

EQUITIX INVESTMENT MANAGEMENT LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



EQUITIX INVESTMENT MANAGEMENT LTD

CONTENTS

| | Page |
|---|---------|
| Company information | 1 |
| Directors' report | 2 - 3 |
| Statement of Directors' responsibilities | 4 |
| Strategic report | 5 - 8 |
| Independent auditor's report | 9 - 10 |
| Profit and loss account | 11 |
| Balance sheet | 12 |
| Statement of changes in equity | 13 |
| Notes to the financial statements | 14 - 21 |

EQUITIX INVESTMENT MANAGEMENT LTD

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | H B Crossley G A Jackson J C Smith P G G Dear S L Jones P S Roughton (resigned 16 January 2020) A P Bhuvania (appointed 1 October 2019) |
| Company secretary | P S Roughton |
| Registered number | 06273020 |
| Registered office | 3rd Floor South Building 200 Aldersgate Street London EC1A 4HD |
| Independent auditor | KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL |
| Bankers | Royal Bank of Scotland International 280 Bishopsgate London EC2M 4RB |

EQUITIX INVESTMENT MANAGEMENT LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors submit their annual report and the audited financial statements of Equitix Investment Management LTD ("the Company") for the year ended 31 December 2019.

DIRECTORS

The Directors who served throughout the year are shown on page 1.

QUALIFYING THIRD-PARTY INDEMNITY PROVISIONS

If a qualifying third-party indemnity provision (whether made by the company or otherwise) has been in place for one or more Directors of the company, the Director's report should state that fact. If the company has made such provisions for the benefit of the Directors of an associated company, the Director's report should state that fact. These disclosures are required in respect of those provisions in force at any time during the financial year and those in force at the date of approval of the Directors' report.

RESULTS AND DIVIDENDS

The profit after tax for the year amounted to £3,794,635 (2018 - £4,296,358) which was transferred to retained earnings.

The Directors do not recommend the payment of a dividend (2018 - £nil).

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and market position are set out in the Strategic Report on pages 5 to 8. The financial position of the Company, its cash flows, liquidity position and borrowings are described by the Directors in the notes to these financial statements on pages 14 to 21. Included within this section is a brief description of the Company's objectives, capital management policies and financial risk management.

The Company's forecasts and projections, taking account of reasonably possible changes in performance, show that the Company should be able to operate within the level of its current available resources including support from other Group undertakings.

As a consequence, the Directors believe the Company is well placed to manage its risks successfully despite any current uncertainties and the economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances in which the principal activity of the Company would cease or alter. For further explanation please refer to the strategic report and for explanation on covid-19 please refer to note 15 post balance sheet events.

EQUITIX INVESTMENT MANAGEMENT LTD

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

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.

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

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



Jonathan Smith
Director

Date: 24th April 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

EQUITIX INVESTMENT MANAGEMENT LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

This report highlights and explains the strategic issues for the Company.

THE BUSINESS MODEL

The Company is authorised by the Financial Conduct Authority. The Company's primary business activity is acting as the investment manager of Equitix European Infrastructure I SCSP, Equitix Fund I LP, Equitix Fund II LP, Equitix Fund III LP, Equitix Fund IV LP, Equitix MA Fund I LP, Equitix MA Fund 2 LP, Equitix M25 Access LP, Equitix MA 4 LP, Equitix MA 4 Japan LP, Equitix Fund V LP, Equitix MA 5 LP, Equitix Primary Infrastructure LP, Equitix Fund VI LP, Equitix MA 6 LP, Equitix MA 7 LP, Equitix MA 8 LP, Equitix MA 9 LP, Equitix MA 10 LP, Equitix MA 11 LP, Equitix MA 12 LP, Equitix MA 13 LP, Equitix MA 14 LP, Equitix MA 15 LP, Equitix MA 16 LP, Equitix MA 17 LP, Equitix MA North LP, Equitix MA 18 LP and Equitix MA 19 LP (collectively, the "Funds"), unregulated collective investment schemes focusing on primary and secondary infrastructure investments. Under the terms of the Limited Partnership Agreements with each of the Funds, the Company selects and recommends appropriate investments that compliment the portfolio of each of the Funds.

The Company evaluates each possible investment via an investment committee comprising suitably qualified specialists to ensure that only opportunities that will meet the return requirements of all fund investors are selected.

