

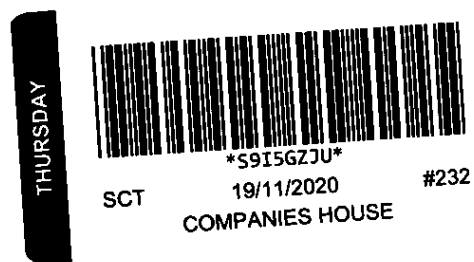
COMPANY REGISTRATION NUMBER: 06435881

Matrix PFI Holdings Limited
Unaudited Annual Report and Financial Statements
31 December 2019

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Matrix PFI Holdings Limited
Annual Report and Financial Statements
Year Ended 31 December 2019

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Matrix PFI Holdings Limited

Officers and Professional Advisers

The Board of Directors

John Cavill
Peter Sheldrake

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Matrix PFI Holdings Limited

Strategic Report

Year Ended 31 December 2019

The directors present their strategic report on the Company for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is as an investment holding company, investing in companies involved in the provision, operation and maintenance of various assets under the Private Finance Initiative Scheme ('PFI'). These investments cover the custodial and defence sectors, namely:

Defence Management (Watchfield) Limited, a subsidiary company established for the financing, design, construction and subsequent operation of the Joint Services Command and Staff College on behalf of the Ministry of Defence, under the Government's Private Finance Initiative Scheme.

Premier Custodial Investments Limited, a holding company which has subsidiaries engaged in the design, construction, management and finance of custodial facilities under the Government's Private Finance Initiative Scheme.

SD Marine Services Limited, a subsidiary company established for managing the provision of marine vessels, moorings and associated services to the Royal Navy under the Government's Private Finance Initiative Scheme.

As a holding company, the performance of the business remains wholly dependent upon the success of the underlying investments. As such, the directors strategy and business monitoring remains focused on the underlying performance of the subsidiary companies.

Performance Review

The profit for the financial year, after taxation, amounted to £25,311 (2018: £(328)).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

The directors have considered the future financial impact to the Company of the Coronavirus, taking into account the sources of income and additional expenditure, if any. It is their view that, the distributions from the underlying investments are expected to continue in line with modelled expectations and it is anticipated that the income of the company will not be materially impacted. Alongside this, the expected expenditure should not see material variation from its current levels and key suppliers are expected to continue to be able to service the company. Although the likely full impact is unknown, and at this stage is not possible to quantify, it is not expected to materially impact on the operations or financial position of the Company.

Matrix PFI Holdings Limited

Strategic Report *(continued)*

Year Ended 31 December 2019

Review of Business

As all of the subsidiary companies are now in the full operational phase, they face a number of operational risks and actively monitor the financial performance against loan covenants. During the year the subsidiary companies were fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the subsidiary companies have been performing well and have been compliant with the covenants laid out in the loan agreement. The subsidiary companies are also forecasting compliance with the covenants laid out in the loan agreements for the next 12 months.

The directors expect the future performance of the subsidiary companies to be profitable and in line with the forecasting models.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks facing the subsidiary companies. The principal risk and uncertainties facing the subsidiaries are: price risk, credit and cash flow risk, as detailed below.

Price Risk

The subsidiaries price risk is managed through long term project agreements with the Ministry of Justice and the Ministry of Defence providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with the Ministry of Justice and the Ministry of Defence.

Credit and Cash flow Risk

Cash flows are generated on the availability of the prisons and from the operational management and maintenance of the facilities. The project concession cash-flows are secured under contract from the Ministry of Justice and Ministry of Defence, government bodies.

This report was approved by the board of directors on 30 September 2020 and signed on behalf of the board by:



Peter Sheldrake
Director

Matrix PFI Holdings Limited

Directors' Report

Year Ended 31 December 2019

The directors present their report and the unaudited Annual Report and Financial Statements of Matrix PFI Holdings Limited ("the Company") for the year ended 31 December 2019.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

John Cavill
Peter Sheldrake

Dividends

The directors do not recommend the payment of a dividend.

Events after the End of the Reporting Period

Particulars of events after the reporting date are detailed in note 13 to the Annual Report and Financial Statements.

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

This report was approved by the board of directors on 30 September 2020 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Matrix PFI Holdings Limited

Statement of Comprehensive Income

Year Ended 31 December 2019

	Note	2019 £	2018 £
Other interest receivable and similar income	5	908,287	874,333
Interest payable and similar expenses	6	(877,134)	<u>(874,738)</u>
Profit/(loss) before taxation		31,153	(405)
Tax on profit/(loss)	7	(5,842)	<u>77</u>
Profit/(loss) for the financial year and total comprehensive income		<u>25,311</u>	<u>(328)</u>

All the activities of the Company are from continuing operations.

The notes on pages 8 to 15 form part of these Financial Statements.

Matrix PFI Holdings Limited

Statement of Financial Position

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	8	3	3
Current assets			
Debtors: amounts falling due within one year	9	21,033,760	20,131,314
Creditors: amounts falling due within one year	10	(20,946,356)	(20,069,221)
Net current assets		87,404	62,093
Total assets less current liabilities		87,407	62,096
Net assets		87,407	62,096
Capital and reserves			
Called up share capital	11	2	2
Retained earnings	12	87,405	62,094
Total shareholders' funds		87,407	62,096

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its Annual Report and Financial Statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the Annual Report and Financial Statements.

