

**EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## EQUITIX MA 7 CAPITAL EUROBOND LIMITED

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### COMPANY INFORMATION

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#### DIRECTORS

H B Crossley  
G A Jackson  
S L Jones  
J C Smith

#### REGISTERED NUMBER

11335475

#### 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

HSBC PLC  
PO Box 68, 130 New Street  
Birmingham  
B2 4JU

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## **EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their report and the audited financial statements of Equitix MA 7 Eurobond Limited ("the Company") for the year ended 31 December 2019.

#### **DIRECTORS**

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

#### **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, and the ongoing performance and value of the investment. Please refer to the Strategic Report for further detail.

#### **FINANCIAL RISK REVIEW**

##### **Interest rate risk**

The Company has entered into inter-company loan agreements with Equitix MA 7 Finco Limited, Equitix Capital Eurobond 3C Limited and into loan arrangements with its investments. The interest on these intercompany loans is fixed in nature and hence the Company has relatively low interest rate risk due to fluctuations in the money market interest rate.

##### **Market risks**

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

##### **Liquidity risk**

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

##### **Currency risk**

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

##### **Performance**

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

#### **FUTURE DEVELOPMENT**

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

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

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**GOING CONCERN**

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net current liability position of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix MA 7 LP structure, as disclosed in note 19. The Company has obtained a letter of support from its parent entity, Equitix MA 7 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:

- Equitix MA 7 LP (the "Fund") is fully drawn down and fully invested so there are no future investment commitments;
- both the Fund and the Company have limited other outgoings and the Fund has sufficient cash flows forecast to cover these as they fall due;
- the Fund's financial model, which consolidates the returns from the Company's investment;
- the Company's borrowings from Equitix MA 7 Finco Limited, are Eurobonds listed on The International Stock Exchange.

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 20 Post Balance Sheet Events.

**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 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.

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

By order of the Board



**J C Smith**  
Director

Date: 10th February 2021

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

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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 Accounting Standards in conformity with requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are relevant and reliable;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**BUSINESS MODEL**

Equitix MA 7 Capital Eurobond Limited (the "Company") was incorporated in England and Wales on 28 April 2018 and issued 100 ordinary shares of £1 each. A further 99,900 ordinary shares of £1 each were issued on 26 April 2019. The financial statements are for the year ended 31 December 2019.

The Company's principal activity relates to an investment in a long-term PFI contract held with a local authority in the UK.

**REVIEW OF THE YEAR**

On 26 April 2019 the Company issued subordinated debt to Apple Finco (E) Limited of £65,367k bearing an interest rate of 7%. In addition, the Company subscribed to a further £11,812k shares in Apple Holdco (E) Limited on 24 April 2019.

The Company's direct subsidiaries are held at fair value on the Statement of Financial Position with movements recorded through the Statement of Comprehensive Income, as explained in note 2. In order to determine the fair value of these investments, the Company takes into consideration the fair value of all the underlying portfolio companies and intermediate holding companies.

On 25 April 2019 the Company entered into a loan agreement with Equitix MA 7 Finco Limited, a related party, for £28,191k under the intercompany facility. This loan bears interest at a rate of 10%. On this date the Company also entered into a loan agreement with Equitix Capital Eurobond 3C Limited, a related party, for £47,479k under an intercompany loan facility. This loan bears interest at a rate of 7%. The intercompany loan with MA7 Finco Limited was converted to a Eurobond and listed on The International Stock Exchange on 11 December 2019.

**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 authority;
- the progress of the project company;
- the comparison of actual cash flows costs to those that have been forecast;
- the value of investment held in association with the expected future cash flows; and
- that the project is operating and performing within the restrictions of all project documentation.

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

The results for the year are shown on page 11 in the Statement of Comprehensive Income. This shows a profit before tax of £5,253k (2018: £114k) and a net finance expense amounting to £5,047k (2018: £114k). The profit for the year includes interest income accrued on the subordinated debt to Apple Finco (E) Limited of £8,661k (2018: £227k) and also includes fair value gain of £10,300k (2018: £nil). The Directors do not recommend 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; the Company will continue to act as a holding Company for Equitix MA 7 LP's PFI asset.

