

**PIP Infrastructure  
Investments (No 5) Limited**

**Annual Report and Audited  
Financial Statements**

**For the year ended 31 December 2020**



Company Number 08063001

COMPANIES HOUSE

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## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **SUMMARY OF DIRECTORS AND ORGANISATION**

<b>DIRECTORS:</b>	P Burgess (resigned 18 December 2020) A Clapp (resigned 27 August 2021) Pinecroft Corporate Services Limited (appointed 18 December 2020) E Wilson (appointed 24 August 2021)
<b>REGISTERED OFFICE:</b>	Cannon Place Cannon Street London England EC4N 6AF
<b>ADMINISTRATOR AND SECRETARY:</b>	Infrastructure Managers Limited 2nd Floor 11 Thistle Street Edinburgh Scotland EH2 1DF
<b>INDEPENDENT AUDITORS:</b>	BDO LLP 55 Baker St London W1U 7EU
<b>BANKER:</b>	Royal Bank of Scotland 62-63 Threadneedle St London EC2R 8LA
<b>INVESTMENT MANAGER:</b>	PIP Manager Limited C/O Foresight Group LLP The Shard 32 London Bridge Street London United Kingdom SE1 9SG

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **REPORT OF THE DIRECTORS**

**For the year ended 31 December 2020**

The Directors present their annual report and audited financial statements for PIP Infrastructure Investments (No 5) Limited (the "Company") for the year ended 31 December 2020.

#### **Registered office**

The Company's registered office is Cannon Place, Cannon Street, London, England, EC4N 6AF.

#### **Financial risk management**

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager by the Directors. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 11 to the financial statements. The Company is funded by its parent undertaking, PIP Infrastructure Managers Limited, and as a result liquidity risk is managed by the Directors and the Investment Manager in conjunction with PIP Infrastructure Managers Limited.

#### **Results and dividends**

The Company's total comprehensive loss for the year was £15,847k (2019: £12,783k). £474k of dividends were paid during the year (2019: £4,057k).

#### **Future developments**

The Company remains committed to the business of holding investments and will continue to manage its existing and new investments in the future.

#### **Directors and their interests**

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

P Burgess (resigned 18 December 2020)  
A Clapp (resigned 27 August 2021)  
Pinecroft Corporate Services Limited (appointed 18 December 2020)  
E Wilson (appointed 24 August 2021)

#### **Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the audited financial statements in accordance with applicable law (i.e. the Companies Act 2006 (the "Act")).

The Act requires the Directors to prepare financial statements for each financial year. Under the Act, the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under the Act, 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 year.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **REPORT OF THE DIRECTORS (CONTINUED)**

**For the year ended 31 December 2020**

#### **Statement of Directors' responsibilities in respect of the financial statements (continued)**

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and enable the Directors to ensure that the financial statements comply with the Act and IFRSs. 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 confirm that they have complied with the above requirements in preparing the financial statements.

#### **Qualifying indemnity provision**

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

#### **Audit information**

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they each are aware, there is no relevant audit information of which the Company's Independent Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Independent Auditors are aware of that information.

#### **Going concern**

Cash flow forecasts are prepared for the underlying investments over the life of the assets and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made the assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period.

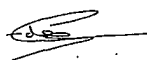
The Company's cashflows are dependent on the performance of the underlying investments. After reviewing the performance of the investments' which is done on a regular basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

#### **Independent auditors**

BDO LLP have indicated their willingness to continue in office for next year. The decision to reappoint BDO LLP next year will be under consideration by the directors.

By order of the Board,



Director  
E Wilson

6 October 2021

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **STRATEGIC REPORT**

#### **For the year ended 31 December 2020**

The Directors present their strategic report on the Company for the year ended 31 December 2020.