The Financial Statements were approved by the board of directors and authorised for issue on 30 September 2020, and are signed on behalf of the board by:



Peter Sheldrake
Director

Company registration number: 06435881

The notes on pages 8 to 15 form part of these Financial Statements.

Matrix PFI Holdings Limited

Statement of Changes in Equity

Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Total £
At 1 January 2018	2	62,422	62,424
Loss for the financial year	—	(328)	(328)
Total comprehensive expense for the year	—	(328)	(328)
At 31 December 2018	2	62,094	62,096
Profit for the financial year	—	25,311	25,311
Total comprehensive income for the year	—	25,311	25,311
At 31 December 2019	<u>2</u>	<u>87,405</u>	<u>87,407</u>

The notes on pages 8 to 15 form part of these Financial Statements.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2019

1. General Information

Matrix PFI Holdings Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activity of the Company during the year was acting as an investment holding company.

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

2. Statement of Compliance

The individual financial statements of Matrix PFI Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Going concern

The directors have considered the future financial impact to the Company of the Coronavirus as disclosed in the Directors' Report, and although the likely full impact is unknown, and at this stage is not possible to quantify, it is not expected to materially impact on the operations or financial position of the Company.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIIF Holdco Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) Disclosures in respect of financial instruments have not been presented.

The Company is wholly owned by BIIF Holdco Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

(d) Consolidation

The Company is a wholly-owned subsidiary of BIIF Holdco Limited, a company incorporated in the EEA. In accordance with Section 400 of the Companies Act 2006, the Company is not required to produce, and has not published, consolidated accounts.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

(e) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

(g) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(h) Investments

Investments are shown at cost less any provision for diminution in value.

Investments include the cost of a premium paid to acquire the rights to advance subordinated loans to group undertakings less any provision for any diminution in value.

(i) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

4. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2018: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2018: £nil).

5. Other Interest Receivable and Similar Income

	2019	2018
	£	£
Interest from Group undertakings	<u>908,287</u>	<u>874,333</u>

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

6. Interest Payable and Similar Expenses

	2019	2018
	£	£
Interest due to Group undertakings	<u>877,134</u>	<u>874,738</u>

7. Tax on Profit/(Loss)

Major components of tax expense/(income)

	2019	2018
	£	£
Current tax:		
UK current tax expense/(income)	<u>5,842</u>	<u>(77)</u>
Tax on profit/(loss)	<u>5,842</u>	<u>(77)</u>

Reconciliation of tax expense/(income)

The tax assessed on the profit/(loss) for the year is lower than (2018: the same as) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£	£
Profit/(loss) before taxation	<u>31,153</u>	<u>(405)</u>
Profit/(loss) by rate of tax	<u>5,919</u>	<u>(77)</u>
Utilisation of tax losses	<u>(77)</u>	<u>—</u>
Total tax charge/(credit)	<u>5,842</u>	<u>(77)</u>

Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

8. Investments

	Shares in Group £
Cost	
At 1 January 2019 and 31 December 2019	<u>3</u>
Impairment	
At 1 January 2019 and 31 December 2019	<u>—</u>

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

8. Investments *(continued)*

	Shares in Group £
Carrying amount	
At 31 December 2019	3
At 31 December 2018	3

The Company owns, directly or indirectly, 100% of the issued share capital of the companies listed below. The carrying value of the investments is supported by the forecast cashflows to be generated by the underlying PFI projects.

Registered Office - Cannon Place, 78 Cannon Street, London, EC4N 6AF

Defence Management Group (Holdings) Limited

Matrix Premier Holdings Limited

Matrix FPMS Holdings Limited

Matrix FPMS Limited

SD Marine Services (Holdings) Limited

SD Marine Services Limited

Premier Custodial Sub-debt Limited

Defence Management (Holdings) Limited

Defence Management (Watchfield) Limited

Premier Custodial Finance Limited

Premier Custodial Investments Limited

Lowdham Grange Prison Services Limited

Moreton Prison Services Limited

Pucklechurch Custodial Services Limited

9. Debtors

Debtors amounts falling due within one year are as follows:

	2019 £	2018 £
Amounts owed by Group undertakings	13,216,114	10,489,423
Prepayments and accrued income	7,817,646	9,641,891
	21,033,760	20,131,314

The amounts owed by Group undertakings includes loans of £13,146,083 (2018: £10,413,550) which bear interest at 8.4% and are repayable upon demand. The remaining £70,031 (2018: £75,873) relates to group tax relief, which is non interest bearing and also repayable on demand.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

10. Creditors: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to Group undertakings	10,413,550	10,413,549
Accruals and deferred income	10,532,806	9,655,672
	<u>20,946,356</u>	<u>20,069,221</u>

The amounts owed to Group undertakings are unsecured loans of £10,413,550 (2018: £10,413,549) which bears interest at 8.4% and are repayable on demand.

11. Called Up Share Capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

12. Reserves

Retained earnings records retained earnings and accumulated losses.

13. Events after the End of the Reporting Period

Coronavirus was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. As the pandemic accelerated after the year end this event has been classified as a non-adjusting post balance sheet event. As disclosed in the Directors' Report, the directors have considered the future financial impact to the Company of the Coronavirus. Although the likely full impact is unknown, it is expected to be minimal.

Matrix PFI Holdings Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2019

14. Controlling Party

The immediate parent undertaking is I2 Holdco 2 Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.