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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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



**J C Smith**  
Director

Date: 10th February 2021



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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### **Opinion**

We have audited the financial statements of Equitix MA 7 Capital Eurobond Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

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, including the impact of Brexit, 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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### **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](http://www.frc.org.uk/auditorsresponsibilities).

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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### **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.

A handwritten signature in black ink, appearing to read 'M. Williams', with a long horizontal stroke extending to the right.

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

Chartered Accountants

15 Canada Square  
London  
E14 5GL

Date: 10th February 2021

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
Investment income	7	8,661	227
Fair value movements	9	10,300	-
<b>Profit from operations</b>		<u>18,961</u>	<u>227</u>
Finance cost	8	(13,708)	(341)
<b>Profit/(Loss) before tax</b>		<u>5,253</u>	<u>(114)</u>
Tax	10	-	-
<b>Profit/(Loss) after tax</b>		<u><u>5,253</u></u>	<u><u>(114)</u></u>

All the above items relate to continuing operations.

The notes on pages 16 to 34 form part of these financial statements.

The Company has no other comprehensive income, and therefore no separate statement of total comprehensive income has been presented.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 (Restated*) £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments held at fair value	11	165,732	93,542
		<u>165,732</u>	<u>93,542</u>
<b>Current assets</b>			
Trade and other receivables	12	10,127	227
		<u>10,127</u>	<u>227</u>
<b>Total assets</b>		<u>175,859</u>	<u>93,769</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	121,732	-
		<u>121,732</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	13	-	341
Borrowings	14	47,479	93,542
		<u>47,479</u>	<u>93,883</u>
<b>Total liabilities</b>		<u>169,211</u>	<u>93,883</u>
<b>Net assets/(liabilities)</b>		<u>6,648</u>	<u>(114)</u>

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

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	Note	2019 £000	2018 (Restated*) £000
<b>Equity</b>			
Share capital	15	100	-
Share premium reserve		1,409	-
Retained earnings		5,139	(114)
<b>Shareholders' equity</b>		<u>6,648</u>	<u>(114)</u>

\*see note 2.

The notes on pages 16 to 34 form part of these financial statements.

The notes to the financial statements of Equitix MA 7 Capital Eurobond Limited, registered number 11335475, were approved by the Board of Directors and were authorised for issue and signed on its behalf by:



**J C Smith**  
Director

Date: 10th February 2021

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**EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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

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	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
<b>At 28 April 2018</b>	-	-	-	-
Loss for the period	-	-	(114)	(114)
<b>Total comprehensive income for the period</b>	-	-	(114)	(114)
<b>At 31 December 2018</b>	-	-	(114)	(114)
<b>At 1 January 2019</b>	-	-	(114)	(114)
Profit for the year	-	-	5,253	5,253
<b>Total comprehensive income for the year</b>	-	-	5,253	5,253
Issue of share capital	100	1,409	-	1,509
<b>Total contributions by and distributions to owners</b>	100	1,409	-	1,509
<b>At 31 December 2019</b>	100	1,409	5,139	6,648

The notes on pages 16 to 34 form part of these financial statements.

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**EQUITIX MA 7 CAPITAL EUROBOND LIMITED**

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The company does not have a bank account and has no cash transactions (2018: none restated)

In the prior year financial statements a cash flow statement presented certain transactions as cash transactions however the company did not have a bank account. As such all transactions were non-cash and for this reason the prior year cash flow statement has been restated.



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

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**1. GENERAL INFORMATION**

Equitix MA 7 Capital Eurobond 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 Directors' Report on pages 3 to 4 and Strategic Report on pages 6 to 7. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. Monetary amounts are rounded to the nearest £000.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These financial statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 9).

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.

