Registered number: 08430937

EQUITIX CAPITAL EUROBOND 3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

COMPANY INFORMATION

Directors	G A Jackson H B Crossley J C Smith S L Jones
Registered number	08430937
Registered office	3rd Floor South Building 200 Aldersgate Street London EC1A 4HD
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Bankers	Royal Bank of Scotland Plc 9th Floor, 280 Bishopsgate London EC2M 4RB

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The Company's performance reflects the position under the various intercompany and intergroup agreements that have been put in place during the year, and the ongoing performance and value of the investment portfolio. See Strategic Report for further detail.

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 2.

GOING CONCERN

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net liability position of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix Fund III LP group. The Company has obtained a letter of support from its parent entity, Equitix Fund III 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 taken into consideration:

- all committed investments of the Company and its subsidiaries holding companies are covered by commitments from the Partners of Equitix Fund III 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.

The Directors of the Company have considered the impact of the COVID-19 global pandemic which has arisen in 2020 when preparing these financial statements. Refer to Note 2 Accounting Policies and Note 21 Post Balance Sheet Events.

FUTURE DEVELOPMENTS

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

FINANCIAL RISK MANAGEMENT

The Company's management of financial risks including interest rate, credit and liquidity risk during the period are detailed in note 2.12.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITOR

Each of the persons who is a Director at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

J C Smith
Director

Date: 23 October 2020

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ACTIVITIES

The principal activity of Equitix Capital Eurobond 3 Limited (the "Company") is to act as a holding company for the Equitix Fund III LP investments in core Public Private Partnerships ("PPP") and other core infrastructure.

BUSINESS REVIEW

On 20 December 2019, three of the Company's subsidiaries, Equitix Concessions 3 Limited, Equitix Hubco 3 Limited and Equitix Onshore Wind 3 Limited, were transferred at fair value of £174.2m to Equitix Capital Eurobond 3D Limited, a sister company of the Equitix Capital Eurobond 3 Limited, and the associated Eurobonds redeemed.

The Directors have considered a number of potential outcomes arising from the UK's exit from the European Union in 2019 and believe that the Company has sufficient reserves and business controls to address any financial impact of these outcomes for the foreseeable future and has decided not to make a specific provision in the accounts. Due to the availability-based nature of our portfolios and focus on contracted cashflows, this means there will be little to no impact on income/cashflows from Brexit. Due to the inflation linkage of asset returns, it is likely that the majority of project distributions should be correlated with inflation. The pipeline of assets that we will acquire are expected to be brownfield investments that are already operating and yielding and there is a fundamental need for infrastructure in the UK, regardless of the ultimate terms of Brexit and secession.

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 at the individual project company;
- 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 company portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

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

The results for the year are shown on page 11 in the Statement of Comprehensive Income. This shows a loss before tax of £42,400k (2018 restated: £43,411k) and a net finance expense amounting to £35,223k (2018 restated: £34,833k). The loss for the year includes a decrease in the fair value of the investments of £23,448k (2018 restated: £6,561k). The Directors do not recommend the payment of a dividend (2018: £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 intercompany loan agreements with its parent entity and with its 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 infrastructure assets, ensuring that the modelled cash flows, made up of, but not limited to, subordinated debt principal repayments, subordinated debt interest payments, dividends and other fees are indeed received. The Company will monitor actual and projected cash flows to ensure that the returns are as expected. In addition, the Company will also look to optimise returns from the underlying infrastructure assets through achieving efficiencies at project level and by maximising synergies at portfolio level.

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

J C Smith
Director

Date: 23 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX CAPITAL EUROBOND 3 LIMITED

Opinion

We have audited the financial statements of Equitix Capital Eurobond 3 Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX CAPITAL EUROBOND 3 LIMITED

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

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

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

Chartered Accountants

15 Canada Square
London
E14 5GL

Date: 23 October 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 (Restated*) £000
Investment income	**7**	20,743	25,431
Other income		1,569	1,654
Fair value loss on investments	**10,12**	(8,746)	(10,068)
Operating costs	**8**	-	(164)
Operating profit	**5**	13,566	16,853
Finance costs	**9**	(55,966)	(60,264)
Loss before tax		(42,400)	(43,411)
Tax	**11**	-	-
Loss for the year		(42,400)	(43,411)

*See note 2

All of the above relates to continuing activities.

The notes on pages 16 to 42 form part of these financial statements.