#### **Results and review of business**

The total comprehensive loss for the period is set out in the Statement of Comprehensive Income on page 8. The Directors have considered the performance of the Company during the period and its financial position at the end of the year. Whilst there has been a decrease in the fair value of financial assets in the year, it is attributable to project specific factors which are considered to be short term and will not have detrimental impact on the long term expected performance of the projects. In considering the performance of the Company, the Directors have considered the factors including (i) the impact of market conditions on the various sectors being serviced by the projects, (ii) regulatory developments, (iii) operational performance including technical availability, (iv) the relevant inflation and interest rate environments, (v) energy price movements and any associated commodity based revenue streams and (vi) the various credit risks associated with key counterparties of the project companies are considered as part of the overall valuation analysis. After takings these factors into consideration, the Directors still consider the prospects for the future to be satisfactory.

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

#### **Principal activity**

The Company was established and operates as an investment holding company for its parent, to invest in primary social and economic infrastructure projects in the UK which offer investors the opportunity to earn attractive risk adjusted returns with a low correlation to economic cycles and other investment classes for its projected life.

The Company will invest in social and economic infrastructure projects (including health, defence, education, social housing, government accommodation, custodial facilities, roads, bridges, rail and waste management) underpinned by long term secure government contracts characterised by stable, predictable, availability based cash flows.

There has been no change in the activity of the Company during the year. The Company holds an equity portfolio in high quality, Private Finance Initiative ("PFI")/Public Private Partnerships ("PPP") assets. The Directors do not expect any significant changes or developments to occur regarding the Company's business at the time of approval of the financial statements.

#### **Principal risks and uncertainties**

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager by the Directors. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 11 to the financial statements. The Company was funded by its immediate parent undertaking, and as a result liquidity risk was managed by the Directors and the Investment Manager in conjunction with PIP Infrastructure Managers Limited.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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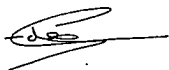
### **STRATEGIC REPORT (CONTINUED)**

**For the year ended 31 December 2020**

#### **Key performance indicators**

The Directors of the Company consider its operations to be consistent with those of the parent company. For this reason, the Company's Directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

By order of the Board,



Director  
E Wilson

6 October 2021

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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#### **Opinion on the financial statements**

In our opinion:

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

We have audited the financial statements of PIP Infrastructure Investments (No 5) Limited ("the Company") for the year ended 31 December 2020 which comprise The Statement of Comprehensive Income, The Statement of Financial Position, The Statement of Changes in Equity, The Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 under those standards are further described in the Auditor's 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

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.

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.

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

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED (continued)**

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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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

#### **Other Companies Act 2006 reporting**

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities the Directors, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

#### **Auditor's 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 auditor's 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.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED (continued)**

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#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with relevant laws and regulations and applicable accounting standards.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- ensuring agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment to monitoring compliance with laws and regulations.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Manager, in particular around the key accounting estimate, being the valuation of the investment that represented a risk of material misstatement due to fraud.


We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.

DocuSigned by:  
  
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Elizabeth Hooper (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

6 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2020

	<i>Notes</i>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Income</b>			
Bank interest income		-	-
Net change in fair value of financial assets at fair value through profit or loss	<b>6</b>	(16,388)	(16,830)
Dividend income	<b>14</b>	450	3,959
Directors' fee income	<b>14</b>	98	122
Total income		(15,840)	(12,749)
<b>Expenses</b>			
Administration fees		11	23
Legal and professional fees		6	1
Total expenses		17	24
Loss on ordinary activities before tax		(15,857)	(12,773)
Tax credit / (charge)	<b>4</b>	10	(10)
<b>Total comprehensive loss for the year</b>		(15,847)	(12,783)
Attributable to Equity holder:			
Total comprehensive loss for the year		(15,847)	(12,783)

The notes on pages 13 to 34 form part of these financial statements.

# PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

## STATEMENT OF FINANCIAL POSITION As at 31 December 2020

	<i>Notes</i>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investments at fair value through profit or loss	<b>6</b>	64,793	81,181
<b>Total non-current assets</b>		64,793	81,181
<b>Current assets</b>			
Receivables	<b>7</b>	124	103
Cash and cash equivalents		43	78
<b>Total current assets</b>		167	181
<b>Total assets</b>		64,960	81,362
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	<b>10</b>	141	222
<b>Total current liabilities</b>		141	222
<b>Equity</b>			
Share capital	<b>8</b>	-	-
Share premium	<b>9</b>	4,340	4,340
Capital contribution		885	885
Retained earnings		59,594	75,915
<b>Total equity</b>		64,819	81,140
<b>Total equity and liabilities</b>		64,960	81,362

The financial statements were authorised for issue by the Board of Directors of the Company and signed on its behalf by:



Director  
E Wilson

6 October 2021

The notes on pages 13 to 34 form part of these financial statements.

**PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED****STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2020**

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Capital contribution £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
Balance at 1 January 2019	-	4,340	885	92,755	97,980
Total comprehensive loss for the year	-	-	-	(12,783)	(12,783)
Dividends paid	-	-	-	(4,057)	(4,057)
Balance at 31 December 2019	-	4,340	885	75,915	81,140
Balance at 1 January 2020	-	4,340	885	75,915	81,140
Total comprehensive loss for the year	-	-	-	(15,847)	(15,847)
Dividends paid	-	-	-	(474)	(474)
Balance at 31 December 2020	-	4,340	885	59,594	64,819

The notes on pages 13 to 34 form part of these financial statements.

# PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Note</i>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Cash flows from operating activities</b>			
Total comprehensive loss for the year		(15,847)	(12,783)
Adjustment for:			
Net change in fair value of financial assets at fair value through profit or loss	<b>6</b>	16,388	16,830
Interest received		-	-
Other investment income		(450)	(3,959)
		91	89
Increase in receivables and prepayments	<b>7</b>	(21)	(42)
Decrease in payables and accruals	<b>10</b>	(81)	(2,110)
Interest received		-	-
Other investment income received		450	3,959
<b>Net cash flow generated from operating activities</b>		439	1,895
<b>Cash flows from financing activities</b>			
Dividend paid		(474)	(4,057)
<b>Net cash flow used in financing activities</b>		(474)	(4,057)
<b>Net decrease in cash and cash equivalents</b>		(35)	(2,162)
Cash and cash equivalents at 1 January		78	2,240
Cash and cash equivalents at 31 December		43	78

The notes on pages 13 to 34 form part of these financial statements.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**

#### **1. GENERAL INFORMATION**

The Company is domiciled in England and Wales. The address of its registered office is Cannon Place, 78 Cannon Street, London, England, EC4N 6AF.

The Company operates as an investment holding company.

The financial statements are presented in GBP rounded to the nearest £1000.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **2.1 Basis of preparation**

The financial statements of the Company have been prepared on a going concern basis in accordance with applicable law (i.e. the Companies Act 2006) and the international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value through profit or loss.

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for the investment in the subsidiary at fair value through profit and loss.

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. 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 12.

##### **(a) Standards and amendments to existing standards effective 1 January 2020**

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(b) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are:

- IFRS 17 Insurance Contracts (mandatorily effective for periods beginning on or after 1 January 2021)

None of these are expected to have a material effect on the financial statements of the Company.

Other accounting standards and interpretations have been published and will be mandatory for the Company's accounting periods beginning on or after 1 January 2021 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Company.

##### **2.2 Investment entity**

The Company has determined that it meets the definition of an investment entity per IFRS 10 as the following conditions exist:

- a) The Company has obtained funds for the purpose of providing investors with professional investment management services;
- b) The Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
- c) The investments are measured and evaluated on a fair value basis.

In determining the Company's status as an investment entity in accordance with IFRS 10, the Company considered the following:

- a) The Company's parent entity has raised commitments from a number of investors in order to raise capital to invest in infrastructure investments through the Company and to provide the investors with investment management services with respect to these infrastructure investments;
- b) The Company intends to generate capital and income returns from its infrastructure investments which will, in turn, be distributed in accordance with the Company's policy; and
- c) The Company evaluates its infrastructure investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.



## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Investment entity (continued)**

Although the Company met all three defining criteria, it has also assessed the business purpose of the Company, the investment strategies for the infrastructure investments, the nature of any earnings from the infrastructure investments and the fair value models. The Company made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus those of the Company. Subsidiaries are therefore measured at fair value through profit or loss, in accordance with IFRS 13 "Fair Value Measurement" and IFRS 9 "Financial Instruments".