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

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**2. ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

*Prior year adjustments*

**Presentation of borrowings**

In the prior year borrowings were classified as non-current liabilities of the Company, however, these were required to be settled within 364 days of issuance and have therefore been re-classified as current liabilities as at 31 December 2018. The impact of this is to increase current liabilities and reduce non-current liabilities by £93,542k, with no impact on net assets. These borrowings were repaid during 2019 by way of issuance of quoted Eurobonds maturing in 2043.

**2.2 Going concern**

Notwithstanding net current liabilities of £37,351k as at 31 December 2019 (2018: £93,956k), 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, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the parent entity not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £167,806k (2018: £93,542k), and providing additional financial support during the year. The parent has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the Statement of Financial Position date, for the year covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 in respect of 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 on the Company of potentially lower valuations and do not consider there to be any significant impact on the going concern basis of preparation of the Company's financial statements. Whilst the Company holds a single asset investment, the investment has a high degree of revenue backed by the government. Therefore 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.

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

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

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**2. ACCOUNTING POLICIES (continued)**

**2.3 Revenue**

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

*Interest income*

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

*Income from other participating interests*

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

**2.4 Borrowing costs**

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

**2.5 Accruals and provisions**

Accruals and provisions are recognised in the Statement of Comprehensive Income in the period 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 profit differs from the net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other 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 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 affects 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.

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

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**2. ACCOUNTING POLICIES (continued)**

**2.6 Taxation (continued)**

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 period 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 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.

**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.

*Effective interest method*

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

*Financial assets*

Financial assets, are classified in the following categories: fair value through profit and loss and amortised cost. 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 PFI asset. 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. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating Statement of Comprehensive Income.

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

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2. ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

*Investments in subsidiaries*

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

Equitix MA 7 Capital Eurobond Limited holds 100% of the issued share capital of Apple Holdco (E) Limited and 100% debt of Apple Finco (E) Limited, which owns 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.

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 'amortised cost'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are in greater than 12 months after the Statement of Financial position date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' in the Statement of Financial Position.

*Fair value estimation*

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

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

Fair value is calculated by discounting future cash flows, from investments in both equity and subordinated loans (interest and repayments), the Company at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions. The discount rate that has been applied to the financial asset at 31 December 2019 was 7.57% (2018: held at cost).

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.

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

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**2. ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments (continued)**

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 profit or loss.

**2.8 Financial risk management**

The Company has loans from Equitix MA 7 Finco Limited and from Equitix Capital Eurobond 3C Limited, with fixed interest rates. These loans, including accrued interest, are repayable when the Company has sufficient surplus cash. The value of the loan shown on the Statement of Financial Position represents the value of the loan as at the balance sheet date.

**2.9 Assessable risks**

*Credit risk*

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

*Liquidity risk*

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

*Foreign exchange risk*

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

**2.10 Share capital**

Ordinary shares are classified as equity.

**2.11 Expenses**

All expenses are accounted for on an accruals basis. Finance costs and all other expenses are charged through the Statement of Comprehensive Income.

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

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**2. ACCOUNTING POLICIES (continued)**

**2.12 Segmental reporting**

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

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

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**a) Investments at fair value through profit or loss**

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

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

The principal drivers of internally prepared valuations are therefore:

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

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

Future distributions involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions 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 £16,573k loss/gain respectively.



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

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

The discount rate is determined in relation to the particular risks for each investment. All relevant risks such as interest rate risk, credit risk and liquidity risk are incorporated in the fair value of the investments by adjusting the expected cash flows or discount rate used for the valuation of investments. The discount rate used for the 2019 valuation was 7.57% (2018: held at cost). If the discount rate used in the valuation was increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss of £21,533k (2018: held at cost) or a gain of £27,202k (2018: held at cost), respectively.