There are no other items of comprehensive income other than the loss for the year, therefore a separate Statement of Other Comprehensive Income has not been prepared.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 (Restated*) £000
Assets			
Non-current assets			
Investments held at fair value	**12**	310,197	557,287
		310,197	557,287
Current assets			
Cash and cash equivalents		601	1,053
		601	1,053
Total assets		310,798	558,340
Liabilities			
Non-current liabilities			
Borrowings	**13**	313,768	487,939
		313,768	487,939
Current liabilities			
Amounts owed to group companies	**14**	70,453	107,600
Borrowings	**13**	6,145	-
Other payables	**14**	236	205
		76,834	107,805
Total liabilities		390,602	595,744
Net liabilities		(79,804)	(37,404)

*See Note 2.

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 (Restated*) £000
Equity			
Share capital	**15**	1	1
Retained losses		(79,805)	(37,405)
Shareholder's deficit		(79,804)	(37,404)

* See Note 2.

The notes on pages 16 to 42 form part of these financial statements.

The financial statements of Equitix Capital Eurobond 3 Limited, registered number 08430937, were approved by the Board of Directors and authorised for issue and were signed on its behalf by:

J C Smith
Director

Date: 23 October 2020

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained losses	Total equity (restated)
	£000	£000	£000
At 1 January 2018, as previously reported	1	(4,714)	(4,713)
Prior year adjustment*	-	10,720	10,720
Restated balance at 1 January 2018	1	6,006	6,007
Comprehensive loss for the year			
Loss for the year (restated*)	-	(43,411)	(43,411)
Total comprehensive loss for the year	-	(43,411)	(43,411)
Restated balance at 31 December 2018	1	(37,405)	(37,404)
Restated balance at 1 January 2019	1	(37,405)	(37,404)
Comprehensive loss for the year			
Loss for the year	-	(42,400)	(42,400)
Total comprehensive loss for the year	-	(42,400)	(42,400)
At 31 December 2019	1	(79,805)	(79,804)

The notes on pages 16 to 42 form part of these financial statements.

* See Note 2.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 (Restated*) £000
Cash flows from operating activities		
Loss for the year	(42,400)	(43,411)
Adjustments for		
Investment income	(20,743)	(25,431)
Finance cost	55,966	60,264
Fair value loss on investments	8,746	10,068
Interest received	8,430	-
Increase in other payables	31	34
Cash flows generated from operating activities	10,030	1,524
Cash flows from financing activities		
Interest paid	(54,872)	(470)
Cash used in financing activities	(54,872)	(470)
Cash flows from investing activities		
Principal repayment	44,390	-
Acquisition of investment	-	(451)
Net cash from investing activities	44,390	(451)
Net (decrease)/increase in cash and cash equivalents	(452)	603
Cash and cash equivalents at the beginning of year	1,053	450
Cash and cash equivalents at the end of the year	601	1,053

*See Note 2

The notes on pages 16 to 42 form part of these financial statements.

1. GENERAL INFORMATION

Equitix Capital Eurobond 3 Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in England and Wales in the UK under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 6. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. Monetary amounts are rounded to the nearest £'000.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards, International Accounting Standards 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 are set out below.

The financial statements are prepared on the historical cost basis except certain financial assets measured at fair value. As a consequence of the Company's parent meeting the criteria to be defined as an Investment Entity under International Financial Reporting Standard (IFRS) 10, Consolidated Financial Statements ("IFRS 10"), the Company's results are not consolidated into a parent entity. The Company has considered the need to prepare consolidated financial statements, however, 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, on the basis of the following criteria:

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

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

IFRS 10 requires the Company to measure its interests in subsidiary investments under IFRS 9: Financial Instruments ("IFRS 9") and IFRS 13: Fair Value Measurement ("IFRS 13"). The investments are valued at fair value with gains or losses on measurement of investments accounted for through profit or loss (see note 10).

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.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Prior year adjustments

Statement of cash flows
Following a reassessment of the presentation of the receipt and settlement of dividends and interests and loan repayments from/to parent/subsidiaries by the Fund on behalf of the Company, the 2018 statement of cash flows has been restated. The restatement decreased cash used in financing activities by £44,751k, decreased cash generated from investing activities by £45,421k and increased cash generated from operations by £670k. It has had no impact on net liabilities as at 1 January 2018 or 31 December 2018 or the net cash flows and profit for the year ended 31 December 2018.

Investment income recognition
The comparative information in these financial statements have been restated because, in prior years, insufficient adjustments had been made to reflect the double counting of unpaid interest balances with the invested entity for which no adjustment had been made in the valuation of the investee. As a result, the unpaid interest balances have now been eliminated which has increased previously reported opening reserves at 1 January 2018 by £10,720k, decreased interest receivable at 31 December 2018 by £7,701k, decreased interest payable at 31 December 2018 by £34,078k and increased reserves at 31 December 2018 by £26,377k.

