accommodation assets, social housing developments, offshore transmission assets and police training facilities throughout the United Kingdom.

BUSINESS REVIEW

During the year the Company made three investments via its subsidiaries, which are detailed below.

Highways infrastructure projects

Rochdale Streetlighting

On 13 May 2016 the construction project in CLP (Rochdale) Ltd reached practical completion and the Company paid the final construction premium of £170k to Equitix Ltd.

Oldham Streetlighting

On 8 July 2016 the construction project in CLP (Oldham) Ltd reached practical completion and the Company paid the final construction premium of £198k to Equitix Ltd.

Sheffield Highways

On 31 October 2016 the Company paid £16,301k for the subordinated debt in Amey Hallam Highways Ltd, which was previously held under a letter of credit.

During the year the Company entered into the following loan agreements with its immediate parent company, Equitix Fund II LP:

On 13 May 2016 the Company entered into a loan agreement with Equitix Fund II LP for £170k for the purpose of paying the final amount of the construction premium for CLP (Rochdale) Ltd.

On 2 June 2016 the Company entered into a loan agreement with Equitix Fund II LP for £100,200k under the Eurobond facility which is listed on the Channel Islands Stock Exchange ("CISX"). This loan is repayable in 2035 and bears interest at a rate of 12%. Under this agreement, all existing 364 day loans were repaid at that date.

The £198k investment in CLP (Oldham) Ltd on 8 July 2016 was funded through headroom in the aforementioned Eurobond

On 28 November 2016 the Company entered into a loan agreement with Equitix Fund II LP for £16,286k, for the purpose of paying for the subordinated debt in Amey Hallam Highways Ltd. The difference of £15k was funded through headroom in the Eurobond facility.

The Company's performance reflects the position under the various inter-company agreements, and the fair value movement of the underlying project companies.

The Company's direct subsidiaries are held at fair value on the Statement of Financial Position with movements recorded through the Income Statement as explained in note 1. In order to determine the fair value of these investments, the company takes into considerations the fair value of all the underlying portfolio companies and intermediate holding companies.

STRATEGIC REPORT (continued)

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 individual project companies;
- the comparison of actual cash flows costs 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 operational models show the current portfolio of projects are performing in line with expectations and the project documentation and no material or significant unavailability deductions being suffered in the year. The construction activity is progressing to schedule and has suffered no significant delays to date.

The results for the year are shown on page 8 in the statement of comprehensive income. This shows a profit before tax of £11,570k (2015: £24,057k) and net finance income amounting to £5,195k (2015: £1,756k expense).

The profit for the year includes an increase in the fair value of the investments of £6,375k (2015: £25,813k). The Directors do not recommend payment of a dividend (2015: £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 its parent entity and into loan arrangements with its joint ventures and subsidiaries. A principal risk is the Company not receiving interest payments in order to make interest payments to its parent company. 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
28 April 2017

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2016.

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

RESULTS AND DIVIDENDS

The Company's performance reflects the position under the various intercompany and inter-group agreements that have been put in place during the year, see Strategic Report for further detail.

FINANCIAL RISK REVIEW

Interest rate risk

The Company has Eurobonds listed on the Channel Islands Securities Exchange with a fixed interest rate which have been purchased by Equitix Fund II LP, the ultimate parent of the Company. These form the primary source of funding for the Company.

The Company investments have various senior debt agreements to fund project construction and operations. These loans are non-recourse to the Company and are 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 PFI/PPP concessions are entered into with government or semi-government authorities, thereby protecting income streams over the course of long term contracts. The characteristics of these long-term contracts mean that income and cost is typically fixed or capped throughout the life of the project and therefore the Group has very limited exposure to market risks.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows stemming from the underlying projects and matching maturity profiles of financial assets and liabilities. The Company's policy throughout the year and preceding periods has been to ensure continuity of funding using the various facilities outlined in the interest rate section above. Senior bank loans are matched in duration to the life of the project concession and are non-recourse to the Company, while the Eurobond facility matures on 9 December 2035.

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 asset 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 Fund II LP group. The Company has obtained a letter of support from its parent entity, Equitix Fund II LP. After making enquiries, the Directors have a reasonable expectation that the Company and its parent 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

- all committed investments of the Company and its subsidiaries holding companies are covered by commitments from the partners of Equitix Fund II LP;
- the Company has limited other outgoings and funding can be drawn down from the Fund's partners if required to meet these obligations; and
- the Fund financial model, which consolidates the returns from the Company's investment portfolio.

Accordingly the going concern basis is adopted in preparing the annual report and financial statements.

DIRECTORS' REPORT (continued)

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 expressed their willingness to continue in office 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
28 April 2017



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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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, International Accounting Standard 2 requires that Directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX CAPITAL EUROBOND 2 LIMITED

We have audited the financial statements of Equitix Capital Eurobond 2 Limited for the year ended 31 December 2016 set out on pages 8 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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

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



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London, UK

Date: 28 April 2017

EQUITIX CAPITAL EUROBOND 2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
		£'000	£'000
Interest income	8	48,539	32,793
Other income	4	17	17
Fair value gains on investments	6, 12	6,375	25,813
Operating profit		54,931	58,623
Finance costs	9	(43,344)	(34,549)
Administrative expenses		(17)	(17)
Profit before tax		11,570	24,057
Tax	10	-	-
Profit after tax		11,570	24,057
Retained profit for the year transferred to reserves		11,570	24,057

All of the above relates to continuing activities.

There are no sources of comprehensive income other than reported above, therefore no separate statement of total comprehensive income is presented.

The notes on pages 12 to 37 form part of these financial statements.

EQUITIX CAPITAL EUROBOND 2 LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		2016	2015
	Notes	£'000	£'000
Non current assets			
Investments at fair value through profit or loss	12	<u>490,281</u>	<u>467,241</u>
		490,281	467,241
Current assets			
Trade and other receivables	13	65,021	40,563
Cash at bank and in hand		<u>13</u>	<u>13</u>
		65,034	40,576
Total assets		<u>555,315</u>	<u>507,817</u>
Current liabilities			
Financial liabilities	14	<u>(62,083)</u>	<u>(42,820)</u>
		(62,083)	(42,820)
Net current assets/(liabilities)		2,951	(2,243)
Non current liabilities			
Borrowings	15	<u>(374,186)</u>	<u>(357,521)</u>
		(374,186)	(357,521)
Total liabilities		<u>(436,269)</u>	<u>(400,341)</u>
Net assets		<u>119,046</u>	<u>107,476</u>
Equity			
Called up share capital	16	1	1
Retained reserves		119,045	107,475
Shareholder's funds		<u>119,046</u>	<u>107,476</u>

The notes on pages 12 to 37 form part of these financial statements.