**b) Fair value estimation**

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

- i) Financial assets at fair value through profit and loss  
Financial assets are recognised initially at fair value. Subsequent to initial recognition, the financial assets are measured at fair value using the discounted cash flow methodology. In determining the discount rate, regard is had to risk free rates and risk premia that are specific to the individual concession.
- ii) Loans, receivables, and payables  
The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.
- iii) Borrowings  
Intercompany loans are held at amortised cost.

**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..



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

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**5. PROFIT FROM OPERATIONS**

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

The audit fee for Equitix MA 7 Capital Eurobond Limited of £10,500 (2018: £8,500) has been borne by Equitix MA 7 LP who will not seek compensation from the Company. There are no non-audit fees (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 other Equitix companies. No recharge for services rendered has been made during the year (2018: £nil).

**7. INVESTMENT INCOME**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Interest income on loans to investments	8,661	227
	<u>          </u>	<u>          </u>

**8. FINANCE COSTS**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Finance expense	13,708	341
	<u>          </u>	<u>          </u>

**9. FAIR VALUE GAIN ON INVESTMENTS**

The gain on investments of £10,300k (2018: £nil) has been included in the Statement of Comprehensive Income. This comprises the loss of £3,580k (2018: £nil) presented in note 11 plus a gain of £13,880k (2018: £nil) resulting from the elimination of inter-company receivable and payable balances to prevent double counting of assets and liabilities.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation.

Further detail is given in note 11.

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

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**10. TAX**

There is no tax charge for the year (2018: £nil)

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

	<b>2019 £000</b>	<b>2018 £000</b>
Profit/(loss) on ordinary activities before tax	5,253	(114)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19%	998	(22)
Income and fair value movements not subject to taxation	(1,957)	-
Losses not utilised in the year/period	959	22
<b>Total current tax</b>	<b>-</b>	<b>-</b>

**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.

**11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2019 £000</b>	<b>2018 £000</b>
Opening net book value	93,542	-
Acquisition of investment	77,179	93,542
Repayment of loan principal	(1,409)	-
Fair value loss	(3,580)	-
<b>Closing net book value</b>	<b>165,732</b>	<b>93,542</b>

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

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**11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

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

UK inflation rates	2.8% for 2019, long term 3%
UK deposit interest rates	0.5% for 2019, long term 1.0%
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 of the Company can be found on note 19 of these financial statements.

**12. TRADE AND OTHER RECEIVABLES**

	<b>2019 £000</b>	<b>2018 £000</b>
Other receivables from related parties	10,127	227
	<hr/>	<hr/>
	10,127	227
Included on the Statement of Financial Position as follows:		
Current	10,127	227
	<hr/>	<hr/>
	10,127	227
	<hr/>	<hr/>

The carrying value of these assets approximates their fair value.

Other receivables to related parties comprise a short term, non interest bearing intercompany loan to Equitix MA 7 Finco Limited of £8,719k and a short term, non interest bearing intercompany loan to Equitix MA 7 Holdco Limited of £1,409k.

The carrying amount of these assets approximates their fair value. Results from the Expected Credit Loss analysis performed as per IFRS 9 were concluded as immaterial.

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

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**13. TRADE AND OTHER PAYABLES**

	<b>2019 £000</b>	<b>2018 £000</b>
Other payables to related parties	-	341
	<hr/>	<hr/>
	-	341
Included on the statement of financial position as follows:		
Current	-	341
	<hr/>	<hr/>
	-	341
	<hr/>	<hr/>

The carrying amount of these liabilities approximates their fair value.

**14. BORROWINGS**

	<b>2019 £000</b>	<b>2018 (Restated*) £000</b>
Loans from related party	169,211	93,542
	<hr/>	<hr/>
	169,211	93,542
Included on the statement of financial position as follows:		
Current	47,479	93,542
Non-current	121,732	-
	<hr/>	<hr/>
	169,211	93,542
	<hr/>	<hr/>

\*See note 2.

