Registered Number 11243469

**GUOTONG ROMEO HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**GUOTONG ROMEO HOLDINGS LIMITED**



## COMPANY INFORMATION

**DIRECTORS**
Julius Manuel Bozzino
Barry Anthony Gowdy
Caterina Musgrave Juer
Bo Li
Feng Zhu (appointed on 1 February 2021)
Liming Yu (resigned on 1 February 2021)

**REGISTERED OFFICE**
3rd Floor, 11-12 St James's Square
London SW1Y 4LB
United Kingdom

**COMPANY SECRETARY**
Accomplish Secretaries Limited
3rd Floor, 11-12 St James's Square
London SW1Y 4LB
United Kingdom

**INDEPENDENT AUDITORS**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH
United Kingdom

**ADMINISTRATOR AND REGISTRAR**
Vistra (UK) Limited
3rd Floor, 11-12 St.James's Square
London SW1Y4LB
United Kingdom

**STRATEGIC REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their strategic report together with the audited financial statements of Guotong Romeo Holdings Limited (the "Company") for the year ended 31 December 2020.

**Review of the business**

The Company was incorporated in England and Wales on 8 March 2018 as a private company limited by shares under the Companies Act 2006 with company registration number 11243469. The Company is domiciled in the United Kingdom. The principal purpose of the Company is to carry on the business of acquiring, holding, monitoring and realising one or more investments, with the objective of generating long-term capital appreciation for the shareholders. Throughout the year under review, the Company maintained its investments in Redexis Gas S.A. and Redexis Gas Finance B.V. and it did not make any acquisitions or disposals.

In March 2018, the Company acquired 33.3% of the issued share capital of both Redexis Gas S.A., which is domiciled in Spain and Redexis Gas Finance B.V., which is domiciled in the Netherlands for a total consideration of €569,565,608. These investments were financed primarily by issuing share capital amounting to €284,399,559 and a bank loan of €320,000,000. At 31 December 2020, the Company's investment portfolio consisted only of these investments.

During the year ended 31 December 2020, the Company received dividends totalling €19,999,998 (2019: €9,999,999) from its investment in Redexis Gas S.A. The dividends received were primarily used to pay interest on the Company's outstanding loans.

**Future developments**

The Directors do not anticipate any changes to the nature of the Company's business in the foreseeable future, but the Company's performance in the coming year could be impacted by the matters discussed below.

**Post balance sheet events**

There have been no significant events after the reporting date up to the date of signing these financial statements that require disclosure.

**The UK's exit from the European Union**

The UK left the European Union ("EU") at 23:00 GMT on 31 January 2020 and has now completed the 11-month transition period during which the UK was bound to the EU's rules. On 30 December 2020, the UK and EU had signed a trade agreement referred as the EU-UK Trade and Cooperation Agreement ("TCA"). The TCA has been applied provisionally since 1 January 2021 and sets out ambitious cooperation on economic, social, environmental and fisheries issues. There is no evidence of any consequences of Brexit on the Company's investments or operations. The Directors will continue to monitor development and assess for any change.

**Results and performance**

The results of the Company for the year under review, as set out on page 9, show a profit on ordinary activities before tax of €33,925,428 (2019: €40,664,077). The Company recognised a fair value movement of the investment of €23,333,333 (2019: €40,234,392) during the year and dividend income from its investment in Redexis Gas S.A. of €19,999,998 (2019: €9,999,999). The Company has net assets of €382,453,541 (2019: €348,528,113) as at 31 December 2020. No dividends have been paid during the year ended 31 December 2020 (2019: €nil).

**Going concern**

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in these financial statements. Note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk.

As at year end, the Company had net assets of €382,453,541 (2019: €348,528,113), including cash of €34,883,711 (2019: €23,294,205). The Directors have assessed the financial position of the Company and its ability to meet its liabilities as they fall due and are satisfied that the Company is able to continue as a going concern for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. The Company's financial statements have therefore been prepared on a going concern basis.

**Impact of the Covid-19 pandemic**

As the Company is a holding company, COVID-19 has had no significant impact on the Company's operations.

**Key Performance Indicators (KPIs)**

The key performance indicator of the business is considered to be the return on investment (ROI) (profit for the year divided by total investment). During the year, the Company achieved a ROI of 5% (2019: 6%) calculated by dividing profit for the year of €33,925,428 (2019: €40,664,077) by investment value of €666,666,666 (2019: €643,333,333). The profit for the year is mostly due to the fair value movement on the investment at fair value through profit and loss of €23,333,333 (2019: €40,234,392). In light of the simple nature of the business, the Directors do not evaluate the performance of the Company based on any non-financial KPIs.

**Principal risks and uncertainties**

The Company is exposed to a number of potential risks and uncertainties which could have a material impact on the Company's perfonnance and could cause actual results to differ materially from expected and/or historical results.