The financial statements of Equitix Capital Eurobond 2 Limited, registered number 07449938, were approved by the Board of Directors on 28 April 2017 and were signed on its behalf by:


J C Smith
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2015	1	83,418	83,419
Profit for the year	-	24,057	24,057
Balance as 31 December 2015	1	107,475	107,476
Balance as at 1 January 2016	1	107,475	107,476
Profit for the year	-	11,570	11,570
Balance as 31 December 2016	1	119,045	119,046

The notes on pages 12 to 37 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	£'000	£'000
Cash inflow/(outflow) from operations	11	-	(5,878)
Investing activities			
Investment in subsidiaries and joint ventures	12	(16,668)	(81,788)
Repayment of investment	12	3	-
Net cash used in investing activities		(16,665)	(81,788)
Financing activities			
Revolving credit facility		-	33,205
Repayment of revolving credit facility		-	(53,000)
Loans from parent company	15	16,665	101,438
Net cash from financing activities		16,665	81,643
Net decrease in cash and cash equivalents		-	(6,023)
Cash and cash equivalents at beginning of year		13	6,036
Cash and cash equivalents at end of year		13	13

The notes on pages 12 to 37 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2016

1 ACCOUNTING POLICIES**a) General information**

Equitix Capital Eurobond 2 Limited is a Company incorporated in the United Kingdom under the Companies Act. 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 pages 2-3 and in the Directors' report on pages 4-5. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates, rounded in £000s.

b) Basis of preparation

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

The Company has adopted Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27) and meets the definition of an Investment Entity under IFRS 10. As such, the Company recognises investments at fair value through profit and loss.

These financial statements, for the year ended 31 December 2016, 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, IAS 28 Investments in Associates and Joint Ventures and IFRS 11 Joint Arrangements.

IFRS 10 requires the Company to measure its interests in subsidiary investments under IAS 39: Financial Instruments - Recognition and Measurement and IFRS 7: Financial Instruments - Disclosures. The investments are valued at fair value with gains or losses on measurement of investments accounted for through profit or loss (see note 12).

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 IAS 39 Financial Instruments: Recognition and Measurement 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 obtains funds from multiple 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 investments on a fair value basis.

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 more than one investment;
- (ii) it has more than one investor;
- (iii) it has investors that are not related parties;
- (iv) it has ownership interests in the form of equity or similar interest; and
- (v) it holds investments for a limited period only i.e. it has an exit strategy for its investments.

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, in accordance with the equivalent measurement exception under IAS 28 and IFRS 13, with changes in fair value recognised in profit or loss in the period of charge.

In the current year, the Company continues to apply the following accounting standards:

- Annual Improvements to IFRSs - 2010-2012 Cycle (January 2015)
- Annual Improvements to IFRSs - 2011-2013 Cycle (December 2014)

Notes to the financial statements for the year ended 31 December 2016

1 ACCOUNTING POLICIES (continued)

c) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 4.

d) 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. It is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. 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.

Other income associated with the provision of services is accrued on a time basis over the period to which the delivery of the service is set, net of VAT and other sales-related tax.

e) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement 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 balance sheet date.

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 deferred tax assets 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.

f) Borrowings

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.

g) Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

h) Payables and receivables

Payables/receivables are financial liabilities/assets with fixed or determinable payments that are not quoted in an active market. Payables/receivables are recognised initially at fair value less transaction costs, if any. These are subsequently measured at amortised cost using the effective interest method. Given the nature of payables/receivables, however, and the short time length involved between their origination and settlement, their amortised cost is generally materially the same as their fair value at the date of origination.

Notes to the financial statements for the year ended 31 December 2016

1 ACCOUNTING POLICIES (continued)**i) Financial Instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet 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 IAS 39 'Financial Instruments: Recognition and Measurement'.

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 the 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 IAS39 Financial Instruments, with changes in fair value recognised in profit or loss in the period of the charge.

Investments in joint ventures and associates

The Company meets the definition in IAS 28 (May 2011) Investments in Associates and Joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint ventures and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value through profit or loss in accordance with IAS 39 Financial Instruments and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the charge.

Equitix Capital Eurobond 2 Limited holds 100% of the issued share capital of six subsidiaries, Equitix Highways 2 Limited, Equitix Education 2 Limited, Equitix Healthcare 2 Limited, Equitix Bluelight 2 Limited, Equitix Housing 2 Limited and Equitix Transmission 2 Limited, which own a portfolio of investee companies and their 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 Income Statement.

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.

Notes to the financial statements for the year ended 31 December 2016

1 ACCOUNTING POLICIES (continued)**i) Financial Instruments (continued)****(ii) Loans and 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 'loans and other receivables'. 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 balance sheet 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 balance sheet.

Impairment of financial assets

Financial assets, other than those through profit or loss, are assessed for indicators of impairment at each balance sheet date. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative impact on the asset. Significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss can be reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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 market with unobservable inputs, is derived in one of 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), 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 and recent market transactions. The discount rates that has been applied to the financial assets at 31 December 2016 were in the range of 6.12% to 9.0% (2015: 6.33% to 9.02%).

(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.

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.

j) Financial risk management

The Company has loans from Equitix Fund II LP, the Company's immediate parent, with a fixed interest rates. These loans, including accrued interest, are repayable when the Company has sufficient surplus cash. The value of the loans shown on the balance sheet represent the value of the loans as at the balance sheet date. The Company also has a fixed rate Eurobond loan note listed on the Channel Islands Securities Exchange.

Notes to the financial statements for the year ended 31 December 2016
1 ACCOUNTING POLICIES (continued)**k) Share capital**

Ordinary shares are classified as equity.

l) Expenses

All expenses are accounted for on an accruals basis. The Company's fees, finance costs and all other expenses are charged through the income statement.

m) Assessable risks*Credit risk*

The Company is not exposed to significant credit risk as the Company derives interest from joint ventures and subsidiaries which are PFI concessions with government departments, local authorities and other public sector clients.

Liquidity risk

The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves at group level to meet its obligations.

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 existing focus.

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.

n) 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.

o) 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 private finance initiatives and public private partnership companies in one geographical area, the United Kingdom.

2 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.

The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Company as at 31 December are discussed below.

Inter-company agreements - Interest Rate

The Company's loan agreements with its immediate parent, Equitix Fund II LP, carry an interest rate of 12%, reflecting the market rate attributable to similar instruments within the Group, therefore the Directors believe that the loan note value in these financial statements reflects fair value at the balance sheet date.

Eurobond Loan Notes - Interest Rate

The Company has listed Eurobonds on the Channel Islands Securities Exchange with a fixed interest rate of 12% which have been purchased by Equitix Fund II LP, the ultimate parent of the Company. These form the primary source of funding for the Company. The debt terms are comparable to the applicable terms for similar listed debt instruments in the current market so, therefore, the Directors believe that the loan note value in these financial statements reflects fair value at the balance sheet date.

Notes to the financial statements for the year ended 31 December 2016

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)Investments at fair value through profit or loss

By virtue of the Company's status as an Investment Entity and the associated requirement of IFRS 10, investments in joint ventures and subsidiaries are designated upon initial recognition and subsequently to be 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. 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 and inflation.