In addition, a classification adjustment was made to the income statement between investment income and fair value gain/loss - that has no impact on the net assets or profit for the year – because:

- Certain capital repayments received by the Company from group undertakings were incorrectly treated as repayments of interest.
- interest due to the Company from group undertakings was not calculated on unpaid interest amounts in accordance with the loan agreements with Equitix Infrastructure 3 Limited on the following projects: Apollo, Thanet, Justice Support Service, Antelope and Herring.
- the elimination of accrued interest to avoid double counting assets is now presented within the fair value gain/loss rather than investment income.

The combined impact of the above 3 presentation adjustments was an increase in investment income of £3,341k and reduction in the fair value movement of the same amount.

2.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its borrowings from its parent Equitix Fund III LP to meet its liabilities as they fall due for that period.

Those forecasts are in part dependent on the parent entity Equitix Fund III LP not seeking repayment of the amounts currently due to the Fund and it's subsidiaries (the Group), which at 31 December 2019 amounted to £319,913k, and providing additional financial support during that period. Equitix Fund III LP has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the Statement of Financial Position date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

2. ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

As noted in the Directors Report, the Company has long term contracts with its client, the Fund, which has stable cashflow from the underlying investment portfolio to meet its obligations. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months from the date of signing of financial statements. Accordingly, they adopt the going concern basis in preparing the financial statements.

As part of these enquiries, the Directors have also considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The main risk resulting from COVID-19 for the Company is the impact on the valuation of investments held at fair value through profit and loss. This Company's performance is intrinsically linked with the performance of the Fund and the Directors have considered the impact of potentially lower valuations and do not consider there to be any significant impact on the going concern basis of preparation as the Company has a diverse mix of investments in various sectors and as certain investments and their associated dividend and investment income are backed by a government counterparty, the directors have considered that no severe but plausible downside event would prevent the Company being able to meet its liabilities as they fall due. In conjunction with this assessment, the Directors believe the Company, and the wider group, has sufficient reserves and business controls to address any financial impact and therefore the Directors consider there is no significant impact on the going concern basis of preparation of these financial statements.

2.3 Revenue

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

Investment income
Investment 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.

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

Other income
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.

2.4 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.

2. ACCOUNTING POLICIES (continued)

2.5 Borrowing costs

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

2.6 Taxation

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

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

Deferred tax
Deferred tax is 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 loss, 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.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and the rates that have been enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, 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.

2.7 Financial instruments

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

Financial assets

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

i) Investments at fair value through profit or loss

Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value both the equity and subordinated debt investments in PPP assets together. Both elements are exposed to the same primary risk, being performance risk. The 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 single class of financial asset at fair value in accordance with IFRS 13. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating Statement of Comprehensive Income.

Investments in subsidiaries

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

The Company holds 100% of the issued share capital of several subsidiaries, 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 Statement of Comprehensive Income.

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

2. ACCOUNTING POLICIES (continued)

2.7 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 Statement of Financial Position date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

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

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

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

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 rate used for the 31 December 2019 were in the range of 9.5% to 6.0% (2018: 10.1% to 6.0%).

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.

2. ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

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

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

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

2.8 Financial risk management

The Company has loans from Equitix Fund III LP, the Company's immediate parent, with 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 Statement of Financial Position represents the value of the loans as at the Statement of Financial Position date. The Company also has a fixed rate Eurobond loan note listed on the The International Stock Exchange.

The Company does not have any other borrowings, loans or overdrafts that expose the Company to financial risks.

2.9 Share capital

Ordinary shares are classified as equity.

2.10 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 Statement of Cash Flows.

2.11 Expenses

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

2. ACCOUNTING POLICIES (continued)

2.12 Assessable risks

Credit risk
The Company is not exposed to significant credit risk as the Company derives the majority of it's interest from investments which are PFI/PPP concessions with government and semi-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
Following the transfer of Equitix Italia 3 Srl and Equitix Italia SAT Holding Srl to Equitix Capital Eurobond 3B Limited ("ECE3B") in 2018, the Company no longer has any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Intercompany agreements - Interest Rate
The Company's loan agreements with its immediate parent, Equitix Fund III 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 Statement of Financial Position date.

Eurobond Loan Notes - Interest Rate
The Company has listed Eurobonds on The International Stock Exchange with a fixed interest rate of 12% which have been purchased by Equitix Fund III 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 Statement of Financial Position date.