Amounts owing to Equitix MA 7 Finco Limited comprise of £121,732k (2018: £93,542k) of Eurobond Loan Notes, listed on The International Stock Exchange, and amounts owing to Equitix Capital Eurobond 3C Limited of £47,479k (2018: £nil) of intercompany loan. The loan note agreements fix the loan interest coupon at 10% and 7% respectively. The Eurobond Loan Notes owed to Equitix MA 7 Finco Limited fall due for repayment on 5 November 2043. The intercompany loan owed to Equitix Capital Eurobond 3C Limited falls due for repayment in 364 days from the date of signing of the agreement.

The carrying amount of these liabilities approximates their fair value.

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

15. SHARE CAPITAL

	2019 Number	2019 £	2018 Number	2018 £
<b>Issued and unpaid</b>				
Ordinary shares of £1 each	100,000	100,000	100	100

During the year, 99,900 shares of £1 each were issued on 26 April 2019, of which 71,841 shares were issued to Equitix MA7 Holdco Limited totaling £1,481k (made up of share capital of £72k and share premium of £1,409k) and 28,059 shares were issued to Equitix Capital Eurobond 3C Limited totaling £28k.

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 14, equity attributable to equity holders of the parent, comprising issued capital 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 bases for recognition of income and expenses in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

a) Categories of financial instruments

	2019 £000	2018 £000
<b>Financial assets</b>		
<b>Fair value through profit and loss</b>		-
Loans and receivables	165,732	93,542
Trade and other receivables	10,127	227
	<u>175,859</u>	<u>93,769</u>
<b>Financial liabilities at amortised cost</b>		
Interest payable	-	(341)
Borrowings	(169,211)	(93,542)
	<u>(169,211)</u>	<u>(93,883)</u>

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

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**16. FINANCIAL INSTRUMENTS (continued)**

b) Financial risk management objectives

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

The Company does not enter into financial derivative contracts.

*Market risk*

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

*Interest rate risk management*

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

*Interest rate sensitivity analysis*

The Company has no exposure to interest rate risk from intercompany loans because the loans held with Equitix MA 7 Finco Limited and Equitix Capital Eurobond 3C Limited have a fixed interest rate of 10% and 7% respectively.

*Performance risk management*

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

*Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy 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.

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

*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.

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

16. FINANCIAL INSTRUMENTS (continued)

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**

	2019 £000	2018 (Restated*) £000
<b>Less than 1 year</b>		
Borrowings	(47,479)	(93,542)
	<u>(47,479)</u>	<u>(93,542)</u>
<b>5+ years</b>		
Borrowings	(121,732)	-
	<u>(121,732)</u>	<u>-</u>
<b>Total</b>		
Borrowings	(169,211)	(93,542)
	<u>(169,211)</u>	<u>(93,542)</u>

\* See note 2

In addition to the above, there is interest payable due in 2-5 years of £43,894k and after 5 years of £161,334k.

*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 nonperformance are passed onto service providers and subcontractors by the PFI contract structure, leaving the PFI investment insulated from issues of non-performance.

c) Fair value of financial instruments

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

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

The fair value of 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.

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

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

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.

d) 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 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:

	2019 £000	2018 £000
<b>Investments at fair value through profit or loss</b>		
Level 3	165,732	93,542
	<u>165,732</u>	<u>93,542</u>

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

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



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

16. FINANCIAL INSTRUMENTS (continued)

	2019 £000	2018 £000
<b>Reconciliation of investments at fair value through profit or loss</b>		
Opening net book value	93,542	-
Acquisitions	77,179	93,542
Repayment of loan principal	(1,409)	-
Movement due to change in discount rate	7,307	-
Movement due to change in cash flows	2,175	-
Movement due to unwinding of discounting calculation	9,706	-
Movement in value due to distributions	(22,768)	-
<b>Closing net book value</b>	<b>165,732</b>	<b>93,542</b>

The underlying investment was held at cost in the period ended 31 December 2018.