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 £49,026k (2015: £45,475k) 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 rates used for the 2016 valuation were in a range between 6.12% and 9.00% (2015: 6.33% to 9.02%). If the discount rate used in the valuation were increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss/gain respectively of £50,115k/£58,765k (2015: £49,860k/£59,556k). In order to assess the fair value of the Company's investments (note 12) and the recoverability of interest receivables (note 13), consideration has been given to the profile of cash flows from investments and the cash flow benefits derived from group relief from the Company's wholly-owned subsidiaries, which are currently generating losses that can be surrendered to profit-making group and consortium companies. Taking this into consideration the Directors are satisfied with the fair value of investments and recoverability of interest receivables.

A significant portion of the fair value of investments shown on the balance sheet is attributed to the future disposal proceeds of project assets. The value ascribed to these assets has been independently verified by a recognised industry expert, and is based upon the current asset use continuing at the point of realisation and beyond. Additional risk premia between 0.5% and 1.0% have been added to reflect any additional associated risk.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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.

In order to assess the fair value of Equitix Capital Eurobond 2 Ltd's investments (note 12) and the recoverability of the interest debtor (note 13), consideration has been given to the profile of cash flows from the investments and the cash flow benefits derived from the group relief from the Company's wholly-owned subsidiaries. These companies are currently generating losses that can be surrendered to profit-making group and consortium companies. Taking these together, the Directors are satisfied with the fair value of investments and the recoverability of the interest debtor.

Notes to the financial statements for the year ended 31 December 2016

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

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

- Annual Improvements to IFRSs - 2012-2014 Cycle (January 2016);
- Disclosure Initiative - Amendments to IAS1 (January 2016);

The following standards, amendments 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):

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS12;
- Disclosure Initiative - Amendments to IAS7;

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

4 OTHER INCOME

All other income relates to management charges made by the Company to the investment projects for directors' fees, in accordance with individual project shareholder agreements. All other income is derived from customers domiciled in the United Kingdom.

5 AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	6	6
Total audit fees	<u><u>6</u></u>	<u><u>6</u></u>

The audit fee has been borne by Equitix Fund II LP, who will not seek compensation from the Company.

Non-audit fees, including corporate tax compliance, are borne by Equitix Fund II LP.

6 FAIR VALUE MOVEMENTS ON INVESTMENTS

The gain on investments of £6,375k (2015: £25,813k) has been included in the income statement.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Further detail is given in note 17.

Notes to the financial statements for the year ended 31 December 2016

7 DIRECTORS' REMUNERATION

No staff were directly employed by the Company (2015: none).

No Directors received any remuneration for services to the Company during the year (2015: £nil). The Company is managed by secondees from other Equitix companies. No recharge for services rendered has been made during the year (2015: £nil).

8 INTEREST INCOME

	2016 £'000	2015 £'000
Interest received from joint ventures	48,539	32,793
	<u>48,539</u>	<u>32,793</u>

9 FINANCE COSTS

	2016 £'000	2015 £'000
Interest expense on loans from ultimate parent	(43,344)	(33,681)
Interest expense on external borrowings	-	(868)
	<u>(43,344)</u>	<u>(34,549)</u>

10 TAX

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	-	-
Total tax charge for the year	<u>-</u>	<u>-</u>

Corporation tax is calculated at a rate of 20% (2015: 20.25%).

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

	2016 £'000	2015 £'000
Profit before tax	11,570	24,057
Profit at the current tax rate of 20% (2015: 20.25%)	(2,314)	(4,871)
Fair value movement not taxable	1,275	5,227
Utilised losses	1,039	-
Tax losses not utilised	-	(356)
Total current tax charge for the year	<u>-</u>	<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. The amount of the asset not recognised is £1,315k (2015: £2,302k) calculated at 19%, the rate substantively enacted at the balance sheet date.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes to the financial statements for the year ended 31 December 2016

11 NOTES TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
Profit before tax	11,570	24,057
<i>Adjustments for:</i>		
Fair value gains on investments	(6,375)	(25,813)
Interest income	(48,539)	(32,793)
Finance expense	43,344	34,549
(Increase)/decrease in other receivables	(17)	134
Increase/(decrease) in other payables	17	(5,144)
Operating cash flows before movements in working capital	-	(5,010)
Income tax paid	-	-
Interest received	24,099	20,961
Interest paid	(24,099)	(21,829)
Cash inflow/(outflow) from operations	-	(5,878)

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 £'000	2015 £'000
Carrying value	490,281	467,241
Cost	369,018	352,351
	£'000	£'000
Opening balance at 1 January	467,241	359,640
Acquisitions	16,668	81,788
Repayments	(3)	-
Fair value gains	6,375	25,813
Closing balance at 31 December	490,281	467,241

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

UK inflation rates	1.6% for 2016, 3% long term
UK deposit interest rates	0.5% for 2016, 3.5% long term
UK corporation tax	20% for 2016, 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 pages 29 to 37 of these financial statements.

On 13 May 2016 the construction project in CLP (Rochdale) Ltd reached practical completion and the Company paid the final construction premium of £170k to Equitix Ltd.

On 27 May 2016 Equitix Education 2 Ltd, a wholly owned Company subsidiary, sold 10 shares in Salford Village Ltd for £3k.

On 8 July 2016 the construction project in CLP (Oldham) Ltd reached practical completion and the Company paid the final construction premium of £198k to Equitix Ltd.

On 31 October 2016 the Company paid £16,301k for the subordinated debt in Amey Hallam Highways Ltd, which was previously held under a letter of credit.

EQUITIX CAPITAL EUROBOND 2 LIMITED

Notes to the financial statements for the year ended 31 December 2016

13 RECEIVABLES	2016 £'000	2015 £'000
Interest receivable	64,996	40,556
Other receivables	25	7
Total receivables	65,021	40,563

The receivables are split between current and non-current as follows:

	2016 £'000	2015 £'000
Current	65,021	40,563
	65,021	40,563

The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances.

14 PAYABLES	2016 £'000	2015 £'000
Interest payables	(60,234)	(40,988)
Other payables	(1,849)	(1,832)
Total payables	(62,083)	(42,820)

Interest payable to parent in the current and prior year represents accrued interest on loan note borrowings from Equitix Fund II LP.

The carrying amount of these liabilities approximates their fair value.

15 BORROWINGS	2016 £'000	2015 £'000
Secured borrowing at amortised cost		
- Loans from parent company	(374,186)	(357,521)
	(374,186)	(357,521)

The borrowings are split between current and non-current liabilities as follows:

	2016 £'000	2015 £'000
Current	-	-
Non-current	(374,186)	(357,521)
	(374,186)	(357,521)

During the year the Group entered into £16,286k of intercompany loan agreements with its parent, Equitix Fund II LP. Please refer to the Strategic Report for more information. The loans bear interest at a rate of 12%.