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, subsidiaries are designated upon initial recognition and subsequently to be accounted for at fair value through profit or loss.

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

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. As disclosed in note 2 to the financial statements, the Directors 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 procuring party (majority Government Authority) in relation to performance conditions, demand, availability and inflation.

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

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 £35,687k (2018: £55,729k) 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 2019 valuation ranged between 9.5% and 6.0% (2018: 10.1% and 6.0%). If the discounts 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 of £27,763k (2018: £38,007k) or a gain of £32,003k (2018: £42,940k) respectively.

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

i) Financial assets at fair value through profit or 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.

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

A number of new standards are effective 1 January 2019 but do not have a material effect on the Company's financial statements. The notable new standards are listed below:

- IFRS 16 Leases (January 2019)
- IFRIC 23 'Uncertainty over Income Tax Treatments' (1 January 2019)
- Amendments resulting from the annual improvements to IFRS Standards 2015-2017 Cycle (1 January 2019)

Standards Issued but not yet effective
The following Adopted IFRS have been issued however the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to Reference to the Conceptual Framework in IFRS Standards and Revised Conceptual Framework (effective 1 January 2020)
- Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)

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

5. OPERATING PROFIT

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

The audit fee for Equitix Capital Eurobond 3 Limited of £10.5k (2018: £9k) has been borne by Equitix Fund III LP, who will not seek compensation from the Company. There were no non-audit fees paid to the auditors (2018: £nil).

6. DIRECTORS' REMUNERATION

No staff were directly employed by the company (2018: none).

No Directors received any remuneration for services to the Company during the year (2018: £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2018: £nil).

7. INVESTMENT INCOME

	2019 £000	2018 (Restated*) £000
Recognised in the Statement of Comprehensive Income		
Interest income	19,120	23,406
Dividend income	1,623	2,025
Total investment revenue	20,743	25,431

* See note 2.

8. OPERATING COSTS

	2019 £000	2018 £000
Recognised in the Statement of Comprehensive Income		
Operating expense	-	164
Total operating costs	-	164

9. FINANCE COSTS

	2019 £000	2018 £000
Recognised in the Statement of Comprehensive Income		
Interest expense on loans from parent company	55,966	60,264
Total finance cost	55,966	60,264

10. FAIR VALUE LOSS ON INVESTMENTS

The loss on investments of £8,746k (2018: £10,068k loss - restated) has been included in the Statement of Comprehensive Income. This represents £23,448k loss (2018: £6,561k loss) presented in note 12 plus £14,702k gain (2018: £3,507k loss) resulting from the elimination of interest receivable balances to prevent double counting of assets.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Further detail is given in note 3.

11. TAX

	2019 £000	2018 £000
Current tax	-	-
	-	-

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

	2019 £000	2018 (Restated*) £000
Loss before tax	(42,400)	(43,411)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(8,056)	(8,248)
Income and fair value movements not subject to taxation	4,835	1,247
Losses not utilised in the period	3,221	7,001
Total tax expense for the period	-	-

*See note 2

A deferred tax asset has not been recognised in respect of timing differences relating to the accumulated loss from excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of the deferred tax asset not recognised is £17,570k (2018: £13,768k) calculated at 19%, the rate substantively enacted at the Statement of Financial Position date.

Changes in tax rates and factors affecting the future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 £000	2018 (Restated*) £000
Opening balance	557,287	619,306
Acquisitions	6,145	55,771
Disposals	(174,171)	(96,751)
Repayment of principal	(55,616)	(14,478)
Fair value losses	(23,448)	(6,561)
Closing balance	310,197	557,287

* See Note 2

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

UK inflation rate	2.8% for 2019, long term 3%
UK deposit interest rates	0.5% for 2019, long term 1%
UK corporation tax	19% for 2019, long term 17%

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 in note 20 of these financial statements.

On 20 December 2019, the Company transferred its interest in Equitix Concessions 3 Ltd, Equitix Onshore Wind 3 Ltd and Equitix Hubco 3 Ltd to Equitix Infrastructure Sector Company Limited, Equitix Hub Sector Company Limited and Equitix Onshore Wind Sector Company Limited, fellow subsidiaries within the Group. The proceeds on disposal of £174m million were used to redeem Eurobond loans with the parent company. There was no gain or loss on disposal. No investment was retained in the former subsidiary.

13. BORROWINGS

	2019 £000	2018 £000
Loans from parent company	6,145	-
Loans from Eurobond	313,768	487,939
	319,913	487,939

13. BORROWINGS (continued)

Included on the Statement of Financial Position as follows:

	2019 £000	2018 £000
Current	6,145	-
Non-current	313,768	487,939
	319,913	487,939

The carrying amount of these liabilities approximates their fair value.

