

Registration number: 06020817

Infrastructure Investments (Roads) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020



Infrastructure Investments (Roads) Limited

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Infrastructure Investments (Roads) Limited

Company Information as at date of Directors' Report

Directors K W Pickard
 H E C Seekings
 C L Pitcher

Company secretary E Mendes

Registered office Level 7
 One Bartholomew Close
 Barts Square
 London
 EC1A 7BL

Auditor KPMG LLP
 Chartered Accountants
 15 Canada Square
 London
 E14 5GL

Infrastructure Investments (Roads) Limited

Strategic Report for the Year Ended 31 March 2020

The strategic report has been prepared for Infrastructure Investments (Roads) Limited (the "Company").

The Directors present their strategic report for the year ended 31 March 2020.

Principal activity

The principal activity of the Company is that of an investment holding company. The Directors expect the Company to continue this activity in the foreseeable future. The results for the year and financial position of the Company are as shown in the attached financial statements.

Review of business and future developments

The Company has prepared financial statements for the year to 31 March 2020. The comparative period covers the year from 1 April 2018 to 31 March 2019. *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* ("FRS 102"), issued by the Financial Reporting Council ("FRC").

As the Company treats its equity investments as a homogenous investment portfolio, all equity investments are measured at fair value through profit and loss. As at 31 March 2020 the fair value of investments was £11,144,014 (2019: £10,493,114).

The Company made a profit before taxation of £720,973 in the year ended 31 March 2020 compared with a profit before taxation of £207,571 in the year ended 31 March 2019.

Going concern

The Company had net current assets of £783,975 as at 31 March 2020 and generated a profit for the year then ended of £726,286.

The Directors have assessed going concern by considering areas of financial risk, including the potential downside impacts from Covid-19, and by reviewing cash flow forecasts covering a period of 18 months to 30 September 2021. They also considered the Company's financial resources, including investments in multiple project assets. The projects operate long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Infrastructure Investments (Roads) Limited

Strategic Report for the Year Ended 31 March 2020 (continued)

Risk management

Risk is managed on a group basis. This comprises identifying and evaluating the risks that the group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the group risk management framework is to have documented policies and procedures in place.

The Directors of the Company are responsible for ensuring that the Company complies with the group's risk management framework. Assurance as to the effectiveness of and compliance with the risk management framework and internal controls is provided by the group's risk management functions. Further detail is included within Note 4 (see pages 147 - 149) of HICL's March 2020 Annual Report (available at www.hicl.com).

The Directors consider the risk management framework to be appropriate for a company of its size and complexity.

Financial risk management

The Company is subject to a number of financial risks throughout its business, primarily credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to repay outstanding amounts as they fall due. Credit risk arises principally from amounts owed to the Company from the companies it has interest in.

Appropriate credit checks are required to be made on all counterparties to the Company. The Company only deposits money with appropriately rated counterparties.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due or can only do so at a significantly high cost. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due.

Key performance indicators

The key performance indicator for the Company is the net assets attributable to shareholders, which at 31 March 2020 were measured at £11,658,877 (2019: £10,932,591).

Infrastructure Investments (Roads) Limited

Strategic Report for the Year Ended 31 March 2020 (continued)

Approved by the Board on 25 September 2020 and signed on its behalf by:

Keith Pickard

K W Pickard
Director

Level 7
One Bartholomew Close
Barts Square
London
EC1A 7BL

Infrastructure Investments (Roads) Limited

Directors' Report for the Year Ended 31 March 2020

The Directors present their report and the financial statements for the year ended 31 March 2020.

Directors of the Company

The directors who held office during the year were as follows:

K W Pickard

H E C Seekings

C L Pitcher

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

Streamlined Energy and Carbon Reporting ("SECR")

The Company does not meet the SECR requirements to disclose its energy and carbon information. The Company's energy and carbon information forms part of the SECR disclosures within the HICL Infrastructure PLC annual report.

Results and dividends

The Company's profit for the year under review is as detailed in the profit and loss account shown in these accounts.

No dividends were paid on Ordinary shares in respect of the year ended 31 March 2020 (2019: £nil).