*Value of investments*

The Company's investment decisions are delegated to the Asset Manager, Vantage Infrastructure (UK) Limited. Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Asset Manager and is reviewed in detail at each board meeting by its members. The Asset Manager will take appropriate action to mitigate underperformance in the event that the investments are not performing. The Asset Manager provides a quarterly review of the investments. A valuation is also carried out by KPMG LLP on a semi-annual basis in order to monitor the market value of the investments.

There can be no assurance that the Asset Manager will be successful in implementing the Company's investment objectives or prevent a decline in the value of the investments.

*Reliance on dividends*

The Company relies on the dividends received from its investments in order to settle the interest on the loan facilities and its day-to-day expenses. There can be no assurance of the continued receipt of dividends on these investments.

Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Asset Manager and is reviewed in detail at each board meeting by the Directors. The Directors will ensure that sufficient amount of cash is available in the bank accounts in order to meet all day-to-day expenses.

**Financial instruments and risk management policies**

The Company's financial instruments comprise investments at fair value through profit and loss, cash and cash equivalents, trade and other receivables, other payables, loan payable and Assumed Debt that arise directly from its operations.

The financial risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing risks arising on the Company's financial instruments. Further discussion to the approach to financial instruments is set out in Note 3 (Significant accounting policies) and in Note 15 (Financial risk management).

On behalf of the board

Julius Manuel Bozzino
Director

Caterina Musgrave Juer
Director

Date: 27/5/2021

**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their report and the audited financial statements of Guotong Romeo Holdings Limited (the "Company") for the year ended 31 December 2020. For the Directors' disclosures in relation to going concern, future developments, post balance sheets events and financial risks and uncertainties, please refer to the strategic report.

**Principal activities**
The Company was incorporated in England and Wales on 8 March 2018 as a private company limited by shares under the Companies Act 2006 with company registration number 11243469. The Company is domiciled in the United Kingdom. The principal purpose of the Company is to carry on the business of acquiring, holding, monitoring and realising one or more investments, with the objective of generating long-term capital appreciation for the shareholders. Throughout the year under review, the Company maintained its investments in Redexis Gas S.A. and Redexis Gas Finance B.V. and it did not make any acquisitions or disposals.

**Dividends**
No dividend has been paid during the year (2019: €nil) and no dividend has been declared (2019: €nil) as of year end or up to the date of approval of this report.

**Directors and their interests**
The Directors who held office during the year and up to the date of signing, are given below:

Julius Manuel Bozzino
Barry Anthony Gowdy
Caterina Musgrave Juer
Bo Li
Feng Zhu (appointed on 1 February 2021)
Liming Yu (resigned on 1 February 2021)

None of the Directors held any beneficial interest in the ordinary share capital of the Company. None of the Directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

**Qualifying third-party indemnity provisions**
Three Directors, namely, Julius Manuel Bozzino, Barry Anthony Gowdy and Caterina Musgrave Juer are employed by Vistra (UK) Limited, the Company's administrator and registrar during the year ended 31 December 2020. Vistra (UK) Limited provides these Directors with liability insurance and an indemnity which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006, which was in place during the year and up to and including the date of approval of the Directors' Report.

**Statement of disclosure of information to auditors**
In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

**On behalf of the board**

Julius Manuel Bozzino
Director

Caterina Musgrave Juer
Director

Date: 27/5/2021

# Independent auditors' report to the members of Guotong Romeo Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Guotong Romeo Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the appropriate presentation of the company's financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in determining the fair value of investments. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- enquiry of management and those charged with governance around any instances of non-compliance with laws and regulations and any actual or potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates including the fair value of investments (because of the risk of management bias); and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 May 2021

GUOTONG ROMEO HOLDINGS LIMITED



## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **INCOME** | | | |
| Dividend income | | 19,999,998 | 9,999,999 |
| Fair value movement in investment at fair value through profit and loss | 8 | 23,333,333 | 40,234,392 |
| | | 43,333,331 | 50,234,391 |
| **EXPENSES** | | | |
| Operating expenses | 5 | (2,594,711) | (2,776,579) |
| | | (2,594,711) | (2,776,579) |
| **Operating profit** | | 40,738,620 | 47,457,812 |
| Finance cost | 6 | (6,813,192) | (6,793,735) |
| **Profit for the year before tax** | | 33,925,428 | 40,664,077 |
| Income tax expense | 7 | - | - |
| **Profit for the year** | | 33,925,428 | 40,664,077 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 33,925,428 | 40,664,077 |

GUOTONG ROMEO HOLDINGS LIMITED
(Registered number: 11243469)



STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | Note | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Investment at fair value through profit and loss | 8 | 666,666,666 | 643,333,333 |
| Total non-current assets | | 666,666,666 | 643,333,333 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 9 | 900,024 | 1,019,587 |
| Cash and cash equivalents | 10 | 34,883,711 | 23,294,205 |
| Total current assets | | 35,783,735 | 24,313,792 |
| ***TOTAL ASSETS*** | | 702,450,401 | 667,647,125 |
| **EQUITY AND RESERVES** | | | |
| Ordinary share capital | 11 | 1,000,000 | 1,000,000 |
| Share premium | 11 | 283,399,545 | 283,399,545 |
| Redenomination reserve | 11 | 14 | 14 |
| Retained earnings | | 98,053,982 | 64,128,554 |
| **TOTAL EQUITY** | | 382,453,541 | 348,528,113 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Other payables | 12 | 1,197,381 | 1,276,725 |
| Interest payable on loan and Assumed Debt | 13 and 14 | 311,972 | 284,304 |
| Assumed Debt | 14 | 763,063 | - |
| Total current liabilities | | 2,272,416 | 1,561,029 |
| **NON-CURRENT LIABILITIES** | | | |
| Loan payable | 13 | 317,724,444 | 316,794,920 |
| Assumed Debt | 14 | - | 763,063 |
| Total non-current liabilities | | 317,724,444 | 317,557,983 |
| **TOTAL LIABILITIES** | | 319,996,860 | 319,119,012 |
| ***TOTAL EQUITY AND LIABILITIES*** | | 702,450,401 | 667,647,125 |

The financial statements on pages 9 to 26 were approved by the Board of Directors on 27/5/2021 and were signed on its behalf by:

Julius Manuel Bozzino
Director

Date: 27/5/2021

Caterina Musgrave Juer
Director

The notes on pages 13 to 26 form part of these audited financial statements.

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Ordinary Share capital | Share premium | Redenomination reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| At 1 January 2019 | 1,000,000 | 283,399,545 | 14 | 23,464,477 | 307,864,036 |
| Profit for the year | - | - | - | 40,664,077 | 40,664,077 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 40,664,077 | 40,664,077 |
| At 31 December 2019 | 1,000,000 | 283,399,545 | 14 | 64,128,554 | 348,528,113 |
| Profit for the year | - | - | - | 33,925,428 | 33,925,428 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 33,925,428 | 33,925,428 |
| **At 31 December 2020** | **1,000,000** | **283,399,545** | **14** | **98,053,982** | **382,453,541** |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 33,925,428 | 40,664,077 |
| Fair value movement on investment | 8 | (23,333,333) | (40,234,392) |
| Amortisation of issue costs | | 929,524 | 926,984 |
| Financing costs on bank and Assumed Debt | | 5,883,668 | 5,866,751 |
| Decrease in receivables | 9 | 119,563 | 108,684 |
| (Decrease)/ increase in other payables | 12 | (79,344) | 220,282 |
| **NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES** | | 17,445,506 | 7,552,386 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid on bank loan | | (5,856,000) | (5,872,000) |
| **NET CASH USED IN FINANCING ACTIVITIES** | | (5,856,000) | (5,872,000) |
| Net increase in cash and cash equivalents | | 11,589,506 | 1,680,386 |
| Cash and cash equivalents at beginning of the year | | 23,294,205 | 21,613,819 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 10 | 34,883,711 | 23,294,205 |

The notes on pages 13 to 26 form part of these audited financial statements.

## 1. REPORTING ENTITY

Guotong Romeo Holdings Limited (the "Company") was incorporated as a private company limited by shares on 8 March 2018 under the laws of England and Wales, with company registration number 11243469 and is domiciled in the United Kingdom. The principal activity of the Company is to invest in Redexis Gas S.A. (Spain) and Redexis Gas Finance B.V. (Netherlands).

The registered office of the Company is 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, United Kingdom.

## 2. BASIS OF ACCOUNTING

**Statement of compliance**
The Company's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

**Basis of preparation**
The financial statements have been prepared on a historical cost basis as modified for the revaluation of investments at fair value through profit and loss under IFRS 9 Financial instruments.

The principal accounting policies applied in the preparation of these financial statements are set out below. The Company has consistently applied these policies to all the years presented, other than where there are new policies which need to be adopted.

The financial statements are presented in Euro ("€").

The preparation of financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. The Directors believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

**Going concern**
The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in these financial statements. Note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk.

As at year end, the Company had net assets of €382,453,541 (2019: €348,528,113), including cash of €34,883,711 (2019: €23,294,205). The Directors have assessed the financial position of the Company and its ability to meet its liabilities as they fall due and are satisfied that the Company is able to continue as a going concern for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. The Company's financial statements have therefore been prepared on a going concern basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**
*(a) Functional and presentation currency*
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented to the nearest Euro ("€"), which is the functional currency and the presentation currency of the Company.

*(b) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss for the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Dividend income**
Dividends received from equity investments are recognised in the Company's financial statements when the right to receive payment is established.

**Dividends paid**
Dividends to the shareholders are recognised in the Company's financial statements in the period in which the dividends are approved.

**Expenses**
Expenses include legal and professional fees, accounting, auditing, asset management and other fees. They are recognised as expenses in profit or loss in the year in which they are incurred (on an accruals basis).