##### **2.3 Going concern**

Cash flow forecasts are prepared for the underlying investments over the life of the assets and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made the assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period.

The Company's cashflows are dependent on the performance of the underlying investments. After reviewing the performance of the investments' which is done on a regular basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

##### **2.4 Foreign currency translation**

###### **(a) Functional and presentational currency**

The operating and investing activities of the Company is denominated in Pound Sterling ("GBP"). As such the performance of the Company is measured and reported in GBP. The Directors consider GBP to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. The financial statements are presented in GBP, the Company's functional and presentational currency.

###### **(b) Translations and balances**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Subsidiaries are therefore measured at fair value through profit or loss, in accordance with IFRS 13 "Fair Value Measurement" and IFRS 9 "Financial Instruments".

##### **2.5 Financial assets and financial liabilities**

###### **(a) Classification**

Financial assets and financial liabilities are classified as held for trading or designated at fair value through profit or loss by the Directors at inception:

###### ***(i) Financial assets and liabilities held for trading***

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

The Company did not hold any financial assets or liabilities for trading as at 31 December 2020 or 31 December 2019.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.5 Financial assets and financial liabilities (continued)**

###### **(a) Classification (continued)**

###### ***(ii) Financial assets and liabilities designated at fair value through profit or loss at inception***

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

###### **(b) Recognition, derecognition and measurement**

Financial assets at fair value through profit or loss and financial liabilities at amortised cost are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within 'Net changes in fair value of financial assets at fair value through profit or loss' in the period in which they arise.

###### **(c) Fair value estimation**

Fair value is 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.

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair values of equity securities and holding company investments are calculated using discounted cash flow models based on future profitability forecasts. In summary, the valuation model will include the review of operational performance against plan and other general operational risk indicators.

The valuation methodology employed is based on a discounted cash flow analysis of the future expected equity and loan note cash flows (including all fee income). The fair value for each investment is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts and an appropriate discount rate. The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment. Each investee company produces detailed concession life financial models. The Company's share of those cash flows are then extracted and a discount rate applied. The discount rate applied is subject to the appropriate risk free rate e.g. Indexed Linked Gilts and the projects' performance and risks (e.g. liquidity, currency risks, market appetite) including any risks to project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by project phase.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Investment in subsidiary**

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where the Company is deemed to control an underlying portfolio company either directly or indirectly through a holding company subsidiary and whether the control be via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are not consolidated and are instead reflected at fair value through profit or loss. As at 31 December 2020, the Company is directly invested in one such portfolio company.

The Company does not have any other direct subsidiaries other than that determined to be an investment entity. Investment entity subsidiary investment is measured at fair value through profit or loss and is not consolidated in accordance with IFRS 10. Dividends from the investment are recognised in profit or loss.

Movements in the fair value of the Company's underlying portfolio company held via the investment entity subsidiary and the existence of unfunded commitments may expose the Company to potential gains or losses.

**2.7 Associates and joint ventures**

The Company has taken the exemption permitted by IAS 28 "Investments in Associates and Joint Ventures" and IFRS 11 "Joint Arrangements" for entities similar to investment entities and measures its investments in associates and joint ventures at fair value. The Directors consider an associate to be an entity over which the Company has significant influence, through an ownership of between 20 and 50 per cent. The Company's associates and joint ventures are disclosed in Note 6.

**2.8 Receivables**

Receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method.

**2.9 Cash and cash equivalents**

Cash and cash equivalents consist of cash balances that are freely available and other cash balances with an original maturity of three months or less, and bank overdraft. As at 31 December 2020 and 31 December 2019, the carrying amounts of cash and cash equivalents approximate their fair value.

**2.10 Share capital**

Ordinary shares are classified as equity.

**2.11 Share premium**

Share premium is recognised for the consideration received in excess of the par value of shares issued.

**2.12 Payables and accruals**

Payables and accruals are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method. Payables and accruals are derecognised when the obligation under the liability is discharged or cancelled or expires.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.13 Interest income, directors' fee income and other investment income**

Interest income is recognised on an accruals basis using the effective interest method. It includes interest income from cash and cash equivalents and cash collateral at amortised cost.