Disclosure of information to the auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Infrastructure Investments (Roads) Limited

Directors' Report for the Year Ended 31 March 2020 (continued)

Approved by the Board on 25 September 2020 and signed on its behalf by:

Keith Pickard

K W Pickard
Director

Level 7
One Bartholomew Close
Barts Square
London
EC1A 7BL

Infrastructure Investments (Roads) Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

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

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

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

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) Limited

Opinion

We have audited the financial statements of Infrastructure Investments (Roads) Limited (the 'Company') for the year ended 31 March 2020, which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and Directors' report

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

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

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) Limited (continued)

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Independent Auditor's Report to the Members of Infrastructure Investments
(Roads) Limited (continued)**



Ian Griffiths (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

2 October 2020
Date:.....

Infrastructure Investments (Roads) Limited

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Dividend income		106,000	284,500
Gain/(loss) on investments	8	<u>650,900</u>	<u>(55,207)</u>
Operating profit		<u>756,900</u>	<u>229,293</u>
Interest receivable and similar income	2	328,858	341,761
Interest payable and similar charges	3	<u>(364,785)</u>	<u>(363,483)</u>
		<u>(35,927)</u>	<u>(21,722)</u>
Profit before tax		720,973	207,571
Taxation	7	<u>5,313</u>	<u>4,127</u>
Profit for the financial year		<u>726,286</u>	<u>211,698</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 15 to 30 form an integral part of these financial statements.

Infrastructure Investments (Roads) Limited**(Registration number: 06020817)****Statement of Financial Position as at 31 March 2020**

	Note	2020 £	2019 £
Non-current assets			
Financial assets at fair value through profit and loss	8	11,144,014	10,493,114
Investments in loanstock	9	<u>2,581,585</u>	<u>2,655,266</u>
		<u>13,725,599</u>	<u>13,148,380</u>
Current assets			
Debtors	10	214,546	400,575
Cash at bank and in hand		<u>569,429</u>	<u>234,333</u>
		<u>783,975</u>	<u>634,908</u>
Total assets less current liabilities		14,509,574	13,783,288
Creditors: Amounts falling due after more than one year	11	<u>(2,850,697)</u>	<u>(2,850,697)</u>
Net assets		<u>11,658,877</u>	<u>10,932,591</u>
Equity			
Called up share capital	12	1,503,365	1,503,365
Retained reserves		<u>10,155,512</u>	<u>9,429,226</u>
Total equity		<u>11,658,877</u>	<u>10,932,591</u>

Approved and authorised by the Board on 25 September 2020 and signed on its behalf by:



K W Pickard
Director

Infrastructure Investments (Roads) Limited**Statement of Changes in Equity for the Year Ended 31 March 2020**

	Share capital and share premium £	Retained reserves £	Total £
At 1 April 2019	1,503,365	9,429,226	10,932,591
Profit for the year	-	726,286	726,286
At 31 March 2020	<u>1,503,365</u>	<u>10,155,512</u>	<u>11,658,877</u>

	Share capital and share premium £	Retained reserves £	Total £
At 1 April 2018	1,503,365	9,217,528	10,720,893
Profit for the year	-	211,698	211,698
At 31 March 2019	<u>1,503,365</u>	<u>9,429,226</u>	<u>10,932,591</u>

The notes on pages 15 to 30 form an integral part of these financial statements.

Infrastructure Investments (Roads) Limited**Statement of Cash Flows for the Year Ended 31 March 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the year	726,286	211,698
(Gain)/loss on investments	(650,900)	55,207
Interest receivable and similar income	(328,858)	(341,761)
Interest payable and similar charges	364,785	363,483
Dividend income	(106,000)	(284,500)
Income tax credit	(5,313)	(4,127)
	-	-
Increase in debtors	182,403	-
Net cash flow from operating activities	182,403	-
Cash flows from investing activities		
Interest received	336,265	170,758
Principal repayments received	73,681	13,244
Dividend income from financial assets	106,000	284,500
Group Relief received	1,533	-
Net cash flows from investing activities	517,479	468,502
Cash flows from financing activities		
Interest paid on loan notes	(364,786)	(363,483)
Net increase in cash and cash equivalents	335,096	105,019
Cash and cash equivalents at 1 April	234,333	129,314
Cash and cash equivalents at 31 March	569,429	234,333

The notes on pages 15 to 30 form an integral part of these financial statements.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1 Accounting policies

1.1 Key accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

The financial statements are prepared using the historical cost basis, except for financial instruments classified at fair value through profit or loss which are stated at their fair values.