During the year the Company entered into loan agreements with its parent company, Equitix Fund III LP. On 6 February 2019 and 31 October 2019, the Company entered in to a 364 day loan agreement for £196k and £5,948k respectively, both with an interest rate of 12.0% with its ultimate parent entity, Equitix Fund III LP. At the same time, the Company entered into loan agreements for £196k and £5,948k, with an interest rate of 10.8%, with its subsidiary Equitix Concessions 3 Limited for the purpose of acquiring subordinated loan notes in Full Circle Generation Limited.

On 20 December 2019 £174,000k of issued loan notes were redeemed. The total amount borrowed under the Eurobond facilities is £313,768k (2018: £487,939k) with £183k undrawn. The facilities are repayable in 2038 and bears interest at a rate of 12%.

14. OTHER PAYABLES

	2019 £000	2018 (Restated*) £000
Interest payable	70,453	107,600
Other payables	236	205
	70,689	107,805
Included on the Statement of Financial Position as follows:		
Current	70,689	107,805
	70,689	107,805

The carrying amount of these liabilities approximates their fair value.

* See Note 2

15. SHARE CAPITAL

Authorised

	2019 Number	2019 £000	2018 Number	2018 £000
Ordinary shares of £1.00 each	1,000	1	1,000	1
	1,000	1	1,000	1

Issued and fully paid

	2019 Number	2019 £000	2018 Number	2018 £000
Ordinary shares of £1.00 each				
At 1 January and 31 December	1,000	1	1,000	1

16. 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 13, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in note 15. 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 2 to the financial statements.

Categories of financial instruments
Financial assets

	2019 £000	2018 (Restated*) £000
Fair value through profit and loss		
Investments	310,197	557,287
Loans and receivables		
Cash and cash equivalents	601	1,053

16. FINANCIAL INSTRUMENTS (continued)

	2019 £000	2018 (Restated*) £000
Financial liabilities at amortised cost		
Eurobond	(313,768)	(487,939)
Loans from parent company	(6,145)	-
Interest payable	(70,453)	(107,600)
Other payables	(236)	(205)
	(390,602)	(595,744)

*See note 2

FINANCIAL RISK MANAGEMENT

Risk management objectives

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk. The Company does not enter into financial derivative contracts. The Company follows the Group's policies approved by the board of Directors. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

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

Interest rate risk management
The Company has limited exposure to interest rate risk as loans held with Equitix Fund III LP have a fixed interest rate of 12% and the majority of the underlying borrowings are fixed rate loans. Therefore the Company has limited exposure to cash flow risk due to changes in interest rates over variable rate borrowings. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

Interest rate sensitivity analysis
The Group has limited exposure to interest rate risk because the loan held with Equitix Fund III LP and the Eurobonds have fixed interest rates of 12%.

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 cash flows 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 contract structure, leaving the investment insulated from issues of non-performance.

16. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT

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 contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

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

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following disclosures detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The disclosures 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 disclosures include principal repayment and assumed interest cash flows.

Liabilities

	2019 £000	2018 £000
Less than 1 year		
Non Eurobond loans	(6,145)	-
	(6,145)	-
5+ years		
Eurobond loans	(313,768)	(487,939)
	(313,768)	(487,939)
Total		
Eurobond loans	(313,768)	(487,939)
Non Eurobond loans	(6,145)	-
	(319,913)	(487,939)

16. FINANCIAL INSTRUMENTS (continued)

In addition to the above principal repayments, undiscounted interest payments of £28,599k are due within 1 year, £88,422k are due within 2-5 years, £130,868k are due in more than 5 years, are expected to be paid from the reporting date end.

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 loan is estimated with reference to the interest rate of the debt when it was initially acquired and any subsequent movement in the risk profile of the asset and general lending rates at the statement of financial position date.

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 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 period.

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

	2019 £000	2018 £000
Investments at fair value through profit or loss		
Level 3	310,197	557,287
	310,197	557,287

16. FINANCIAL INSTRUMENTS (continued)

Financial liabilities held at amortised cost are determined to be level 3 items, the basis for their measurement and recognition are disclosed in notes 2 and 13.