The Company's other primary business activity is acting as the investment manager of Equitix Energy Saving Investments LP and Equitix Energy Efficiency Fund LP (the "Green Funds"), unregulated collective investment schemes focused on equity funded energy efficiency initiatives including any and all projects that invest in green energy and energy efficient projects.

Under the terms of each Green Fund's Limited Partnership Agreement, the Company selects primary market projects for investment.

The Green Funds appoint an independent chair to oversee the investment committee. The investment committee's responsibility is to analyse each investment to filter only the highest quality opportunities.

BUSINESS OBJECTIVES AND STRATEGY

The Company remains closely engaged with Equitix Limited, a fellow group undertaking, to ensure that it understands all primary market projects and can make coherent proposals to the Funds in order to maintain a well balanced and profitable portfolio on behalf of the Funds and the Green Funds.

The Company constantly monitors the secondary market to evaluate each opportunity and make investment proposals to the Funds for those projects that the Company believes will fit well in the portfolio of the Funds and the Green Funds.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

The key elements to the Company's strategies are listed below:

- raise investment capital for new Funds;
- achievement of sustainable long-term investment growth for Funds under the Company's management;
- maintain sustainable investment returns for Funds under the Company's management;
- identify, develop and manage a sustainable and attractive investment pipeline for all Funds;
- targeted investments in suitable secondary market acquisitions creating well balanced portfolio growth; and
- delivery of strict rate of return criteria.

EQUITIX INVESTMENT MANAGEMENT LTD

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

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS (CONTINUED)

During the year the Company raised over £1.3bn for all unregulated collective investment schemes for which the Company is the Manager.

During the year, the Company recommended the investment in over £1.7bn of capital across the Funds.

The portfolio valuations for the Funds show a well balanced, diversified and sustainable set of investments and all assets are performing within, or better than budgeted expectations. The Company continues to further opportunities for investment on behalf of the Funds and the Green Funds.

For reasons listed above, the Directors believe the Company has satisfied all key performance indicators set during the year.

BUSINESS RISK AND UNCERTAINTY

There are a number of potential risks and uncertainties, which could result in a material impact on the Company's long-term performance and cause results to differ materially from expected and historical results.

The Company's risk management policies and procedures are discussed below:

| Issue | Risk | Mitigation |
|------------|--|--|
| Investment | The Company may recommend the acquisition of a secondary market opportunity that does not perform to plan and does not produce the rate of return inherent in the acquisition price. | The Company employs the use of external experts combined with internal challenge, to perform rigorous due diligence checks on all opportunities before agreeing to recommend as investments. All investment decisions are passed by a majority vote from the investments committee, which is populated by appropriately qualified investment professionals. |
| Compliance | The Company may fail to meet obligations handed down by the Financial Conduct Authority (UK) and as a result lose its licence to operate as an investment manager. | The Directors are all regulated individuals and regularly update personal training plans to ensure awareness of all compliance requirements. The Company employs a Compliance Officer appropriately qualified in regulatory matters to provide advice on the optimal regulatory environment for the Company. |
| Financial | The Company may fall into financial and liquidity difficulty. | The Company deals with Fund investors only, the investors in which are all screened to ensure their creditworthiness and capacity for investment. The Company only borrows from Equitix Finance Limited, a fellow group undertaking, at no interest and thus reduces its exposure to interest movements. |

Given the resources available, the Directors have formed the judgement that the Company is well positioned to mitigate the majority of risks that could have a potentially material impact on the primary business activities and key objectives.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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 15 Post Balance Sheet Events.

Market risk

The Company's activities expose it partially to certain market risks from infrastructure projects that affect investor returns for the Funds under the Company's management.

The Company mitigates this risk by assessing the impact of these strategies on each investment before it is acquired by the Funds, ensuring that the minimum return that can be made on each investment satisfies the investment needs of the Fund investors.

The Company is also partially exposed to market risks including a lack of suitable deal flow generated by primary projects coming to market in the UK.

The Company mitigates this risk by constantly maintaining awareness of alternative markets including non-government supported infrastructure and non-UK investment opportunities. These new markets are assessed carefully by the Company to ensure that a shift in the market focus of the Funds still satisfies the needs of Fund investors.

Interest rate risk management

The Company's sole source of funding comes in the form of an intercompany loan with Equitix Finance Limited, a fellow group undertaking. The loan does not attract any interest and can be called by Equitix Finance Limited on demand.