The total amount borrowed under Eurobond facilities as at 31 December 2016 is £357,900k (2015: £257,700k). The facilities are repayable in 2035 and bear interest at a rate of 12%.

The carrying amount of these liabilities approximates their fair value.

EQUITIX CAPITAL EUROBOND 2 LIMITED

Notes to the financial statements for the year ended 31 December 2016

16 CAPITAL AND RESERVES

	Authorised	
	2016	2016
	Number	£'000
<i>Ordinary shares of £1 each</i>		
At 1 January and 31 December	<u>1,000</u>	<u>1</u>
	Issued and unpaid	
	2016	2016
	Number	£'000
<i>Ordinary shares of £1 each</i>		
At 1 January and 31 December	<u>1,000</u>	<u>1</u>
	Authorised	
	2015	2015
	Number	£'000
<i>Ordinary shares of £1 each</i>		
At 31 December	<u>1,000</u>	<u>1</u>
	Issued and unpaid	
	2015	2015
	Number	£'000
<i>Ordinary shares of £1 each</i>		
At 31 December	<u>1,000</u>	<u>1</u>

Notes to the financial statements for the year ended 31 December 2016

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, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the Statement of Changes in Equity and note 16. 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 basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

	Carrying value	
<i>Categories of financial instruments</i>	2016	2015
Financial assets	£'000	£'000
Fair value through profit and loss		
Investments	490,281	467,241
Loans and receivables		
Other receivables	65,021	40,563
Cash and cash equivalents	13	13
	<u>555,315</u>	<u>507,818</u>
Financial liabilities at amortised cost		
Borrowings	(374,186)	(357,521)
Other payables	(62,083)	(42,820)
	<u>(436,269)</u>	<u>(400,341)</u>

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.

Market risk

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

Interest rate risk management

The Company has limited exposure to interest rate risk as loans held with Equitix Fund II LP have a fixed interest rate of 12%. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

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 on to service providers and subcontractors by the PFI contract structure, leaving the PFI investment insulated from issues of non-performance.

Notes to the financial statements for the year ended 31 December 2016

17 FINANCIAL INSTRUMENTS (continued)

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 counterparties 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 assets consist of amounts receivable from related parties. 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.

The Company only transacts with creditworthy PFI / PPP concession 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.

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 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

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
2016					
Loans from related parties	-	-	-	(374,186)	(374,186)
Other payables	(62,083)	-	-	-	(62,083)
	(62,083)	-	-	(374,186)	(436,269)

	Less than 1 year	1-2 years	3-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
2015					
Loans from related parties	-	-	-	(357,521)	(357,521)
Other payables	(42,820)	-	-	-	(42,820)
	(42,820)	-	-	(357,521)	(400,341)

Loans from related parties comprise inter-company loan agreements entered into between the Company and Equitix Fund II LP. The carrying value of the loan notes represents the current fair value.

Notes to the financial statements for the year ended 31 December 2016

17 FINANCIAL INSTRUMENTS (continued)

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 year	1-2 years	3-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
2016					
Cash and cash equivalents	13	-	-	-	13
Other receivables	65,021	-	-	-	65,021
	65,034	-	-	-	65,034
	Less than 1 year	1-2 years	3-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
2015					
Cash and cash equivalents	13	-	-	-	13
Other receivables	40,563	-	-	-	40,563
	40,576	-	-	-	40,576

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.

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

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:

	2016 Level 1 £'000	2016 Level 2 £'000	2016 Level 3 £'000	2016 Total £'000
Investments at fair value through profit or loss	-	-	490,281	490,281
	-	-	490,281	490,281
	2015 Level 1 £'000	2015 Level 2 £'000	2015 Level 3 £'000	2015 Total £'000
Investments at fair value through profit or loss	-	-	467,241	467,241
	-	-	467,241	467,241

Financial liabilities held at amortised cost are determined to be level 3 items, the basis for their measurement and recognition are disclosed in note 1.

Notes to the financial statements for the year ended 31 December 2016

17 FINANCIAL INSTRUMENTS (continued)

The key assumptions used in determining the fair values of level 3 investments and a sensitivity analysis is disclosed in note 3. The reconciliation below quantifies the impact of the key unobservable inputs, being the discount rates, on the value of the investments:

Level 3 Reconciliation - Investments at fair value through profit or loss

	2016	2015
	£'000	£'000
Opening net book value	467,241	359,640
Acquisitions	16,668	81,788
Repayments	(3)	-
Movement due to unwinding of discounting calculation	35,022	31,056
Movement due to change in discount rate	4,232	13,093
Movement due to change in cash flows	(5,695)	445
Movement in value due to distributions	(27,184)	(18,781)
Closing net book value	490,281	467,241

Gearing ratio

The gearing ratio at the year end is as follows:

	2016	2015
	£'000	£'000
Debt	(374,186)	(357,521)
Cash and cash equivalents	13	13
Net debt	(374,173)	(357,508)
Equity	119,046	107,476
Net debt to equity ratio	76%	77%

Debt is defined as long- and short-term borrowings (excluding derivatives) as detailed in note 15.

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

Notes to the financial statements for the year ended 31 December 2016

18 RELATED PARTY TRANSACTIONS

The following transactions took place between the Company and its joint ventures and associates:

Profit and loss account transactions

Related party	2016 £'000		2015 £'000	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Amey Birmingham Highways Ltd	3,418	-	506	-
Community Lighting Partnerships (Oldham) Ltd	546	-	(61)	-
Community Lighting Partnerships (Rochdale) Ltd	536	-	(61)	-
Amey Hallam Highways Ltd	92	-	4	-
Arden Partnerships (Derby) Ltd	516	-	289	-
Arden Partnerships (Leicester) Ltd	162	-	122	-
Arden Partnerships (Lincolnshire) Ltd	336	-	311	-
Aghoco 1063 Ltd	9,809	-	5,825	-
STaG PCT (ProjectCo) Ltd	568	-	616	-
Community Solutions Investment Partners Ltd	5,323	-	4,863	-
Primaria (Leeds) Ltd	2,607	-	(546)	-
E4i Schools Ltd	1,352	-	1,360	-
Transform Schools (North Lanarkshire) Holdings Ltd	2,329	-	2,152	-
Information Resources (Bournemouth) Ltd	655	-	688	-
ULiving @ Essex Holdco Ltd	2,681	-	1,577	-
West Yorkshire PFI Operational Training & Accommodation Ltd	711	-	920	-
Miller Equitix Inverness Ltd	385	-	269	-
Salford Village Ltd	358	-	295	-
Greater Gabbard OFTO Plc	5,631	-	2,841	-
Connect CNDR Ltd	2,615	-	2,892	-
Connect A30/A35 Ltd	2,648	-	2,209	-
Access for Wigan Ltd	1,603	-	1,931	-
Prospect Healthcare (Ipswich) Ltd	385	-	466	-
Sustainable Communities for Leeds Ltd	486	-	616	-
Solutions for Brunswick Ltd	(340)	-	12	-
Gwynt y Mor OFTO Plc	3,127	-	2,697	-
Equitix Fund II LP	-	(43,344)	-	(33,681)
	48,539	(43,344)	32,793	(33,681)