The functional and presentational currency of these financial statements is sterling.

The preparation of these financial statements requires the Directors to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or the period of the revision and future periods if the revision affects both current and future periods. Note 1.2 Critical accounting judgements, estimates and assumptions, shows which have been applied in the preparation of these financial statements.

The Company is exempt by virtue of FRS 102 section 9.9 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Investments in joint ventures are held as part of the investment portfolio and are therefore measured at fair value with changes in fair value recognised in profit or loss.

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

Going concern

The financial position of the Company, as well as its business activities and factors likely to affect its future development and position, are described in the Strategic Report on pages 2 to 3. The Company had net current assets of £783,975 as at 31 March 2020 and generated a profit for the year then ended of £726,286.

The Directors have assessed going concern by considering areas of financial risk, including the potential downside impacts from Covid-19, and by reviewing cash flow forecasts covering a period of 18 months to 30 September 2021. They also considered the Company's financial resources, including investments in multiple project assets. The projects operate long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the re-translation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss account.

Financial assets and liabilities

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

Basic financial instruments

Trade and other debtors/creditors

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

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in ordinary shares

Investments in equity instruments are measured initially at fair value with changes recognised in profit and loss. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less.

Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit and loss account.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

Investment income

Dividend income is recognised when the Company's entitlement to receive payment is established. Gains/(losses) on investments comprise the change in fair value of the investments held.

Interest receivable and interest payable

Interest income is recognised in the profit and loss account as it accrues on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated on acquisition or origination date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Income tax

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

Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1.2 Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 1.1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

Investments at fair value through profit or loss

Investments at fair value through profit or loss are valued by discounting future cash flows from investments in equity (dividends and equity redemptions) to the Company at an appropriate discount rate. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks associated with the nature of the underlying asset and geographic location of the underlying investment, and the evidence of recent transactions.

All equity investments are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six-monthly basis every September and March for all investments. For the valuation of the underlying infrastructure investments, the Directors have also obtained an independent opinion from a third-party expert with experience in valuing these types of investments, supporting the reasonableness of the valuation.

The weighted average discount rate applied in the March 2020 valuation was 7.2%. The discount rate is considered to be the most significant estimate through which an increase or decrease would have a material impact on the fair value of the Investments at fair value through profit or loss.

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

1.3 Financial instruments

Risk management

The objective of the Company's financial risk management is to manage and control the risk exposures of its investments. The review and management of financial risks are delegated to InfraRed Capital Partners Limited, the appointed Operator of the Company's parent entity, Infrastructure Investments Limited Partnership. The Operator has documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This note presents information about the Company's exposure to financial risks, its objectives, policies and processes for managing risk and the Company's management of its financial resources.

Interest rate risk

The Company invests in subordinated loanstock of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The Investments' cash flows are continually monitored and reforecasted both over the near future (five year time horizon) and the long-term (over whole period of projects' concessions) to analyse the cash flow returns from investment(s).

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

The Company has an indirect exposure to changes in interest rates through its investment in project companies, which are financed by senior debt. Senior debt financing of project companies is generally either through floating rate debt, fixed rate bonds or index linked bonds. Where senior debt is floating rate, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of Directors. Floating rate debt is hedged using fixed floating interest rate swaps.

Inflation risk

The Company's project companies are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of mismatch between income and costs due to movements in inflation indexes. The Company's overall cashflows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Company's cashflows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods.

Market risk

Returns from the Company's investments are affected by the price at which they are acquired. The value of these investments will be a function of the discounted value of their expected future cash flows, and as such will vary with, inter alia, movements in interest rates, market prices and the competition for such assets.

Currency risk

The projects in which the Company invests, all conduct their business in the United Kingdom and pay loan interest, loan principal, dividends and fees in sterling.

Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's key direct counterparties are the project companies in which it makes investments. The Company's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecast are project Company cash flow models, which are regularly updated by project companies, for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. Many of the Company's investment and subsidiary entities generally receive revenue from government departments, and public sector or local authority clients. Therefore a significant portion of the Company's investments' revenue is with counterparties of good financial standing.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

The Company is also reliant on the project's subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. Management of this risk is undertaken by the Operator of Infrastructure Investments Limited Partnership. The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is on-going, and period end positions are reported to the General Partner.

The Company is subject to credit risk on its loans, receivables, cash and deposits. The Company's cash and deposits are held with a variety of well-known banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. Fair value adjustments, or "loan impairments", are made when the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

The Company's maximum exposure to credit risk over financial assets is the carrying value of those assets in the balance sheet. The Company does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meet its liabilities when due. The Company ensures it maintains adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company's investments are predominantly funded by share capital and medium term debt funding.

The Company's investments are generally in private companies in which there is no listed market and therefore such investment would take time to realise and there is no assurance that the valuations placed on the investments would be achieved from any such sale process.

The Company's investments have borrowings which rank senior to the Company's own investments into the companies. This senior debt is structured such that, under normal operating conditions, it will be repaid within the expected life of the projects. Debt raised by the investment companies from third parties is without recourse to the Company.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

1 Accounting policies (continued)

Fair value estimation

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses the income approach, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

Classification of financial instruments

	2020 £	2019 £
Financial assets		
Designated at fair value through profit or loss:		
Investments	11,144,014	10,493,114
Financial assets at fair value	<u>11,144,014</u>	<u>10,493,114</u>
At amortised cost:		
Investments in loanstock	2,581,585	2,655,266
Cash and cash equivalents	569,429	234,333
Debtors	214,546	400,575
Financial assets at amortised cost	<u>3,365,560</u>	<u>3,290,174</u>
Financial liabilities		
At amortised cost:		
Loans and borrowings	<u>2,850,697</u>	<u>2,850,697</u>
Financial liabilities at amortised cost	<u>2,850,697</u>	<u>2,850,697</u>
2 Interest receivable and similar income		
	2020 £	2019 £
Interest receivable from investments	<u>328,858</u>	<u>341,761</u>

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

3 Interest payable and similar expenses

	2020 £	2019 £
Interest payable on loan from related parties	364,460	363,464
Bank charges	325	19
	<u>364,785</u>	<u>363,483</u>

4 Directors' remuneration

The Directors' emoluments are borne by a group undertaking. It is not practicable to allocate costs to the Company for the services performed by the Directors in relation to the Company.

5 Auditor's remuneration

The auditor's remuneration for the current financial year is estimated at £3,454 and has been borne by a group undertaking (2019: £2,500).

6 Employees

The Company had no employees during the financial year (2019: nil).

7 Taxation

Tax charged/(credited) in the income statement:

	2020 £	2019 £
Current taxation		
UK corporation tax	<u>(5,313)</u>	<u>(4,127)</u>

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

7 Taxation (continued)

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>720,973</u>	<u>207,571</u>
Corporation tax at standard rate	136,985	39,439
Effect of (gains)/losses exempt from taxation	(143,811)	(43,566)
Increase in UK and foreign current tax from adjustment for prior periods	<u>1,513</u>	<u>-</u>
Total tax credit	<u>(5,313)</u>	<u>(4,127)</u>

Factors affecting current and future tax charges

The Government have confirmed the UK corporation tax rate will remain at 19% from 1 April 2020. This measure (cancelling the enacted cut to 17%) has been made under a Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

8 Investments at fair value through profit and loss

	2020 £	2019 £
Brought forward	10,493,114	10,548,321
Gain/(Loss) on valuation	<u>650,900</u>	<u>(55,207)</u>
Carrying amount at period end	<u>11,144,014</u>	<u>10,493,114</u>
This is represented by:		
Greater than one year	<u>11,144,014</u>	<u>10,493,114</u>
Carrying amount at period end	<u>11,144,014</u>	<u>10,493,114</u>