**Interest**
Interest income and expenses are recognised within 'finance income' and 'finance costs' respectively in the statement of comprehensive income using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

**Investment at fair value through profit and loss**
Associates are entities in which the Company has a significant but not controlling interest. Significant interest is typically achieved through direct or indirect ownership or right of disposal of more than 20 per cent of the voting rights, but less than 50 per cent. In the assessment of whether the Company has a significant interest, potential voting rights that may be exercised at the statement of financial position date are taken into account.

The Company is exempt from the requirement in IAS 28 to apply equity accounting to its investments in associates and has elected to measure them at fair value through profit or loss as it qualifies as a venture capital organisation in accordance with paragraph 18 of IAS 28.

**Cash and cash equivalents**
Cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less.

**Financial instruments**
*i. Recognition and initial measurement*
Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*ii. Classification and subsequent measurement*
*a. Classification*
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**
***ii. Classification and subsequent measurement (continued)***
*a. Classification (continued)*
For assets measured at fair value, gains and losses will be recorded in profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Company's management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessment whether cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

*b. Subsequent measurement*
*Equity instruments*
The Company subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised directly in profit or loss.

***Financial liabilities - Classification and subsequent measurement***
Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading, it is a derivative or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance costs' line item in the statement of comprehensive income.

Other financial liabilities, including bank borrowings and trade and other payables, are subsequently measured at amortised cost using the effective interest method. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

***iii. Derecognition***

***Financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

***iv. Impairment***

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss, including trade and other receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Trade and other receivables consist mainly of insurance prepaid. Any identified impairment loss would be immaterial. Thus no reconciliation for loss allowance has been presented in these financial statements.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

**Accounting developments**

***(i) Standards and amendments to existing standards and interpretations effective on or after 1 January 2020 adopted by the Company***

New standards and amendments to existing standards and interpretations impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2020 are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Disclosure Initiative - Definition of Material);
- Revisions to the Conceptual Framework for Financial Reporting.

None of these standards and amendments has had a material impact on the Company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Accounting developments**

***(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted***

| Standard/ interpretation | Content | Applicable for financial years beginning on/ after |
|---|---|---|
| Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 | Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to IFRS 3 | References to Conceptual Framework | 1 January 2022 |
| Amendments to IAS 1 | Classification of Liabilities as current or non-current | 1 January 2023 |

None of the above standards and amendments is expected to have a material impact on the Company's financial statements.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

*Fair value of investment at fair value through profit and loss*

Determining the fair value of the Investment at fair value through profit and loss under IFRS 9, involves making estimates of the future performance and cash flows of the Company's investments and an appropriate discount rate. The Company uses external professional valuers to determine the relevant amounts. The professional valuers have also provided a range of equity values from which the Directors have used judgement to determine the equity value to be used in these financial statements. The details of the valuation are disclosed in Note -

There are no other critical judgements made in the application of the Company's accounting policies.

## 5. OPERATING EXPENSES

| | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|
| Asset management fees | 2,081,632 | 2,266,469 |
| Insurance | 176,413 | 175,930 |
| Director fees | 17,530 | 17,535 |
| Registered office fees | 3,506 | - |
| Legal and professional fees | 211,564 | 281,674 |
| Bank charges | 104,066 | 34,971 |
| | 2,594,711 | 2,776,579 |

The Company's auditors, PricewaterhouseCoopers LLP, provided only audit services during the year. Audit fees amounting to €59,504 (2019: €70,525) are included within legal and professional fees.

During the year, Vistra (UK) Limited provided director services to the Company. Directors fees paid to Vistra (UK) Limited amounted to €17,530 (2019: €17,535) for the year ended 31 December 2020. No director fee (2019: €nil) was paid to GXGT (Zhejiang) Investment Fund LLP and CNIC Corporation Limited for provision of the directors. Further information is provided in Note 18.

## 6. FINANCE COST

| | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|
| Financing costs - Loan facility interest | 5,856,000 | 5,840,000 |
| Financing costs - Interest on Assumed Debt | 27,668 | 26,751 |
| Amortisation charge: Arrangement fee | 288,473 | 287,685 |
| Amortisation charge: Upfront fee | 641,051 | 639,299 |
| | 6,813,192 | 6,793,735 |

## 7. INCOME TAX EXPENSE

The standard rate of Corporation Tax in the UK is 19% (2019: 19%).

| | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|
| Current tax: | | |
| Corporation tax charge for the year/period | - | - |
| Total income tax charge in statement of comprehensive income | - | - |
| **Reconciliation of total tax charge** | | |
| Profit before tax | 33,925,428 | 40,664,077 |
| Tax calculated at rate of 19% | 6,445,831 | 7,726,175 |
| Tax effects of: | | |
| Income not subject to tax | (8,233,333) | (9,544,534) |
| Tax loss for which no deferred tax asset is recognised | 1,787,502 | 1,818,359 |
| **Tax charge** | - | - |

Deferred tax assets of €5,518,943 (2019: €3,731,441) have not been recognised as it is not expected that there will be sufficient taxable income in the future against which to utilise the losses.