Related party	2016 £'000		2015 £'000	
	Sale of Services	Purchase of Services	Sale of Services	Purchase of Services
Amey Hallam Highways Ltd	17	-	17	-
Equitix Fund II LP	-	(17)	-	(17)
	17	(17)	17	(17)

EQUITIX CAPITAL EUROBOND 2 LIMITED

Notes to the financial statements for the year ended 31 December 2016

18 RELATED PARTY TRANSACTIONS (continued)

Balance Sheet

	2016 £'000		2015 £'000	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Related party				
Amey Birmingham Highways Ltd	3,916	-	499	-
Community Lighting Partnerships (Oldham) Ltd	320	-	385	-
Community Lighting Partnerships (Rochdale) Ltd	321	-	387	-
Amey Hallam Highways Ltd	92	-	-	-
Arden Partnerships (Derby) Ltd	239	-	236	-
Arden Partnerships (Leicester) Ltd	71	-	83	-
Arden Partnerships (Lincolnshire) Ltd	162	-	207	-
Aghoco 1063 Ltd	21,258	-	15,734	-
Community Solutions Investment Partners Ltd	12,449	-	9,322	-
STaG PCT (ProjectCo) Ltd	399	-	110	-
Primaria (Leeds) Ltd	(1,831)	-	(1,844)	-
E4i Schools Ltd	563	-	113	-
Transform Schools (North Lanarkshire) Holdings Ltd	3,946	-	2,605	-
Information Resources (Bournemouth) Ltd	625	-	432	-
ULiving @ Essex Holdco Ltd	2,968	-	1,528	-
West Yorkshire PFI Operational Training & Accommodation Ltd	608	-	426	-
Miller Equitix Inverness Ltd	547	-	191	-
Salford Village Ltd	(110)	-	(467)	-
Greater Gabbard OFTO Plc	4,101	-	871	-
Connect CNDR Ltd	2,536	-	1,917	-
Connect A30/A35 Ltd	2,438	-	1,463	-
Access for Wigan Ltd	(2,023)	-	1,403	-
Prospect Healthcare (Ipswich) Ltd	536	-	467	-
Sustainable Communities for Leeds Ltd	1,696	-	1,255	-
Solutions for Brunswick Ltd	(323)	-	18	-
Gwynt y Mor OFTO Plc	5,824	-	2,699	-
Equitix Fund II LP	-	(434,420)	-	(398,509)
	61,328	(434,420)	40,042	(398,509)

19 FUTURE COMMITMENTS

The Company is committed to investing £21,497k (2015: £45,436) across its underlying infrastructure assets, Amey Birmingham Highways Ltd, Amey Hallam Highways Ltd, Sustainable Communities for Leeds Ltd and Solutions for Brunswick Ltd. These commitments shall be called on upon successful completion of the construction phases.

20 ULTIMATE PARENT

The Company's immediate parent company is Equitix Fund Holdco 2 Limited, a company incorporated in the Guernsey. The Company's ultimate parent and controlling entity, is Equitix Fund II LP, a limited partnership registered in England and Wales. The Company's results are not consolidated as the Company and its ultimate parent entity meets the criteria of Investment Entities under IFRS 10 and the Company's parent does not prepare consolidated accounts.

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
<i>Highways division:</i> Equitix Highways 2 Limited**	100% ordinary share capital	100 ordinary £1 shares	Parent company to the Equitix Fund II Highways division	10-11 Charterhouse Square, London, EC1M 6EH
Amey Birmingham Highways Holdings Ltd	33% ordinary share capital	16,666 ordinary £1 shares *	Parent company to Amey Birmingham Highways Ltd	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ
Amey Birmingham Highways Ltd	33% ordinary share capital	16,666 ordinary £1 shares *	Provision of highways maintenance services.	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ
Community Lighting Partnership (Oldham) Holdings Ltd	50% ordinary share capital	22,500 ordinary £1 "A" shares *	Parent company to Community Lighting Partnership (Oldham) Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Community Lighting Partnership (Oldham) Ltd	50% ordinary share capital	22,500 ordinary £1 "A" shares *	Provision of street lighting services.	10-11 Charterhouse Square, London, EC1M 6EH
Community Lighting Partnership (Rochdale) Holdings Ltd	50% ordinary share capital	22,500 ordinary £1 "A" shares *	Parent company to Community Lighting Partnership (Rochdale) Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Community Lighting Partnership (Rochdale) Ltd	50% ordinary share capital	22,500 ordinary £1 "A" shares *	Provision of street lighting services.	10-11 Charterhouse Square, London, EC1M 6EH
Amey Hallam Highways Holdings Ltd	33% ordinary share capital	6,000 ordinary £1 shares *	Parent company to Amey Hallam Highways Ltd	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ
Amey Hallam Highways Ltd	33% ordinary share capital	6,000 ordinary £1 shares *	Provision of highways maintenance services.	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ
Connect CNDR Holdings Ltd**	75% ordinary share capital	7,575 ordinary £1 shares *	Parent company to Connect CNDR Intermediate Ltd	350 Euston Road, Regent's Place, London, NW1 3AX
Connect CNDR Intermediate Ltd**	75% ordinary share capital	7,575 ordinary £1 shares *	Parent company to Connect CNDR Ltd	350 Euston Road, Regent's Place, London, NW1 3AX
Connect CNDR Ltd**	75% ordinary share capital	7,575 ordinary £1 shares *	Provision of highways maintenance services	350 Euston Road, Regent's Place, London, NW1 3AX
Connect Roads A30/A35 Holdings Ltd**	65% ordinary share capital	797,405 ordinary £1 shares *	Parent company to Connect Roads A30/A35 Ltd	350 Euston Road, Regent's Place, London, NW1 3AX
Connect A30/A35 Ltd**	65% ordinary share capital	797,405 ordinary £1 shares *	Provision of highways maintenance services	350 Euston Road, Regent's Place, London, NW1 3AX
<i>Healthcare division:</i> Equitix Healthcare 2 Limited**	100% ordinary share capital	100 ordinary £1 shares	Parent company to Equitix Healthcare division	10-11 Charterhouse Square, London, EC1M 6EH
Arden Partnerships (Derby) Holdings Ltd	50% ordinary share capital	1,500 ordinary £1 shares *	Parent company to Arden Partnership (Derby) Ltd	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB
Arden Partnerships (Derby) Ltd	50% ordinary share capital	1,500 ordinary £1 shares *	Provision of healthcare services	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB

* Designates investments that are held indirectly.