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

8 Investments at fair value through profit and loss (continued)

All equity investments are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six-monthly basis every September and March for all investments. For the valuation of the underlying infrastructure investments, the Directors have also obtained an independent opinion from a third-party expert with experience in valuing these types of investments, supporting the reasonableness of the valuation. The weighted average discount rate applied in the March 2020 valuation was 7.2%.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

8 Investments at fair value through profit and loss (continued)

The following economic assumptions were used in the discounted cash flow valuations at 31 March 2020:

UK inflation rates (RPI and RPIx)*	2.75%
UK inflation rates CPIH **	2.0%
UK deposit interest rates	0.5% to March 2023 and 1.5% thereafter
UK corporation tax rate	19%
UK GDP growth rate	(5.5%) in 2020, 4.0% in 2021, 2.0% p.a. thereafter

*Retail Price Index and Retail Price Index excluding mortgage interest payments

** Consumer Prices Index including owner occupiers' housing costs

At 31 March 2019:

UK inflation rates (RPI and RPIx)*	2.75%
UK inflation rates CPIH**	2.0%
UK deposit interest rates	1.0% to March 2021 and 2.0% thereafter
UK corporation tax rate	19% to 2020 and 17% thereafter
UK GDP growth	2.0% p.a.

*Retail Price Index and Retail Price Index excluding mortgage interest payments

** Consumer Prices Index including owner occupiers' housing costs

Infrastructure Investments (Roads) Limited**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****8 Investments at fair value through profit and loss (continued)**

The Company's investments include:

Company	Registered Address	Percentage of Shares Held *		Year End	Capital & Reserves £'000	Profit & Loss £'000
		Mar-20	Mar-19			
Claymore Roads (Holdings) Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*	31/12/2018	307	-
Sheppey Route (Holdings) Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*	31/12/2018	50	569
Companies held via Claymore (Holdings) Roads Limited:						
Company	Registered Address	Percentage of Shares Held *		Year End	Capital & Reserves £'000	Profit & Loss £'000
		Mar-20	Mar-19			
Claymore Roads Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*	31/12/2019	(9,819)	(791)

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

8 Investments at fair value through profit and loss (continued)

Companies held via Sheppey
Route (Holdings) Limited:

Company	Registered Address	Percentage of Shares Held *		Year End	Capital & Reserves £'000	Profit & Loss £'000
		Mar-20	Mar-19			
Sheppey Route Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*	31/12/2018	(8,610)	1,035

* Denotes a direct shareholding.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

9 Investments in loanstock

	2020 £	2019 £
Brought forward	2,655,266	2,668,510
Loanstock repayments	<u>(73,681)</u>	<u>(13,244)</u>
Carrying amount at period end	<u>2,581,585</u>	<u>2,655,266</u>

The £2,581,585 relates to fixed rate unsecured loan notes held at 12.75% per annum due to mature in 2033.

10 Debtors

	2020 £	2019 £
Amounts owed by parent company	39,001	221,403
Group relief receivable	10,953	7,173
Amount due from subsidiaries	-	995
Accrued Interest Receivable	<u>164,592</u>	<u>171,004</u>
	<u>214,546</u>	<u>400,575</u>

11 Creditors

	2020 £	2019 £
Due after one year		
Amounts due to related parties	<u>2,850,697</u>	<u>2,850,697</u>

Amounts due to related parties of £2,850,697 was issued in the year ended 31 March 2017 by a related party at a coupon of 5.70% per annum to mature in 2042.

Infrastructure Investments (Roads) Limited**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****12 Share capital****Allotted, called up and fully paid shares**

	2020		2019	
	No.	£	No.	£
Ordinary Share of £1 each	100	100	100	100
Share Premium	<u>1,503,265</u>	<u>1,503,265</u>	<u>1,503,265</u>	<u>1,503,265</u>
	<u>1,503,365</u>	<u>1,503,365</u>	<u>1,503,365</u>	<u>1,503,365</u>

13 Parent and ultimate parent undertaking

The Company's immediate parent is Infrastructure Investments Portal Limited Partnership, incorporated in England and Wales.

The ultimate controlling party is HICL Infrastructure PLC, incorporated in England and Wales.

The financial statements of HICL Infrastructure PLC are available to the public and may be obtained from Companies House.