The directors have considered this loan and deem that in light of the continuing support from Equitix Holdings Limited, the Company's immediate parent company, that it is able to meet the demands of this loan with Equitix Finance Limited and need not seek any alternative form of capital facility.

Interest rate sensitivity analysis

The Company has no exposure to interest rate risk as its loan with Equitix Finance Limited does not bear interest.

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 as a means of mitigating the risk of financial loss from defaults.

The Company only transacts with unregulated collective investment schemes authorised and regulated by the FCA (UK). Rigorous testing is performed on every new investor to the Fund to limit the risk of counterparty default in respect of investments that the Company offers to the funds currently under its management. The Company also limits its receivables to these fund counterparties to mitigate the risk of counterparty default resulting in financial loss to the Company.

Investment management fees are charged semi-annually in advance based on the value of drawdown invested funds, this income is received within 10 business days of the Company, acting as Manager, issuing a draw down notice to all fund partners.

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

Liquidity risk

The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves to meet its obligations. The revenue derived from the funds managed by the Company is sustainable and underpinned by individual Limited Partnership Agreements with all material risk managed and mitigated. The Company is regulated by the Financial Conduct Authority and is required to maintain and monitor liquid resources to meet regulatory capital requirements.

FUTURE DEVELOPMENT

The Company will continue to evaluate and select high quality investment assets for the Funds including identifying pre-emption opportunities for existing investments. Two key performance indicators for the coming year is the amount of capital raised for future Equitix funds and the level of investments recommended and executed. The Company will continue to evaluate a wide variety of infrastructure opportunities as well as alternative sectors with similar investment characteristics.

The Directors have considered the outcome of the UK's exit from the European Union on 31 January 2020, the transitional period which remains in place to 31 December 2020 and a number of potential outcomes arising thereafter. The Directors believe that the Company has sufficient reserves and business controls to address any financial impact of these outcomes for the foreseeable future and has decided there is no requirement for a specific provision in the accounts.

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



Jonathan Smith
Director

Date: 24th April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX INVESTMENT MANAGEMENT LTD

Opinion

We have audited the financial statements of Equitix Investment Management LTD (the "Company") for the year ended 31 December 2019, which comprise the Balance sheet, the profit and loss account, the Statement of changes in equity, and the related notes, including the accounting policies in note 1.

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 UK accounting standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

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

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIX INVESTMENT MANAGEMENT LTD

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.



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canary Wharf
London
E14 5GL
Date:

EQUITIX INVESTMENT MANAGEMENT LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 £ | 2018 £ |
|--------------------------------------|------|-------------------------|-------------------------|
| Turnover | 4 | 44,351,492 | 28,742,008 |
| Gross profit | | <u>44,351,492</u> | <u>28,742,008</u> |
| Administrative expenses | 5 | (39,648,624) | (23,276,481) |
| Operating profit | | <u>4,702,868</u> | <u>5,465,527</u> |
| Net interest payable | 7 | (17,083) | (161,381) |
| Profit before taxation | | <u>4,685,785</u> | <u>5,304,146</u> |
| Tax charge on profit | 8 | (891,150) | (1,007,788) |
| Profit for the financial year | | <u><u>3,794,635</u></u> | <u><u>4,296,358</u></u> |

All items in the profit and loss account relate to continuing operations.

All gains and losses are recognised in the profit and loss account in the current and prior year, and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 14 to 21 form part of these financial statements.

EQUITIX INVESTMENT MANAGEMENT LTD
REGISTERED NUMBER: 06273020

BALANCE SHEET
AS AT 31 DECEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|-------------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 3,034,076 | 1,969,317 |
| | | <u>3,034,076</u> | <u>1,969,317</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 9 | 16,115,004 | 14,671,211 |
| Cash at bank and in hand | | 559,418 | 559,421 |
| | | <u>16,674,422</u> | <u>15,230,632</u> |
| Creditors: amounts falling due within one year | 11 | (3,005,966) | (3,922,285) |
| Net current assets | | <u>13,668,456</u> | <u>11,308,347</u> |
| Total assets less current liabilities | | <u>16,702,532</u> | <u>13,277,664</u> |
| Creditors: amounts falling due after more than one year | 11 | (487,845) | (857,612) |
| Net assets | | <u><u>16,214,687</u></u> | <u><u>12,420,052</u></u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 10,000 | 10,000 |
| Profit and loss account | | 16,204,687 | 12,410,052 |
| | | <u><u>16,214,687</u></u> | <u><u>12,420,052</u></u> |

The financial statements of Equitix Investment Management LTD, registered number 06273020, were approved by the Board of Directors and were signed on its behalf by:



Jonathan Smith
Director

Date: 24th April 2020

The notes on pages 14 to 21 form part of these financial statements.