As announced in the March 2020 Budget, the UK's corporation tax will be set at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19%, rather than reducing it to 17% from 1 April 2020. However, in the March 2021 Budget, the UK government announced that the UK's corporation tax will increase to 25% in April 2023 as the government looks to restore public finances in the aftermath of the COVID-19 pandemic. It would not impact the current or prior year as the 25% rate has not been substantively enacted.

## 8. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

| | Year ended 31 Dec 2020 € | Year ended 31 Dec 2019 € |
|---|---|---|
| Opening balance - Cost | 569,565,608 | 569,565,608 |
| Acquired during the year | - | - |
| Investment at Cost | 569,565,608 | 569,565,608 |
| Opening fair value adjustment | 73,767,725 | 33,533,333 |
| Fair value movement for the year recognised in profit or loss | 23,333,333 | 40,234,392 |
| Closing fair value adjustment | 97,101,058 | 73,767,725 |
| Investment at fair value through profit and loss | 666,666,666 | 643,333,333 |

## 8. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

**Financial information for significant associates:**

| | Year ended 31 Dec 2020 | | Year ended 31 Dec 2019 | |
|---|---|---|---|---|
| | Redexis Gas, S.A. | Redexis Gas Finance B.V. | Redexis Gas, S.A. | Redexis Gas Finance B.V. |
| | € | € | € | € |
| Share capital | 100,000,000 | 1,000 | 100,000,000 | 1,000 |
| Share premium | 105,433,000 | 2,000,000 | 105,433,000 | 2,000,000 |
| Other reserves | 392,065,000 | 2,040,491 | 418,692,000 | 1,422,465 |
| Retained profit | (6,815,000) | 1,390,631 | 37,551,000 | 618,026 |
| | 590,683,000 | 5,432,122 | 661,676,000 | 4,041,491 |
| (Loss)/ profit for the year | (6,815,000) | 1,390,631 | 37,600,000 | 618,026 |

On 20 June 2018, the Company acquired a 33.3% shareholding in each of Redexis Gas, S.A. and Redexis Gas Finance B.V. in accordance with the sale and purchase agreement dated 3 April 2018 between Augusta Infrastructure UK Ltd as Seller and the Company. Details of the investments are set out below:

| Investment | Registered address | Domicile | Ownership interest (ordinary shares) % | Activity |
|---|---|---|---|---|
| Redexis Gas, S.A. | Edificio Po'rtico C/Mahonia 2-Planta 2 Madrid, 28043 Spain | Spain | 33.3 | Infrastructure (natural gas) |
| Redexis Gas Finance B.V. | Herikerbergweg 88, Jupiter Building 2nd Floor, 1101 CM Amsterdam, The Netherlands | Netherlands | 33.3 | Infrastructure (natural gas) |

On 20 June 2018, pursuant to the Assumption Agreement with Augusta Infrastructure UK Ltd, the Company assumed an amount equal to 66.46707% of the outstanding principal of €1,002,000 and any accrued but unpaid interest on such outstanding principal. Total Assumed Debt was €766,717.

The Assumed Debt bears interest at 3.38% per annum and matures on 30 April 2021.

## 9. TRADE AND OTHER RECEIVABLES

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | € | € |
| Insurance prepaid | 748,553 | 924,966 |
| Other receivable | 114 | 114 |
| Related party receivables (Note 18) | 151,357 | 94,507 |
| | 900,024 | 1,019,587 |

## 10. CASH AND CASH EQUIVALENTS

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | € | € |
| Cash and cash equivalents | 34,883,711 | 23,294,205 |

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

Bank of China, the financial institution where the Company maintains its accounts, was rated "A1" by Moody's Credit Rating Agency as at year end (2019: Aa3).

## 11. ORDINARY SHARE CAPITAL, SHARE PREMIUM AND REDENOMINATION RESERVE

### (a) Ordinary share capital

| | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|
| Opening share capital | 1,000,000 | 1,000,000 |
| Share capital issued | - | - |
| Closing share capital | 1,000,000 | 1,000,000 |

The authorised share capital consists of 1,000,000 shares of €1 each, fully paid at year end. On 13 August 2018, the 100 ordinary shares of £1 each in the capital of the Company were redenominated as ordinary shares of €1.138, each at a spot rate of €1.138. The Company reduced its share capital from €113.80 to €100 by reducing the nominal value of each share from €1.138 to €1, and the amount by which the Company's share capital is reduced was transferred to the redenomination reserve. As at 31 December 2020 and 2019, the share capital of the Company consisted of 1,000,000 ordinary shares held by GXGT LLP on behalf of Romeo Holdings LP.

The holders of the ordinary shares are entitled to vote and receive dividend from the Company. Each ordinary share ranks equally for voting purposes and each share ranks equally for any dividend declared. Moreover each share ranks equally for any distribution made on winding up. Shares may be issued as nil, partly paid or fully paid. The Company has a first and paramount lien on all shares.

