AHH HOLDCO 1 LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FROM THE DATE OF INCORPORATION ON 15 AUGUST 2018 TO 31 DECEMBER 2019

Registered Number: 11519910

CONTENTS

DIRECTORS AND ADVISERS

Directors
S Jones (Appointed 15 August 2018)
R D Knight (Appointed 15 August 2018)

Registered office
3rd Floor, South Building,
200 Aldersgate Street,
London, England,
EC1A 4HD

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Principal banker
HSBC Bank Plc
8 Canada Square
London
E14 5HQ

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of AHH Holdco 1 Limited (the "Company") is to act as the holding company for the Equitix Fund II LP highways assets which are UK Government PFI/PPP Infrastructure projects.

BUSINESS REVIEW

The results for the period are shown on page 6 in the Statement of Comprehensive Income. This shows a profit before tax of £4,271k. The profit for the year includes an increase in the fair value of the investments of £4,733k . The Directors do not recommend the payment of a dividend.

The Company's direct subsidiaries and joint ventures are held at fair value in 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.

KEY PERFORMANCE INDICATORS

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

- tracking the performance and delivery of the services in conjunction with the KPIs set by the local authorities;
- the progress of the individual project companies;
- the comparison of actual cash flows costs to those that have been forecast;
- the value of investments held in the group portfolio in association with the expected future cash flows; and
- that all operational projects are performing within the restrictions of all project documentation.

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

PRINCIPAL RISKS AND UNCERTAINTIES

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

By order of the Board

R Knight
13 August 2020

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of AHH Holdco 1 Limited for the period ended 31 December 2019.

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

RESULTS AND DIVIDENDS
The Company's performance reflects the position under the various intercompany and intergroup agreements that were in place during the period.

FINANCIAL RISK MANAGEMENT
The Company's management of financial risks including interest rate, credit and liquidity risk during the period are detailed in notes 2 (j).

GOING CONCERN
The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net result of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix Fund II LP group. 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. Refer to note 2.b for further details on the Directors' assessment of going concern. 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 18 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 was appointed the first auditor during the period. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

R Knight
13 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE PERIOD 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 IFRSs 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 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.

Opinion
We have audited the financial statements of AHH Holdco 1 Limited ("the company") for the period 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 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 period then ended;*
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and 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 period 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 period 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.

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 period 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 4, 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.

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
E14 5GL
London, UK
13 August 2020

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Period from 15 August 2018 to 31 December 2019 £'000
Investment income	7	1,850
Fair value gains on investments	10	4,733
Operating profit	5	6,583
Finance costs	8	(2,312)
Profit before tax		4,271
Tax	9	-
Profit for the financial period		4,271

The notes to these financial statements can be found on pages 10 to 22 and form an integral part of these financial statements.

All of the above relates to continuing activities.

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £'000
Non-current assets		
Investments held at fair value	10	32,344
		32,344
Current assets		
Interest receivable		-
		-
Total assets		32,344
Current liabilities		
Interest payable	12	(354)
Other payables		(108)
		(462)
Net current liabilities		(462)
Non-current liabilities		
Borrowings	11	(27,611)
		(27,611)
Total liabilities		(28,073)
Net assets		4,271
Equity		
Share capital		-
Retained eamings		4,271
SHAREHOLDER'S FUNDS		4,271

The notes to these financial statements can be found on pages 10 to 22 and form an integral part of these financial statements.

The financial statements of AHH Holdco 1 Limited, registered number 11519910, were approved by the Board of Directors and authorised for issue on 13 August 2020 and were signed on its behalf by:

R Knight
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Retained earnings £'000	Total £'000
As at 15 August 2018	-	-
Profit for the period	4,271	4,271
Balance as at 31 December 2019	4,271	4,271

The notes to these financial statements can be found on pages 10 to 22 and form an integral part of these financial statements.

STATEMENT OF CASHFLOWS

FOR THE PERIOD 31 DECEMBER 2019

The Company does not have a bank account and therefore has no cash transactions.

Notes to the financial statements for the period ended 31 December 2019

1 GENERAL INFORMATION

AHH Holdco 1 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 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors' Report on pages 2 and 3 respectively. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. All figures have been rounded to the closest thousand (£'000).

2 ACCOUNTING POLICIES

a) 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 12).

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.

b) Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net profit of the Company show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the Equitix Fund II LP group.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements. Thus they continue to adopt the going concern basis of accounting 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 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 Fund of potentially lower valuations and do not consider there to be any significant impact on the going concern basis of preparation. 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.

c) Revenue

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. It is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. In relation to the fair value exercise, interest revenue is adjusted to remove any double counting of cash flows.