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

	2019 £000	2018 (Restated*) £000
Opening net book value	557,287	619,306
Acquisitions of investments	6,145	55,771
Repayment of principal	(55,616)	(14,478)
Disposals of investments	(174,171)	(96,751)
Movement due to unwinding of discounting calculation	21,783	39,668
Movement due to change in discount rate	4,843	1,004
Movement due to change in cash flows	(9,875)	(25,728)
Movement in value due to distributions	(40,199)	(21,505)
Closing net book value	310,197	557,287

* See note 2

Gearing ratio
The gearing ratio at the year end is as follows:

	2019 £000	2018 (Restated*) £000
Debt	(319,913)	(487,939)
Cash and cash equivalents	601	1,053
Net debt	(319,312)	(486,886)
Equity	79,805	37,405
Debt to Capital ratio	80.0%	92.9%

Debt is defined as long and short-term borrowings (excluding derivatives) as detailed in note 13. Equity includes all capital and reserves of the Company that are managed as capital.

* See note 2

17. RELATED PARTY TRANSACTIONS

Statement of comprehensive income	Sale of services 2019	Sale of services 2018
Related party	**£'000**	**£'000**
Equitix Infrastructure 3 Limited	653	1016
Equitix Concessions 3 Limited	93	111
Equitix Housing 3 Limited	21	29
Tay Valley Lighting (West Sussex) Limited	201	-
Tay Valley Lighting (Nottingham) Limited	193	-
Tay Valley Lighting (Hampshire) Limited	-	363
Equitix (Howden House) Limited	408	-
	1,569	1,519

	Investment income 2019	Interest expense 2019	Invesment income 2018	Interest expense 2018
Related party	**£'000**	**£'000**	**£'000**	**£'000**
Equitix Fund III LP	-	(55,966)	-	(60,264)
Equitix Hubco 3 Limited	893	-	946	-
Equitix Infrastructure 3 Limited	10,488	-	14,748	-
Equitix Concessions 3 Limited	6,413	-	6,149	-
Equitix Housing 3 Limited	1,326	-	992	-
Equitix Italia 3 S.r.l	-	-	447	-
Equitix Italia SAT HoldCo S.r.l.	-	-	124	-
	19,120	(55,966)	23,406	(60,264)

Statement of financial position	Amounts owed by 2019	Amounts owed to 2019	Amounts owed by 2018	Amounts owed to 2018
	£'000	**£'000**	**£'000**	**£'000**
Equitix Fund III LP	-	(390,602)	-	(595,744)
Equitix Housing 3 Limited	18,438	-	18,098	-
Equitix Hubco 3 Limited	-	-	12,188	-
Equitix Infrastructure 3 Limited	245,214	-	302,616	-
Equitix Concessions 3 Limited	-	-	87,846	-
Equitix Onshore Wind 3 Limited	-	-	55,783	-
	263,652	(390,602)	476,531	(595,744)

The amounts owed by related parties are loan notes that are recognised as investments held at fair value in the statement of financial position.

18. FUTURE COMMITMENTS

The Company is committed to investing £8.7m (2018: £10.9m). This is to invest in its underlying infrastructure asset NPH Healthcare Limited.

19. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is Equitix Fund Holdco 3 Limited, a Company incorporated in Guernsey. The registered office address of the company is located at Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB. The Company's ultimate parent and controlling entity, is Equitix Fund III LP, a Limited Partnership registered in England and Wales. The registered office address of the partnership is located at Welken House, 10-11 Charterhouse Square, London, EC1M 6EH. The Company's results are not consolidated as the Company and its ultimate parent entity meets the criteria of Investment Entities under IFRS 10. The Company's immediate parent does not prepare consolidated accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019

Company name	Percentage of shares held	Principal activity	Registered address
Solutions for North Tyneside Limited **	100%	Project company w hich covers the construction, operation and management of the housing project	Sevendale House 3rd Floor, Suite 6C, 5-7 Dale Street, Manchester, Greater Manchester, M1 1JB
Criterion Healthcare PLC **	64%	Project company w hich covers the operation and management of the local hospital	Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ
South East Essex Fundco Limited **	47%	Project company w hich covers the operation and management of the care facilities	9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
South East Essex Fundco 2 Limited **	47%	Project company w hich covers the operation and management of the care facilities	9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
CCP Fundco 1 Limited **	53%	Project company w hich covers the operation and management of the care facilities	5th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
CCP Fundco 2 Limited **	53%	Project company w hich covers the operation and management of the care facilities	9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
South West Hampshire FundCo Limited **	47%	Project company w hich covers the operation and management of the care facilities	9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
Dudley Infracare LIFT (1) Limited **	26%	Project company w hich covers the operation and management of the care facilities	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Equitix (How den House) Limited **	100%	Project company w hich covers the operation and management of the housing facilities	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Education Link (2001) Limited **	100%	Project company w hich covers the operation and management of the education facilities	Sevendale House 3rd Floor, Suite 6C, 5-7 Dale Street, Manchester, Greater Manchester, M1 1JB
Equitix (Copeland) Limited **	100%	Project company w hich covers the operation and management of the housing facilities	Sevendale House 3rd Floor, Suite 6C, 5-7 Dale Street, Manchester, Greater Manchester, M1 1JB
Ealing Lighting (Finance) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ

* Designates investments that are held directly.