** All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
Arden Partnerships (Leicester) Holdings Ltd	50% ordinary share capital	1,500 ordinary shares *	£1 Parent company to Arden Partnership (Leicester) Ltd	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6
Arden Partnerships (Leicester) Ltd	50% ordinary share capital	1,500 ordinary shares *	£1 Provision of healthcare services	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6
Arden Partnerships (Lincolnshire) Holdings Ltd	50% ordinary share capital	22,500 ordinary "A" shares *	£1 Parent company to Arden Partnership (Lincolnshire) Ltd	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6
Arden Partnerships (Lincolnshire) Ltd	50% ordinary share capital	1,500 ordinary shares *	£1 Provision of healthcare services	Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6
Aghoco 1063 Ltd**	100% 'A' ordinary share capital	1 ordinary shares *	£1 'A' Parent company to LIFT portfolio sub group	10-11 Charterhouse Square, London, EC1M 6EH
Primary Plus (Holdings) Ltd**	100% ordinary share capital	100 ordinary shares *	£1 Intermediate parent company to LIFT portfolio sub group	10-11 Charterhouse Square, London, EC1M 6EH
Southern Derbyshire LIFT Company Ltd**	60% ordinary share capital	364,800 ordinary shares *	£1 LIFT company for the Southern Derbyshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
Southern Derbyshire LIFT (Midco) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Parent company to Southern Derbyshire LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Southern Derbyshire LIFT (Midco) (No.2) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Parent company to Southern Derbyshire LIFT Project Company (No.2) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Southern Derbyshire LIFT Project Company (No.1) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Southern Derbyshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
Southern Derbyshire LIFT Project Company (No.2) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Southern Derbyshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
Sandwell LIFT Company Ltd**	60% ordinary share capital	512,997 ordinary shares *	£1 LIFT company for the Sandwell region	Kent House, 14-17 Market Place, London, W1W 8AJ
Sandwell LIFT Project Company (No.1) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Sandwell region	Kent House, 14-17 Market Place, London, W1W 8AJ
Sandwell LIFT (Midco) (No.2) Ltd**	60% ordinary share capital	6,000 ordinary shares *	£1 Parent company to Sandwell LIFT Project Company (No.2) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Sandwell LIFT Project Company (No.2) Ltd**	60% ordinary share capital	6,000 ordinary shares *	£1 Provides health and social facilities in the Sandwell region	Kent House, 14-17 Market Place, London, W1W 8AJ

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
Sandwell LIFT (Midco) (No 3) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	Parent company to Sandwell LIFT Project Company (No.3) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Sandwell LIFT Project Company (No 3) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	Provides health and social facilities in the Sandwell region	Kent House, 14-17 Market Place, London, W1W 8AJ
Leicester LIFT Company Ltd**	60% ordinary share capital	651,900 ordinary £1 shares *	LIFT company for the Leicester region	Kent House, 14-17 Market Place, London, W1W 8AJ
Leicester LIFT (Midco) Ltd**	60% ordinary share capital	315,001 ordinary £1 shares *	Parent company to Leicester LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Leicester LIFT (Midco) (No.2) Ltd**	60% ordinary share capital	6,000 ordinary £1 shares *	Parent company to Leicester LIFT Project Company (No.2) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Leicester LIFT Project Company (No.1) Ltd**	60% ordinary share capital	315,001 ordinary £1 shares *	Provides health and social facilities in the Leicester region	Kent House, 14-17 Market Place, London, W1W 8AJ
Leicester LIFT Project Company (No.2) Ltd**	60% ordinary share capital	6,000 ordinary £1 shares *	Provides health and social facilities in the Leicester region	Kent House, 14-17 Market Place, London, W1W 8AJ
North Nottinghamshire LIFT Company Ltd**	60% ordinary share capital	11,400 ordinary £1 shares *	LIFT company for the North Nottinghamshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
North Nottinghamshire LIFT (Midco) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Parent company to Leicester LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Estates Development North Nottinghamshire Assets (Midco) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Parent company to Estates Development North Nottinghamshire Assets Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
North Nottinghamshire LIFT (Midco) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Parent company to North Nottinghamshire LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Estates Development North Nottinghamshire Assets Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the North Nottinghamshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
North Nottinghamshire LIFT Project Company (No.1) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the North Nottinghamshire region	Kent House, 14-17 Market Place, London, W1W 8AJ

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
GRT Nottingham LIFT Company Ltd**	60% ordinary share capital	11,400 ordinary shares *	£1 LIFT company for the Greater Nottingham region	Kent House, 14-17 Market Place, London, W1W 8AJ
GRT Nottingham LIFT (Midco) (No.1) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Parent company to GRT Nottingham LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
GRT Nottingham LIFT (Midco) (No.2) Ltd**	60% ordinary share capital	600 ordinary shares *	£1 Parent company to GRT Nottingham LIFT Project Company (No.2) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
GRT Nottingham LIFT Project Company (No.1) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Greater Nottingham region	Kent House, 14-17 Market Place, London, W1W 8AJ
GRT Nottingham LIFT Project Company (No.2) Ltd**	60% ordinary share capital	600 ordinary shares *	£1 Provides health and social facilities in the Greater Nottingham region	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast LIFT Company Ltd**	60% ordinary share capital	5,400 ordinary shares *	£1 LIFT company for the Manchester region	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast DEV Co Ltd**	60% ordinary share capital	1 ordinary shares *	£1 LIFT development company for the Manchester region	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast LIFT (Midco) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Parent company to Mast LIFT Project Company (No.1) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast LIFT (Midco) (No.2) Company Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Parent company to Mast LIFT Project Company (No.2) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast LIFT Project Company (No.1) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Manchester region	Kent House, 14-17 Market Place, London, W1W 8AJ
Mast LIFT Project Company (No.2) Ltd**	60% ordinary share capital	1 ordinary shares *	£1 Provides health and social facilities in the Manchester region	Kent House, 14-17 Market Place, London, W1W 8AJ
STaG PCT (Holdco) Ltd**	100% ordinary share capital	700,490 ordinary shares *	£1 Parent company to STaG PCT (ProjectCo) Ltd	Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR
STaG PCT (ProjectCo) Ltd**	100% ordinary share capital	700,490 ordinary shares *	£1 Provides health facilities in the South of Tyne and Wear region	Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR
Equitix Healthcare 2 (LIFT) Ltd**	100% ordinary share capital	1 ordinary shares *	£1 Holds 50% of Community Solutions Investment Partners Ltd	10-11 Charterhouse Square, London, EC1M 6EH