Dividend income

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

Notes to the financial statements for the period ended 31 December 2019

2 ACCOUNTING POLICIES (CONTINUED)

d) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other 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 statement of financial position 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 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.

e) Financial Instruments

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

Financial assets

Financial assets, are classified in the following categories: fair value through profit and loss and measured at 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 PPP assets together. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value observable transactions are considered and fair value is measured using assumptions that market participants would use when pricing assets including assumptions regarding risk. The subordinated 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 'Fair Value Measurement'. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within the Statement of Comprehensive Income.

Investments in subsidiaries

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

Investments in joint ventures and associates

The Company meets the definition in IAS 28 (May 2011) Investments in Associates and Joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint ventures and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value through profit or loss in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the charge.

(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 'measured at 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 of interest receivables in the statement of financial position.

Notes to the financial statements for the period ended 31 December 2019

2 ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

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

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

Fair value estimation
The fair value of financial instruments that are not traded in an active market with unobservable inputs, is derived in one of the following ways:

(i) Investments at fair value through profit or loss
Fair value is calculated by discounting future cash flows, from investments in both equity and subordinated loans (interest and repayments), at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions and recent market transactions. The discount rates were been applied to the financial assets at 31 December 2019 were between 6.00% to 8.98%. Movements in fair value are attributed in full to the equity investment.

(ii) Loans and receivables
Loans and borrowings are held at amortised cost.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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

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

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.

f) Financial risk management
The Company has loans from Equitix Highways 2 B Ltd, the Company's immediate parent, with a fixed interest rates. This loan, including accrued interest, is 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 statement of financial position date.

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

g) Share capital
Ordinary shares are classified as equity.

h) 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.

Notes to the financial statements for the period ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Assessable risks

Credit risk

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

Liquidity risk

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

Foreign exchange risk

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

Inter-company agreements - Interest Rate

The Company's loan agreement with its immediate parent AHH Holdco 2 Ltd carries 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.

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

a) 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 11, IAS 28 exemption and IFRS 10, investments in subsidiaries and joint ventures are designated upon initial recognition and subsequently to be accounted for at fair value through profit or loss.

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. 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.

Notes to the financial statements for the period ended 31 December 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

a) Investments at fair value through profit or loss (continued)
If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be a £3,249k loss/gain respectively.

The discount rate is determined in relation to the particular risks for each investment. All relevant risks such as interest rate risk, credit risk and liquidity risk are incorporated in the fair value of the investments by adjusting the expected cash flows or discount rate used for the valuation of investments. The discount rate used for the 2019 valuation was 6.15%. If the discount rate used in the valuation were increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss/gain respectively of £2,804k/£3,197k.

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 and are early adopted in the financial statements but do not have a material effect on the Company's financial statements. The notable new standards are listed below:
- IFRS 16 'Leases' (1 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 IFRSs have been issued however the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to References 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 of £4,271k is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom. This includes a fair value gain on investments of £4,733k.

The audit fee for AHH Holdco 1 Limited of £1,500 has been borne by Equitix Fund II LP, who will not seek compensation from the Company. There were no non-audit fees for the period.

6 DIRECTORS' REMUNERATION

No staff were directly employed by the company.

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

Notes to the financial statements for the period ended 31 December 2019

7 INVESTMENT INCOME

Recognised in the statement of comprehensive income	2019 £'000
Interest income on loans to investments	1,850
Total investment income	1,850

8 FINANCE COSTS

Recognised in the statement of comprehensive income	2019 £'000
Interest expense on loans from immediate parent company	2,312
Total finance cost	2,312

9 TAXATION

	£'000 £'000
Current tax	-
	-

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

	£'000 £'000
Profit before tax	4,271
Profit multiplied by the standard rate of corporation tax in the UK of 19%.	811
Income and fair value movements not subject to taxation	(811)
Total tax expense for the period	-

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.

Notes to the financial statements for the period ended 31 December 2019

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 £'000
Opening balance	-
(Disposals)/Acquisitions	28,700
Repayment of investment	(1,089)
Fair value gains	4,733
Closing balance	32,344

The gain on investments of £4,733k has been included in the statement of comprehensive income. Movements in fair value are attributed to the equity portion of the investment.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Further detail is given in note 2 and 16.

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%
UK tax rates	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 19 of these financial statements.

Notes to the financial statements for the period ended 31 December 2019

11 BORROWINGS

	2019 £'000
Loans from Parent Company	27,611
	27,611
Included on the statement of financial position as follows:	
Current	-
Non-current	27,611
	27,611

Borrowings represent loans from the parent company, AHH Holdco 2 Ltd, for the purpose of acquiring the investment portfolio. The loans are repayable in 2035 and bear interest at a rate of 6.6%.

The carrying amount of these liabilities approximates their fair value.