### (b) Share premium

| | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|
| Opening and closing balance | 283,399,545 | 283,399,545 |

### (c) Redenomination reserve

| | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|
| Opening and closing balance | 14 | 14 |

Further to the shareholder meeting on 13 August 2018, the Company reduced its share capital from €113.80 to €100 by reducing the nominal value of each share from €1.138 to €1, and the amount by which the Company's share capital is reduced was transferred to the redenomination reserve. The redenomination reserve is not distributable.

## 12. OTHER PAYABLES

| | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|
| Asset management fee accrued | 1,088,354 | 1,178,115 |
| Professional fees accrued | 109,027 | 98,610 |
| | 1,197,381 | 1,276,725 |

## 13. LOAN PAYABLE

| | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|
| **Non-current liabilities** | | |
| Opening balance | 316,794,920 | 315,867,936 |
| Amortised upfront fees during the year | 641,051 | 639,299 |
| Amortised arrangement fees during the year | 288,473 | 287,685 |
| Closing balance | 317,724,444 | 316,794,920 |

## 13. LOAN PAYABLE (CONTINUED)

The balance can be analysed as follows:

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| Loans | 317,724,444 | 316,794,920 |
| **Current liabilities** | | |
| Interest payable on loan | 240,000 | 240,000 |

On 12 June 2018, the Company entered into a Facility Agreement with a total commitment of €320,000,000 (Bank borrowings). The Bank borrowings were issued in 2 tranches, namely Facility A and Facility B. Facility A was entered with Bank of China (Luxembourg) S.A. for an amount of €80,000,000, China Merchants Bank Co., Ltd., New York Branch for an amount of €60,000,000 and Bank of Communications Co., Ltd. Frankfurt Branch for an amount of €160,000,000. Facility B was entered with Bank of Communications Co., Ltd. Frankfurt Branch for an amount of €20,000,000. The Facilities will mature on 15 June 2023 with interest at a margin of 1.85% per annum plus EURIBOR. If EURIBOR is less than zero, EURIBOR shall be deemed to be zero. Interest is paid quarterly in arrears.

The Company shall ensure that the ratio of its consolidated total debt to its consolidated total assets shall be no greater than 0.65:1.00 at all times as per the Financial Covenant. The Company is in compliance with the Financial Covenant at the year end.

All amounts borrowed under Facility A were used partially towards financing the acquisition of the Company's investment in Redexis Gas, S.A. and the payment of any fees, costs and expenses in relation to the Acquisition. All amounts borrowed under Facility B were used towards the payment of interest on the Loans and crediting the debt service reserve account ("DSRA"); the payment of any fees, costs and expenses payable by the Company and for the general corporate purposes of the Company. The maturity date of the loan facility is 15 June 2023.

**Asset pledged as security**
The Company entered into a Borrower Debenture agreement to pledge its assets to secure the loan facility of the Company. The Company has pledged all of its property by way of first legal mortgage and by way of first fixed charge, all of its investments including Subsidiary shares, its book debts and all cash collateral accounts. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## 14. ASSUMED DEBT

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | € | € |
| Opening balance | 763,063 | 763,063 |
| Loan assumed during the year | - | - |
| Closing balance | 763,063 | 763,063 |

The balance can be analysed as follows:

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | € | € |
| **Non-current liabilities** | | |
| Loans | - | 763,063 |
| **Current liabilities** | | |
| Loans | 763,063 | - |
| Interest payable on assumed debt | 71,972 | 44,304 |
| | 835,035 | 44,304 |

On 3 April 2018, Augusta Infrastructure UK Ltd and the Company entered into a share purchase agreement pursuant to which Augusta Infrastructure UK Ltd sold its interest in Redexis Gas Finance B.V. to the Company. Following the Share Purchase Agreement, on 20 June 2018, the Company assumed an amount equal to 66.46707% of the outstanding principal (the outstanding principal in total being an amount of €1,002,000), and any accrued but unpaid interest on such outstanding principal under the Shareholder Loan (the "Assumed Debt") and all rights and obligations under the Shareholder Loan of Augusta Infrastructure UK Ltd. The maturity date of the Assumed Debt is 30 April 2021. The interest is accrued at a rate of 3.38%.

## 15. FINANCIAL RISK MANAGEMENT

**Financial risk factors**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and other price risk)

Vistra (UK) Limited, who provides the administration services to the Company, has its own business risk assessment which the Directors utilise for the purposes of the Company. These policies are described below.

The Directors of the Company review and agree policies for managing its risk exposure. The primary objectives of the financial risk management function are to establish appropriate risk limits, and then ensure that exposure to risks stays within these limits. The Company's financial assets and financial liabilities comprise investment at fair value through profit and loss, cash and cash equivalents, trade and other receivables, other payables, loan payable and Assumed Debt that arise directly from its operations.