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
Community Solutions Investment Partners Ltd**	50% ordinary share capital	349,388 ordinary £1 shares *	Parent company to CSIP portfolio	Kent House, 14-17 Market Place, London, W1W 8AJ
Community Solutions for Primary Care (Barnsley) Ltd**	100% ordinary share capital	16,386 ordinary £1 shares *	Holding company for Barnsley Community Solutions Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Barnsley Community Solutions Ltd**	60% ordinary share capital	16,386 ordinary £1 shares *	LIFT company for the Barnsley area	Kent House, 14-17 Market Place, London, W1W 8AJ
Barnsley Community Solutions (Tranche 1) Ltd**	60% ordinary share capital	8,586 ordinary £1 shares *	Provides health and social facilities in the Barnsley region	Kent House, 14-17 Market Place, London, W1W 8AJ
Barnsley Community Solutions (Tranche 2) Ltd**	60% ordinary share capital	7,800 ordinary £1 shares *	Provides health and social facilities in the Barnsley region	Kent House, 14-17 Market Place, London, W1W 8AJ
Barnsley Community Solutions (Tranche 3) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	Provides health and social facilities in the Barnsley region	Kent House, 14-17 Market Place, London, W1W 8AJ
Community Solutions for Primary Care (Camden & Islington) Ltd**	100% ordinary share capital	6,000 ordinary £1 shares *	Holding company for Camden & Islington Community Solutions Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Camden & Islington Community Solutions Ltd**	60% ordinary share capital	6,000 ordinary £1 shares *	LIFT company for the Camden & Islington area	Kent House, 14-17 Market Place, London, W1W 8AJ
Camden & Islington Community Solutions 1 Ltd**	60% ordinary share capital	6,000 ordinary £1 shares *	Provides health and social facilities in the boroughs of Camden and Islington	Kent House, 14-17 Market Place, London, W1W 8AJ
Community Solutions for Primary Care (Doncaster) Ltd**	100% ordinary share capital	13,800 ordinary £1 shares *	Holding company for Doncaster Community Solutions (Liftco) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Doncaster Community Solutions (Liftco) Ltd**	60% ordinary share capital	7,800 ordinary £1 shares *	LIFT company for the Doncaster area	Kent House, 14-17 Market Place, London, W1W 8AJ
Doncaster Community Solutions (Fundco 1) Ltd**	60% ordinary share capital	7,800 ordinary £1 shares *	Provides health and social facilities in the Doncaster region	Kent House, 14-17 Market Place, London, W1W 8AJ
Doncaster Community Solutions (Fundco 2) Ltd**	60% ordinary share capital	6,000 ordinary £1 shares *	Provides health and social facilities in the Doncaster region	Kent House, 14-17 Market Place, London, W1W 8AJ

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
Doncaster Community Solutions (Fundco 3) Ltd**	60% ordinary share capital	7,200 ordinary £1 shares *	Provides health and social facilities in the Doncaster region	Kent House, 14-17 Market Place, London, W1W 8AJ
Community Solutions for Primary Care (BTG) Ltd**	100% ordinary share capital	304,200 ordinary £1 shares *	Holding company for Bury, Tameside & Glossop Community Solutions Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Bury, Tameside & Glossop Community Solutions Ltd**	60% ordinary share capital	304,200 ordinary £1 shares *	LIFT company for the Bury, Tameside & Glossop area	Kent House, 14-17 Market Place, London, W1W 8AJ
Bury, Tameside & Glossop Community Solutions (1) Ltd**	60% ordinary share capital	300,000 ordinary £1 shares *	Provides health and social facilities in the Bury, Tameside	Kent House, 14-17 Market Place, London, W1W 8AJ
Bury, Tameside & Glossop Community Solutions (2) Ltd**	60% ordinary share capital	4,200 ordinary £1 shares *	Provides health and social facilities in the Bury, Tameside & Glossop regions	Kent House, 14-17 Market Place, London, W1W 8AJ
Bury, Tameside & Glossop Community Solutions (3) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the Bury, Tameside & Glossop regions	Kent House, 14-17 Market Place, London, W1W 8AJ
West Sussex Community Solutions Ltd**	60% ordinary share capital	600 ordinary £1 shares *	LIFT company for the West Sussex region	Kent House, 14-17 Market Place, London, W1W 8AJ
JV UK Company Limited**	100% ordinary share capital	7,400 ordinary £1 shares *	Holding company for Community Solutions Primary Care (Solent) Ltd and LIFT	Kent House, 14-17 Market Place, London, W1W 8AJ
Community Solutions Primary Care (Solent) Ltd**	100% ordinary share capital	12,600 ordinary £1 shares *	Parent company to Solent Community Solutions Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ
Solent Community Solutions Ltd**	60% ordinary share capital	12,600 ordinary £1 shares *	LIFT company for the Solent region	Kent House, 14-17 Market Place, London, W1W 8AJ
Hampshire LIFT Ltd**	50% ordinary share capital	2 ordinary £1 shares *	LIFT company for the Hampshire region	Kent House, 14-17 Market Place, London, W1W 8AJ
Solent Community Solutions 1 Ltd**	60% ordinary share capital	5,400 ordinary £1 shares *	Provides health and social facilities in the Solent region	Kent House, 14-17 Market Place, London, W1W 8AJ
Solent Community Solutions 2 Ltd**	60% ordinary share capital	7,200 ordinary £1 shares *	Provides health and social facilities in the Solent region	Kent House, 14-17 Market Place, London, W1W 8AJ
Solent Community Solutions 3 Ltd**	60% ordinary share capital	1,800 ordinary £1 shares *	Provides health and social facilities in the Solent region	Kent House, 14-17 Market Place, London, W1W 8AJ
LIFT Investments Ltd**	100% ordinary share capital	19 ordinary £1 shares *	Parent company to Resound (Health) Ltd	Kent House, 14-17 Market Place, London, W1W 8AJ

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
Resound (Health) Ltd**	60% ordinary share capital	60 ordinary £1 shares *	LIFT company for the Plymouth region	Kent House, 14-17 Market Place, London, W1W 8AJ
Resound (Coltledown) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the Plymouth region	Kent House, 14-17 Market Place, London, W1W 8AJ
Resound (Mount Gould) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the Plymouth region	Kent House, 14-17 Market Place, London, W1W 8AJ
Resound (Derriford) Ltd**	60% ordinary share capital	1 ordinary £1 shares *	Provides health and social facilities in the Plymouth region	Kent House, 14-17 Market Place, London, W1W 8AJ
Primaria (Leeds) Ltd**	100% ordinary share capital	1,000 ordinary £1 shares *	Holding company for Community Ventures (Leeds) Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Community Ventures (Leeds) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	LIFT company for the Leeds region	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
Community Ventures Midco (No 1) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	Parent company to Community Ventures Company (No 1) Ltd	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
Community Ventures Company (No 1) Ltd**	60% ordinary share capital	600 ordinary £1 shares *	Provides health and social facilities in the Leeds region	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
Access for Wigan Holdings Ltd**	100% ordinary share capital	50,000 ordinary £1 shares *	Parent company to Access for Wigan Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Access for Wigan Ltd**	100% ordinary share capital	50,000 ordinary £1 shares *	Provides a multi-service centre with a range of healthcare facilities in Wigan	10-11 Charterhouse Square, London, EC1M 6EH
Prospect Healthcare (Ipswich) Holdings Ltd**	50% ordinary share capital	500 ordinary £1 shares *	Parent company to Prospect Healthcare (Ipswich) Ltd	Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE
Prospect Healthcare (Ipswich) Ltd**	50% ordinary share capital	500 ordinary £1 shares *	Provision of healthcare services at Ipswich Hospital	Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE
<i>Education division:</i>				
Equitix Education 2 Limited**	100% ordinary share capital	100 ordinary £1 shares	Parent company to Equitix Fund II Education division	10-11 Charterhouse Square, London, EC1M 6EH
Miller E4i Investments Limited**	85% ordinary share capital	1 ordinary £1 shares *	Parent company to E4i Holdings Ltd	10-11 Charterhouse Square, London, EC1M 6EH
E4i Holdings Limited**	85% ordinary share capital	410 ordinary £1 shares *	Parent company to E4i Schools Ltd	10-11 Charterhouse Square, London, EC1M 6EH