12 INTEREST PAYABLE

	2019 £'000
Interest payable	354
	354
Included on the statement of financial position as follows:	
Current	354
	354

The carrying amount of these liabilities approximates their fair value.

Interest payable to parent in the current year represents accrued interest on loan note borrowings from AHH Holdco 2 Ltd (note 11).

13 SHARE CAPITAL

Authorised, issued and unpaid	**2019 Number**	**2019 £**
Ordinary shares of £1 each		
As at 31 December	100	100

14 FINANCIAL INSTRUMENTS

Capital risk management
The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company borrowings are as disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in note 13. 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	**2019**
Financial assets	**£'000**
Fair value through profit and loss	
Investments	**32,344**
Loans and receivables measured at amortised cost	
Interest receivable	**-**
	32,344
Financial liabilities at amortised cost	
Borrowings	**27,611**
Interest Payable	**354**
	27,965

a) 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.

Interest rate risk management
The Company has limited exposure to interest rate risk as the underlying borrowings are fixed rate loans. 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 because the loans held with AHH Holdco 2 Ltd have a fixed interest rates of 6%.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the PFI contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

The Company only transacts with creditworthy PFI / PPP concession companies that have a cash flow derived from projects in agreement with government or semi-government authorities.

Notes to the financial statements for the period ended 31 December 2019

14 FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management objectives (continued)

Liquidity risk management

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

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

Liabilities	**Less than 1 year**	**1-2 years**	**3-5 years**	**5+ years**	**Total**
2019	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings	-	-	-	(27,611)	(27,611)
Interest payable to parent	(354)	-	-	-	(354)
	(354)	-	-	(27,611)	(27,965)

Borrowings comprise inter-company loan agreements entered into between the Company and AHH Holdco 2 Ltd. The carrying value of the loan notes represents the current fair value.

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

c) Fair value of financial instruments

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

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

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

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

Notes to the financial statements for the period ended 31 December 2019

14 FINANCIAL INSTRUMENTS (CONTINUED)

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 or preceding year.

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

	2019 Level 1 £'000	2019 Level 2 £'000	2019 Level 3 £'000	2019 Total £'000
Investments at fair value through profit or loss	-	-	32,344	32,344
	-	-	32,344	32,344

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
Opening net book value	-
(Repayments)/Acquisitions	28,700
Movement due to unwinding of discounting calculation	2,396
Movement due to change in discount rate	301
Movement due to change in risk-free rate	544
Movement due to change in cash flows	1,003
Movement in value due to distributions	(600)
Closing net book value	32,344

Gearing ratio The gearing ratio at the year end is as follows:	**2019** **£'000**
Debt	27,611
Net debt	27,611
Equity	4,271
Debt to capital ratio	87%

Debt is defined as long- and short-term borrowings (excluding derivatives) as detailed in note 11.

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

15 RELATED PARTY TRANSACTIONS

Trading transactions
During the period the Company entered into the following transactions with related parties.

Statement of comprehensive income account transactions

Related party	Interest income 2019 £'000	Interest expense 2019 £'000
Amey Hallam Highways Ltd	1,850	-
AHH Holdco 2 Ltd	-	(2,312)
	1,850	(2,312)

Statement of financial position

Related party	Amounts owed by related parties 2019 £'000	Amounts owed to related parties 2019 £'000
Amey Hallam Highways Ltd	27,503	-
AHH Holdco 2 Ltd	-	(27,965)
	27,503	(27,965)

The amounts owed by related parties are loan notes that are recognised as investments held at fair value in the Statement of Financial Position.

Notes to the financial statements for the period ended 31 December 2019

16 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is AHH Holdco 2 Limited, a company incorporated in the United Kingdom, with the registered address, 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD. The Company's ultimate parent and controlling entity, is Equitix Fund II LP, a limited partnership registered in England and Wales. The registered office address of the partnership is located at 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD. The Company's results are not consolidated as the Company and its parent entities meet the criteria of Investment Entities under IFRS 10. Copies of Equitix Capital Eurobond 2 Limited's accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

17 CONTINGENT LIABILITIES

The Company is party to a loan agreement with Equitix Fund II LP as Guarantor. £112,650k was drawn on the facility as at 31 December 2019. This is repayable in a single bullet payment. However, management considers the fair value of the guarantee to be immaterial. In making this assessment, careful consideration has been given to the proximity of the current and forecast metrics to default covenants attached to the facility and the dependability of future cash flows from the underlying PPP/PFI investment portfolio.

18 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.

19 INVESTMENTS AS AT 31 DECEMBER 2019

Company name	Percentage of shares held	Principal activity	Registered Address
Amey Infrastructure Management (3) Limited	49.9%	Provision of highways maintenance services	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