**Principal financial instruments**

The principal financial instruments used by the Company, from which financial instrument risk arises are discussed below:

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment at fair value through profit and loss, receivables and cash and cash equivalents held at banks.

The Company's maximum exposure to credit risk by class of financial asset is as follows:-

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | € | € |
| Investment at fair value through profit and loss | 666,666,666 | 643,333,333 |
| Trade and other receivables | 151,471 | 94,621 |
| Cash and cash equivalents | 34,883,711 | 23,294,205 |
| | 701,701,848 | 666,722,159 |

The Company's investment decisions are delegated to the Asset Manager, Vantage Infrastructure (UK) Limited. Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Asset Manager and is reviewed in detail at each board meeting by its members. The Asset Manager will take appropriate action to mitigate underperformance in the event that the investments are not performing. The Asset Manager provide quarterly review of the investments. A valuation is also carried out by KPMG LLP on a semi-annual basis in order to monitor the market value of the investments.

The investment at fair value through profit and loss has increased from €643,333,333 at 31 December 2019 to €666,666,666 at 31 December 2020. Based on the movement in the value of the investment, there is no sign of significant increase in credit risk since initial recognition at year end.

However, there can be no assurance that the Asset Manager will be successful in implementing the Company's investment objectives or prevent a decline in the value of the investments.

The fair value of cash and cash equivalents at 31 December 2020 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 10.

Trade and other receivables represent an intercompany balance with related parties and its fair value approximates its carrying value. Trade and other receivables are written off when there is no reasonable expectation of recovery. Trade and other receivables do not represent significant credit risk to the Company.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position.

## 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Liquidity risk (continued)**

The Company's liquidity position is monitored and reviewed on a quarterly basis by the Directors. The amounts disclosed in the below tables are the contractual undiscounted cash flows.

The maturity analysis of financial instruments at 31 December 2020 and 31 December 2019 are as follows:

| 2020 | Within one year | Between one and two years | Between two and five years | Later than five years | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **Assets** | | | | | |
| Investment at fair value through profit and loss | - | - | - | 666,666,666 | 666,666,666 |
| Trade and other receivables | 151,471 | - | - | - | 151,471 |
| Cash and cash equivalents | 34,883,711 | - | - | - | 34,883,711 |
| | 35,035,182 | - | - | 666,666,666 | 701,701,848 |
| **Liabilities** | | | | | |
| Trade and other payables | 1,197,381 | - | - | - | 1,197,381 |
| Loan payable | 5,840,000 | 5,840,000 | 322,656,000 | - | 334,336,000 |
| Assumed Debt | 844,308 | - | - | - | 844,308 |
| | 7,881,689 | 5,840,000 | 322,656,000 | - | 336,377,689 |

| 2019 | Within one year | Between one and two years | Between two and five years | Later than five years | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **Assets** | | | | | |
| Investment at fair value through profit and loss | - | - | - | 643,333,333 | 643,333,333 |
| Trade and other receivables | 94,621 | - | - | - | 94,621 |
| Cash and cash equivalents | 23,294,205 | - | - | - | 23,294,205 |
| | 23,388,826 | - | - | 643,333,333 | 666,722,159 |
| **Liabilities** | | | | | |
| Trade and other payables | 1,276,725 | - | - | - | 1,276,725 |
| Loan payable | 5,856,000 | 5,840,000 | 328,496,000 | - | 340,192,000 |
| Assumed Debt | - | 844,308 | - | - | 844,308 |
| | 7,132,725 | 6,684,308 | 328,496,000 | - | 342,313,033 |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk arises from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

*a) Foreign exchange risk*

The Company is exposed to foreign currency risk due to the retranslation of some assets and liabilities denominated in foreign currency however the exposure is not expected to be significant. Thus, no sensitivity analysis has been provided.

*b) Price risk*

The Company is exposed to fluctuation in the fair value of the investment which would be reflected in the statement of comprehensive income. The Company uses external professional valuers to determine the fair value of the investments. Vantage Infrastructure (UK) Limited monitors the performance of the associates on a quarterly basis. Refer to page 25 for sensitivity analysis on fair value.

## 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Market risk (continued)**

*c) Cash flow and fair value interest rate risk*

The Company is exposed to cash flow risk in relation to interest payable on the loan facility as disclosed in Note 13 and interest payable on the Assumed Debt as disclosed in Note 14. The loan facility is repayable in 2023 and carries a floating interest rate as described in Note 13. The Assumed Debt is repayable in 2021 as described in Note 14. All trade and other receivables and payables are interest-free and have settlement dates within one year.

**Sensitivity analysis**

If EURIBOR was 100 basis points higher, the Company will have to pay €3,200,000 more in interest on the loan facility in the next 12 months. However, for any lower EURIBOR, the interest amount paid will remain the same since EURIBOR shall be deemed to be zero (See Note 13).

**Capital management**

The Company considers its capital to comprise its equity and retained earnings. Refer to Note 11.