**Gearing ratio**

	2019 £000	2018 £000
The gearing ratio is as follows:		
Debt	169,211	93,542
<b>Net debt</b>	<b>169,211</b>	<b>93,542</b>
Equity	6,649	(114)

The net debt to net debt plus equity ratio is 96% 100%

Debt is defined as long- and short-term borrowings (excluding derivatives) as detailed in note 14.

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

## EQUITIX MA 7 CAPITAL EUROBOND LIMITED

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

#### 17. RELATED PARTY TRANSACTIONS

<u>Statement of Comprehensive Income items</u>		2019	2018
		£000	£000
Related party	Transaction description		
Equitix MA 7 Finco Ltd	Interest Payable	(11,431)	(341)
Equitix Capital Eurobond 3C Limited	Interest Payable	(2,276)	-
Apple Finco (E) Ltd	Interest Receivable	8,661	227
		<u>(5,046)</u>	<u>(114)</u>

  

<u>Statement of Financial Position items</u>		Amounts owed by related parties 2019 £000	Amounts owed to related parties 2019 £000	Amounts owed by related parties 2018 £000	Amounts owed to related parties 2018 £000
Related party	Transaction description				
Equitix MA 7 Finco Ltd	Loan notes	-	121,732	-	93,542
Equitix Capital Eurobond 3C Ltd	Loan notes	-	47,479	-	-
Equitix MA 7 Finco Ltd	Interest creditor	-	-	-	341
Apple Finco (E) Ltd	Interest debtor	-	-	227	-
Apple Finco (E) Ltd	Loan debtor	142,918	-	78,959	-
Apple Holdco (E) Ltd	Equity Investment	26,394	-	14,583	-
Equitix MA 7 Finco Ltd	Other receivables	8,719	-	-	-
Equitix MA 7 Holdco Ltd	Other payables	1,409	-	-	-
		<u>179,440</u>	<u>169,211</u>	<u>93,769</u>	<u>93,883</u>

#### 18. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent Company is Equitix MA 7 Holdco 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 MA 7 LP, limited partnership registered in England and Wales. The registered address is 3rd Floor, South Building, 200 Aldergate Street, London, EC1A 4HD. The Company's results are not consolidated as the Company and its ultimate parent entity meet the criteria of Investment Entities under IFRS 10 and the Company's parent does not prepare consolidated accounts.

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


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**19. SUBSIDIARIES AS AT 31 DECEMBER 2019**

Company name		class of shares held	Principal activity	Registered address
Apple Holdco (E) Limited*	100%	1,003 ordinary £1 shares	Parent company of Apple Finco (E)	3rd Floor South Building, 200 Alldersgate Street, London, England, EC1A 4HD
Apple Finco (E) Limited	100%	103 ordinary £1 shares	Parent company of Apple Bidco 1	3rd Floor South Building, 200 Alldersgate Street, London, England, EC1A 4HD
Apple Bidco 1 Limited	39.6%	143,773,443 ordinary £1 shares	Parent company of Apple Bidco 2	3rd Floor South Building, 200 Alldersgate Street, London, England, EC1A 4HD
Apple Bidco 2 Limited	39.6%	143,773,443 ordinary £1 shares	Holding of investment in Agility Trains West (Holdings) Limited	3rd Floor South Building, 200 Alldersgate Street, London, England, EC1A 4HD
Agility Trains West (Holdings) Limited	17.8%	8,900 ordinary £1 shares	Holding of investment in Agility Trains West (Midco) Limited	4th Floor 4 Copthall Avenue, London, EC2R 7DA
Agility Trains West (Midco) Limited	17.8%	8,900 ordinary £1 shares	Holding of investment in Agility Trains West Limited	4th Floor 4 Copthall Avenue, London, EC2R 7DA
Agility Trains West Limited	17.8%	8,900 ordinary £1 shares	Financing, delivery, provision and maintenance of trains and train depots under the Great Western Network Intecity Express Programme	4th Floor 4 Copthall Avenue, London, EC2R 7DA

\*Investments held directly

**20. 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.