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (continued)

Company name	Percentage of shares held	Principal activity	Registered address
Tay Valley Lighting (Hampshire) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Tay Valley Lighting (West Sussex) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Tay Valley Lighting (Know sley) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Tay Valley Lighting (Nottingham) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Islington Lighting (Finance) Limited **	100%	Project company w hich covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Hub North Scotland (Wick) Limited **	30%	Project company w hich covers the operation and management of the health facilities	PO Box 17452, 2 Lochside View , Edinburgh, Scotland, EH12 1LB
Thanet OFTO Limited **	80%	Project company w hich covers the operation and management of offshore energy facilities	6th Floor Balfour Beatty Capital Limited 350, Euston Road, London, NW1 3AX
NPH Healthcare Limited **	50%	Project company w hich covers the operation and management of health facilities	120 Aldersgate Street, London, EC1A 4JQ
PSBP NW ProjectCo Limited **	45%	Project company w hich covers the operation and management of the education facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Consort Healthcare (Edinburgh Royal Infirmary) Limited **	50%	Project company w hich covers the operation and management of health facilities	2nd Floor 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF
PSBP Midlands Limtied **	43%	Project company w hich covers the operation and management of the education facilities	84 Salop Street, Wolverhampton, United Kingdom, WV3 0SR
Justice Support Services (Norfolk and Suffolk) Limited **	100%	Project company w hich covers the operation and management of the other housing facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ

* Designates investments that are held directly.
** Designates investments that are held indirectly.

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (continued)

Company name	Percentage of shares held	Principal activity	Registered address
GBConsortium 2 Limited **	88%	Parent company to Arden Estates Partnerships Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
Arden Estates Partnerships Limited **	53%	Parent company to CCP Fundco 1 Limited and CCP Fundco 2 Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
GBPrimaryCare Limited **	79%	Parent company to Prydium Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
Alliance Community Partnership Limited **	70%	Parent company for private sector participants in the Scottish South-West Hub	Suite 1a Willow House, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3PB
Equitix Storage and Handling 3 Limited *	100%	Parent company to the Equitix Fund III Storage and Handling division	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Equitix Housing 3 Limited *	100%	Parent company to the Equitix Fund III Housing division	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Equitix Infrastructure 3 Limited *	100%	Parent company to the Equitix Fund III Healthcare division	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Hub South West Scotland Limited **	60%	Hub company to the Scottish South-West Hub	Suite 1a Strathclyde Business Park, Willow House, Bellshill, Lanarkshire, ML4 3PB
Solutions 4 North Tyneside Holdings Limited **	100%	Parent company to Solutions 4 North Tyneside (Finance) Plc and Solutions for North Tyneside Limited	Sevendale House 3rd Floor, Suite 6C, 5-7 Dale Street, Manchester, Greater Manchester, M1 1JB
HPC Bishop Auckland Hospital Limited **	100%	Parent company to HPC BAS Limited	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Criterion Healthcare Holdings Limited **	64%	Parent company to Criterion Healthcare Plc	Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ
Prydium Limited **	47%	Parent company to South East Essex Fundco Limited and South East Essex Fundco 2 Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
GBPrimaryCare (SWH) Limited **	78%	Parent company to South West Hampshire LIFT Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
South West Hampshire LIFT Limited **	47%	Parent company to Hampshire LIFT Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG

* Designates investments that are held directly.
** Designates investments that are held indirectly.