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
E4i Schools Limited**	85% ordinary share capital	1 ordinary £1 shares *	Provides education services in the Inverclyde region	10-11 Charterhouse Square, London, EC1M 6EH
Transform Schools (North Lanarkshire) Holdings Limited	50% 'A' ordinary share capital	30,000 'A' ordinary £1 shares *	Parent company to Transform Schools (North Lanarkshire) Holdings Ltd	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Transform Schools (North Lanarkshire) Limited	50% ordinary share capital	5,000 ordinary £1 shares *	Provides education services in the North Lanarkshire region	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Transform Schools (North Lanarkshire) Intermediate Limited	50% ordinary share capital	1 ordinary £1 shares *	Parent company to E4i Schools Ltd	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Transform Schools (North Lanarkshire) Funding plc	50% ordinary share capital	25,000 ordinary £1 shares *	Provides education services in the Inverclyde region	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Information Resources (Holdings) Ltd	50% ordinary share capital	50,000 ordinary £1 shares	Parent company to Information Resources (Bournemouth) Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Information Resources (Bournemouth) Ltd	50% ordinary share capital	50,000 ordinary £1 shares	Project company that implements the construction and operation of a library in Bournemouth.	10-11 Charterhouse Square, London, EC1M 6EH
Uliving @ Essex Holdco Ltd**	80% ordinary share capital	12,000 ordinary £1 shares	Holding company for Uliving @ Essex Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Uliving @ Essex Ltd**	80% ordinary share capital	12,000 ordinary £1 shares	Project company that covers the construction and operation of both	10-11 Charterhouse Square, London, EC1M 6EH
Miller Equitix Inverness Holdings Ltd	50% ordinary share capital	500 ordinary £1 shares	Holding company for Miller Equitix Inverness Ltd	PO BOX 17452 2 Lochside View Edinburgh, EH12 1LB
Miller Equitix Inverness Ltd	50% ordinary share capital	500 ordinary £1 shares	Project company that covers the construction of campus buildings at Inverness College.	PO BOX 17452 2 Lochside View Edinburgh, EH12 1LB
Salford Village Ltd	24.9% ordinary share capital	2,490 ordinary £1 shares	Project company that covers the construction and operation of student accommodation at Salford	Woolyard, 56 Bermondsey Street, London, SE1 3UD
<i>Bluelight division:</i>				
Equitix Bluelight 2 Limited**	100% ordinary share capital	100 ordinary £1 shares	Parent company to Equitix Fund II Bluelight division	10-11 Charterhouse Square, London, EC1M 6EH
West Yorkshire PFI Operational Training and Accommodation Holdings Ltd	50% ordinary share capital	30,000 ordinary £1 shares	Parent company to West Yorkshire PFI Operational Training & Accommodation Ltd	Interserve House Ruscombe Park, Twyford, Reading, RG10 9JU
West Yorkshire PFI Operational Training and Accommodation Ltd	50% ordinary share capital	30,000 ordinary £1 shares	Project company which covers the design, build, finance, operation and management of the local police authority	Interserve House Ruscombe Park, Twyford, Reading, RG10 9JU

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated

EQUITIX CAPITAL EUROBOND 2 LIMITED

21 PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2016

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Registered Address
<i>Transmission division:</i>				
Equitix Transmission 2 Ltd**	100% ordinary share capital	100 ordinary £1 shares	Parent company to Equitix Fund II Transmission division	10-11 Charterhouse Square, London, EC1M 6EH
Greater Gabbard OFTO Holdings Ltd	33% ordinary share capital	17,000 ordinary £1 shares	Parent company to Greater Gabbard OFTO Ltd	10-11 Charterhouse Square, London, EC1M 6EH
Greater Gabbard OFTO Finance Plc	33% ordinary share capital	17,000 ordinary £1 shares	Provides funding for offshore transmission services	10-11 Charterhouse Square, London, EC1M 6EH
Greater Gabbard OFTO Ltd	33% ordinary share capital	17,000 ordinary £1 shares	Provides offshore transmission services	10-11 Charterhouse Square, London, EC1M 6EH
Gwynt y Mor OFTO Holdings Ltd	40% ordinary share capital	20,400 ordinary £1 shares	Parent company to Gwynt y Mor OFTO Ltd	6th Floor 350 Euston Road, London, NW1 3AX
Gwynt y Mor OFTO Intermediate Ltd	40% ordinary share capital	20,400 ordinary £1 shares	Provides funding for offshore transmission services	6th Floor 350 Euston Road, London, NW1 3AX
Gwynt y Mor OFTO Ltd	40% ordinary share capital	20,400 ordinary £1 shares	Provides offshore transmission services	6th Floor 350 Euston Road, London, NW1 3AX
<i>Housing division:</i>				
Equitix Housing 2 Ltd**	100% ordinary share capital	100 ordinary £1 shares	Parent company to Equitix Fund II Housing division	10-11 Charterhouse Square, London, EC1M 6EH
Sustainable Communities for Leeds (Holdings) Ltd	40% ordinary share capital	20,400 ordinary £1 shares	Parent company to Sustainable Communities for Leeds Ltd	Unit 18 Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP
Sustainable Communities for Leeds (Finance) Plc	40% ordinary share capital	20,000 ordinary £1 shares	Provides funding for Leeds Social Housing Project	Unit 18 Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP
Sustainable Communities for Leeds Ltd	40% ordinary share capital	400 ordinary £1 shares	Provides social housing services	Unit 18 Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP
S4B (Holdings) Ltd**	77.5% ordinary share capital	77,500 ordinary £1 shares	Parent company to Solutions for Brunswick Ltd	10-11 Charterhouse Square, London, EC1M 6EH
S4B (Issuer) Plc**	77.5% ordinary share capital	77,500 ordinary £1 shares	Provides funding for Brunswick Social Housing Project	10-11 Charterhouse Square, London, EC1M 6EH
S4B Ltd**	77.5% ordinary share capital	77,500 ordinary £1 shares	Provides social housing services	10-11 Charterhouse Square, London, EC1M 6EH

* Designates investments that are held indirectly.

* All of the above subsidiaries were not consolidated