EQUITIX INVESTMENT MANAGEMENT LTD

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

| | Called up share capital | Profit and loss account | Total equity |
|--|------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ |
| At 1 January 2018 | 10,000 | 8,113,694 | 8,123,694 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 4,296,358 | 4,296,358 |
| At 1 January 2019 | 10,000 | 12,410,052 | 12,420,052 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 3,794,635 | 3,794,635 |
| At 31 December 2019 | 10,000 | 16,204,687 | 16,214,687 |

The notes on pages 14 to 21 form part of these financial statements.

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

1. GENERAL INFORMATION

Equitix Investment Management LTD (the "Company") is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the Company Information page. The principal activities of the Company and nature of its operations are set out in the strategic report on pages 5 to 8.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Law and FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

A summary of the principal accounting policies adopted by the Directors, which have been applied consistently are shown below.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Equitix Holdings Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

2.2 Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months from the date of signing of financial statements. Accordingly, they adopt the going concern basis in preparing the financial statements.

As part of these enquiries, the Directors have also considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The main risk resulting from COVID-19 for the Company is in respect of the impact on the valuation of investments held at fair value through profit and loss by the Fund to which the Company is General Partner. 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 of Fund's financial statements as they consider that no severe but plausible downside event would prevent the Fund being able to meet its liabilities as they fall due. In conjunction with this assessment, the Directors believe the Company 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.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency

i. Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii. Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss.

2.4 Turnover

All turnover is derived entirely in the United Kingdom and is net of VAT.

Turnover is derived from related parties within the Equitix Holdings Limited group and represents compensation for investment management services delivered. Turnover is recognised on an accrual basis.

2.5 Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

2.7 Intangible assets

Intangible assets recognised represent the right to future income from Equitix Fund IV LP, Equitix Fund V LP and Equitix European Infrastructure I SCSp secured through various management service agreements held by the Company, as a consequence of expenditure on placement fees.

The assets are typically amortised on a 5 year straight line basis but this period is shortened for single purpose funds such as managed accounts which do not have an investment period. Intangible assets relating to placement fees incurred on previous funds that have been launched by the Company have been fully amortised as at the balance sheet date.

Amortisation is included in 'administrative expenses' in the profit and loss account.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, 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.

4. TURNOVER AND OPERATING PROFIT

The turnover and operating profit before taxation of the Company are attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee of £19,800 (2018 - £13,900) for the Company will be borne by Equitix Limited, who will not seek compensation from the Company. No other auditor's remuneration was chargeable during 2019 (2018: none).

EQUITIX INVESTMENT MANAGEMENT LTD

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

5. DIRECTORS' REMUNERATION

No Directors received any remuneration for services rendered to the Company during the current year (2018 - £nil). The Company is managed by secondees from group undertakings under a management services agreement. A recharge of £37,500,000 has been made for services rendered during the year (2018 - £22,000,000).

6. STAFF NUMBERS

The average monthly number of employees, including directors, during the year was nil (2018 - nil).

7. NET INTEREST PAYABLE

| | 2019 £ | 2018 £ |
|---|---------------|----------------|
| Interest payable on outstanding trade creditor balances | 17,083 | 161,381 |
| | <u>17,083</u> | <u>161,381</u> |

8. TAXATION

| | 2019 £ | 2018 £ |
|--|----------------|------------------|
| Taxation is based on the profit for the year and comprises: | | |
| UK corporation tax at a rate of 19% (2018 - 19%) of taxable profit | | |
| Current tax | 891,150 | 1,007,788 |
| Taxation on profit | <u>891,150</u> | <u>1,007,788</u> |

Factors affecting the tax charge for the current year

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 for the year are as follows:

EQUITIX INVESTMENT MANAGEMENT LTD

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

8. TAXATION (CONTINUED)

| | 2019 £ | 2018 £ |
|--|-------------------------|-------------------------|
| Profit before tax | 4,685,785 | 5,304,146 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | (890,299) | (1,007,788) |
| Group relief claimed not paid for | - | - |
| Prior year adjustment | (851) | - |
| Total current tax charge for the year | <u>(891,150)</u> | <u>(1,007,788)</u> |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate.