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (continued)

Company name	Percentage of shares held	Principal activity	Registered address
Hampshire LIFT Limited **	23%	LIFT company to SW Hampshire Fundco Limited	9th Floor Colbalt Square, 83-85 Hagley Road, Birmingham, B16 8QG
InfraCare Midlands Limited **	43%	Parent company to InfraCare Dudley Limited	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, England, GL20 8UQ
InfraCare Dudley Limited **	43%	Parent company to Dudley Infracare LIFT Limited	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Dudley Infracare LIFT Limited **	26%	Parent company to Dudley Infracare LIFT Holdings companies & Dudley Infracare Development Holdings companies	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Dudley Infracare LIFT Holdings (1) Limited **	26%	Parent company to Dudley Infracare LIFT (1) Limited	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Dudley Infracare Developments Holdings Limited **	26%	Parent company to Dudley Infracare Developments Limited	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Dudley Infracare Developments Limited **	43%	Development company to Dudley Infraccare LIFT (1) Limited	Challenge House International Drive, Tew kesbury Business Park, Tew kesbury, Gloucestershire, England, GL20 8UQ
Education Link (Holdings) Limited **	100%	Parent company to Education Link (2001) Limited	Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England M1 1JA
SEC Highw ay Lighting (No2) Limited **	100%	Project company to Islington Lighting (Finance) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
SEC Highw ay Lighting (No3) Limited **	100%	Parent Co to Ealing Lighting (Finance) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
TVL (Hampshire) Holding Limited **	100%	Parent company to Tay Valley Lighting (Hampshire) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
TVL (Southampton) Holding Limited **	100%	Parent company to Tay Valley Lighting (Southampton) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
TVL (West Sussex) Holding Limited **	100%	Parent company to Tay Valley Lighting (West Sussex) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ

* Designates investments that are held directly.
** Designates investments that are held indirectly.

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (continued)

Company name	Percentage of shares held	Principal activity	Registered address
TVL (Nottingham) Holding Limited **	100%	Parent company to Tay Valley Lighting (Nottingham) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
TVL (Knowsley) Holding Limited **	100%	Parent company to Tay Valley Lighting (Knowsley) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
SEC Lighting Services Trading Limited **	100%	Parent company to street lighting porftolio	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Thanet OFTO Holdco Limited **	80%	Parent company to Thanet OFTO Limited	6th Floor Balfour Beatty Capital Limited 350, Euston Road, London, NW1 3AX
Thanet OFTO Intermediate Limited **	80%	Intermediate holding company to Thanet OFTO Limited	6th Floor Balfour Beatty Capital Limited 350, Euston Road, London, NW1 3AX
NPH Healthcare (Holdings) Limited **	50%	Parent company for NPH Healthcare Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
NPH Healthcare (Intermediate) Limited **	50%	Intermediate holding company to NPH Healthcare Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
PSBP NW HoldCo Limited **	45%	Parent company to PSBP NW ProjectCo Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
PSBP NW DebtCo Limited **	45%	Finance company to PSBP NW ProjectCo Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Consort Healthcare (Edinburgh Royal Infirmary) (Holdings) Limited **	50%	Parent company to Consort Healthcare (Edinburgh Royal Infirmary) Limited	2nd Floor 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF
Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited **	50%	Finance company to Consort Healthcare (Edinburgh Royal Infirmary) Limited	2nd Floor 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF
PSBP Midlands (Holdings) Limited **	43%	Parent company to PSBP Midlands Limited	Carillion House, 84 Salop Street, Wolverhampton, United Kingdom, WV3 0SR
Solutions 4 North Tyneside (Finance) Plc **	100%	Finance company to Solutions 4 North Tyneside Limited	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
PSBP Midlands DebtCo Limited **	43%	Finance company to PSBP Midlands Limited	Carillion House, 84 Salop Street, Wolverhampton, United Kingdom, WV3 0SR

* Designates investments that are held directly.

** Designates investments that are held indirectly.

20. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2019 (continued)

Company name	Percentage of shares held	Principal activity	Registered address
Justice Support Services (Norfolk and Suffolk) Holdings Limited **	100%	Parent company to Justice Support Services (Norfolk and Suffolk) Limited	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Full Circle Generation Holding Company Limited **	28%	Parent company for the Full Circle Generation Limited	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD
Tay Valley Lighting (Southampton) Limited **	100%	Project company which covers the operation and management of the lighting facilities	5th Floor, 120 Aldersgate Street, London, EC1A 4JQ
Welken 3 Limited **	100%	Holdco for the investment in UK transport	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD

* Designates investments that are held directly.

** Designates investments that are held indirectly.

21. POST BALANCE SHEET EVENTS

During the period from the date of the Statement of Financial Position to the date of the financial statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect on the underlying investment portfolio and activity of the Company is difficult to determine, however the Directors are monitoring the situation and considering the effect it may have on the valuation of any impacted underlying portfolio companies in the future. In accordance with the requirements of IFRS, the fair valuations at the date of the statement of financial position reflect the economic conditions in existence at that date. The next date at which a valuation of unquoted investments will be performed will be as at 31 December 2020. The Directors do not believe there is any financial impact to the Financial Statements as at 31 December 2019 as a result of this non-adjusting subsequent event.