The Directors' objective when managing capital is to safeguard the Company's ability to continue as a going concern in the short and long term in order to provide returns for the shareholders and benefits for other stakeholders. There are no external regulatory requirements imposed on the Company with regards to capital management.

**Fair values, methodology and assumptions**

**Fair values**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial instruments is always determined on the basis of the listed price on an active market (mark to market) or, if this is not possible, on the basis of industry standard valuation models (mark to matrix or mark to model).

**Financial instruments valued using observable market prices**

If a quoted market price in an active market is available for an instrument, the fair value is calculated based on the market price.

**Financial instruments valued using a valuation technique**

In the absence of a quoted market price in an active market, management uses industry standard models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices.

The Company did not make any material changes to the valuation techniques and industry standard models it used during the year ended 31 December 2020.

**Fair value hierarchy**

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3 - Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

## 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Fair values, methodology and assumptions (continued)**
**Fair value hierarchy (continued)**
The methodology and assumptions used in estimating the fair value of financial instruments are disclosed below. The financial instruments that were held at fair value on the statement of financial position were investment at fair value through profit and loss. The reported fair value falls within the level 3 fair value hierarchy.

**Financial instruments recognised and measured at fair value**

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Investment at fair value through profit and loss | - | - | 666,666,666 | 666,666,666 |

| 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Investment at fair value through profit and loss | - | - | 643,333,333 | 643,333,333 |

*Valuation technique*

The Company recognised and measured investments under the provisions of IFRS 9. The Company is exempt from the requirement in IAS 28 to apply equity accounting to its investments in associates and has elected to measure them at fair value through profit or loss as it qualifies as a venture capital organisation in accordance with paragraph 18 of IAS 28. The Company has appointed a third party specialist, KPMG LLP, to perform an independent valuation of Redexis Gas S.A.. The fair value of the investment was calculated using the discounted cash flow methodology given the strong yield characteristics and long term nature of the investments. The independent valuation provided an equity value range of €1,840,000,000 to €2,040,000,000 and the Directors considered the mid-point of this range of €2,000,000,000 to be appropriate. The fair value recorded in these financial statements represents 33.3% of the total fair value, this being the Company's holding in Redexis Gas S.A.

The key inputs into the valuation are the cash flows expected to flow from Redexis Gas S.A. in the form of dividends (which are a product of a number of factors including forecast revenue and costs of Redexis Gas S.A. which themselves depend on a number of factors including the current and proposed regulatory regime related to gas distribution and transmission in Spain) discounted at an appropriate cost of equity. The table below shows how the fair value of investment at fair value through profit and loss is determined. The fair value measurement disclosed is recurring value measurement.

| | Valuation method | Unobservable | Sensitivity analysis |
|---|---|---|---|
| Investment at fair value through profit and loss | Discounting of expected future cash flows to net present value | Cost of equity - Range 7.25% to 8.25% | If the cost of equity changes +/(-) 0.5%, the fair value will change by €7.4m/€69.0m. |

## 16. EMPLOYEES

The Company has no employees for the year ended 31 December 2020 (2019: nil).

## 17. HOLDING AND ULTIMATE PARENT COMPANY

The holding and ultimate parent company is GXGT (Zhejiang) Investment Fund LLP. The principal address of the parent company is 18 Central Plaza, Harbour Road, Hong Kong. Its financial statements are not publicly available. The financial statements of the Company are not consolidated in any publicly available financial statements.

## 18. RELATED PARTY TRANSACTIONS

Transactions during the year between the Company and the related parties are shown below:

Julius Manuel Bozzino, Barry Anthony Gowdy and Caterina Musgrave Juer are the Directors of the Company and employees of Vistra (UK) Limited. Directors fees paid to Vistra (UK) Limited amounted to €17,530 (2019: €17,535) for the year ended 31 December 2020 for the provision of director services to the Company.

Vistra (UK) Limited also acted as administrator to the Company. Administration fees of €96,646 (2019: €138,281) were payable to the administrator of which €47,130 (2019: €39,031) remains unpaid at period end.

Bo Li, who is an employee of GXGT (Zhejiang) Investment Fund LLP and Liming Yu, who is an employee of CNIC Corporation Limited, were also Directors of the Company. As at 31 December 2020, no director fee was paid to GXGT (Zhejiang) Investment Fund LLP and CNIC Corporation Limited for the provision of director services to the Company (2019: €nil).

As at year end, the intercompany receivable from GXGT LLP and Romeo Holdings LP amounted to €69,076 (2019: €43,240) and €82,281 (2019: €51,267) respectively. The amount relates to expenses paid by the Company on behalf of GXGT LLP and Romeo Holdings LP.

## 19. CONTINGENT LIABILITIES

There were no contingent liabilities for the Company and its operations as at 31 December 2020 (2019: nil).

## 20. POST BALANCE SHEET EVENTS

There have been no significant events after the reporting date up to the date of signing these financial statements that require disclosure.