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.

9. DEBTORS

| | 2019 £ | 2018 £ |
|--|-------------------------|-------------------------|
| Amounts falling due within less than one year | | |
| Amounts owed by group undertakings | 16,034,800 | 14,504,713 |
| Input VAT | 36,503 | - |
| Prepayments | 43,701 | 166,498 |
| | <u>16,115,004</u> | <u>14,671,211</u> |

Amounts owed by group undertakings are trading balances, do not bear interest and have no fixed date of repayment.

EQUITIX INVESTMENT MANAGEMENT LTD

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

10. INTANGIBLE ASSETS

| | Placement Agreement 2019 £ |
|-----------------------|---|
| COST | |
| At 1 January 2019 | 11,153,050 |
| Additions | 2,806,632 |
| | <hr/> |
| At 31 December 2019 | 13,959,682 |
| | <hr/> |
| AMORTISATION | |
| At 1 January 2019 | 9,183,733 |
| Charge for the year | 1,741,873 |
| | <hr/> |
| At 31 December 2019 | 10,925,606 |
| | <hr/> |
| NET BOOK VALUE | |
| At 31 December 2019 | 3,034,076 |
| | <hr/> <hr/> |
| At 31 December 2018 | 1,969,317 |
| | <hr/> <hr/> |

Included within intangible assets are amounts that have been incurred under placement agreements with Evercore Partners LLP, First Avenue Partners LLP, McClean and Partners Limited and B Finance UK Limited. These amounts have been capitalised and amortised over the investment period of each corresponding Fund, typically 5 years from first close.

The increase in amounts amortised through the income statement during the year is a direct result of capital raised in Equitix Fund V LP and Equitix European Infrastructure I SCSp during the year.

EQUITIX INVESTMENT MANAGEMENT LTD

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

11. CREDITORS

Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,524,911 | 900,789 |
| Amounts owed to group undertakings | 495,559 | 906,298 |
| Corporation tax | 890,242 | 1,841,748 |
| Accruals | 95,254 | 273,450 |
| | <u>3,005,966</u> | <u>3,922,285</u> |

Amounts falling due after one year

| | 2019 £ | 2018 £ |
|-----------------|----------------|----------------|
| Trade creditors | 487,845 | 537,929 |
| Accruals | - | 319,683 |
| | <u>487,845</u> | <u>857,612</u> |

Placement fee liabilities incurred in relation to Equitix Fund IV LP, Equitix Fund V LP and Equitix European Infrastructure I SCSp included within trade creditors will be settled in semi-annual installments from the date of each close.

Interest is charged on creditor balances relating to placement agent fees. The interest percentage is agreed with each creditor at the outset of each agreement.

Amounts owing to group undertakings comprise trade balances held with Equitix GP 3 Limited and Equitix GP 4 Limited, fellow group undertakings. This balance does not bear interest and is repayable on demand.

12. CALLED UP SHARE CAPITAL

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Allotted, called up and fully paid | | |
| 1,000,000 (2018 - 1,000,000) Ordinary shares of £0.01 each | <u>10,000</u> | <u>10,000</u> |

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. There are no associated rights or preferences relating to the Ordinary Shares.

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

13. TRANSACTIONS WITH RELATED PARTIES

A 100% subsidiary of Equitix Holdings Limited, the Company has taken advantage of the Qualifying Entity exemption under FRS 102 not to provide information on related party transactions with other undertakings or key management remuneration within the Equitix Holdings Limited group. Note 14 gives details of how to obtain a copy of the published financial statements of Equitix Holdings Limited.

14. ULTIMATE PARENT

The Company's immediate parent, and the smallest group in which its results are consolidated is Equitix Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the consolidated accounts of Equitix Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company's ultimate parent, and the largest group in which its results are consolidated is Pace Topco Limited, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the consolidated accounts of Pace Topco Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

15. POST BALANCE SHEET EVENTS

During the period from the date of the Balance Sheet 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 and the Investment Manager are monitoring the situation and considering the effect it may have on the valuation of any impacted underlying portfolio companies in the future. The Directors do not believe there is any financial impact to the Financial Statements as at 31 December 2019 as a result of this subsequent event.