Directors' fee income and other investment income are recognised when a contract is established and the performance obligations have been completed.

##### **2.14 Expenses**

Expenses are recognised on an accruals basis.

##### **2.15 Taxation**

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 19% (2019: 19%). Current tax, including UK corporation tax, is reflected at amounts to be recovered or paid using the tax rate and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Directors have determined there were no deferred tax assets or liabilities at 31 December 2020 (31 December 2019: none).

##### **2.16 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. For management purposes, the Company is organised into one main operating segment, which invests indirectly in PPP assets. All of the company's income is generated within the UK. All of the company's non-current assets are located in the UK.

#### **3. AUDITORS' REMUNERATION**

Fees charged by the Company's Independent Auditors for the audit of the Company's annual financial statements for the year ended 31 December 2020 amounted to £11k (2019: £11k). No non-audit services were provided to the Company.

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 4. TAX

	2020 £'000	2019 £'000
<b>Current tax expense</b>		
Current year	(10)	10
<b>Reconciliation of effective tax rate</b>		
Loss before tax	(15,857)	(12,773)
Tax using the Company's domestic tax rate of 19% (2019: 19%)	(3,013)	(2,427)
Expenses not deductible for tax purposes	3,114	3,198
Non-taxable income	(86)	(752)
Losses	-	(9)
Group relief not paid for	(15)	-
Prior year adjustment	(10)	-
Total tax (credited)/charged in Statement of Comprehensive Income	(10)	10

#### Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 21 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

#### 5. DIVIDENDS

	2020 £'000	2019 £'000
Interim dividends of £474k (2019: £4,057k) per ordinary share	474	4,057

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 £'000	2019 £'000
Investment in associated undertakings	64,426	79,060
Investment in subsidiary	367	2,121
	64,793	81,181

#### Changes in financial assets at fair value through profit or loss

	2020 £'000	2019 £'000
As at 1 January	81,181	98,011
Net change in fair value of financial assets at fair value through profit or loss	(16,388)	(16,830)
As at 31 December	64,793	81,181

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	2020		2019	
	Fair value £'000	% of net assets	Fair value £'000	% of net assets
Investment in associated undertakings	64,426	99	79,060	97
Investment in subsidiary	367	1	2,121	3
	<u>64,793</u>	<u>100</u>	<u>81,181</u>	<u>100</u>

The subsidiary of the Company is as follows:

Subsidiary	Registered office address	Principal activity	Date of incorporation	Country of incorporation	Holding %
PIP Infrastructure Investments (Southmead) Limited	Cannon Place, Cannon Street, London, England, EC4N 6AF	Investment holding	15 October 2007	United Kingdom	75%

The Company's investment into PIP Infrastructure Investments (Southmead) Limited forms part of its investment portfolio into infrastructure projects.

The Company holds an investment in the equity of PIP Infrastructure Investments (Southmead) Limited of £2,527k (2019: £2,527k). As at 31 December 2019 there were no capital commitment obligations and no amounts due to PIP Infrastructure Investments (Southmead) Limited for unsettled contractual obligations (2019: £Nil). The fair value of the equity as of 31 December 2020 is £367k (2019: £2,121k).

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The associates and joint ventures of the Company are as follows:

Associate / joint venture	Registered office address	Principal activity	Date of incorporation	Country of incorporation	Holding %
Birmingham Highways Holdings Limited**	One Colmore Square, Birmingham, B4 6HQ	Investment holding	2 November 2009	United Kingdom	50%
Birmingham Highways Limited**	Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, NG8 6PY	Finance, rehabilitate, operate and maintain Birmingham Highways	2 November 2009	United Kingdom	50%
AmeyCespa (AWRP) Holding Co Limited	Chancery Exchange, 10 Funnival Street, London, EC4A 1AB	Investment holding	3 October 2013	United Kingdom	33%
Amey Hallam Highways Holdings Limited	Chancery Exchange, 10 Funnival Street, London, EC4A 1AB	Investment holding	27 June 2012	United Kingdom	33%
Amey Hallam Highways Limited*	Chancery Exchange, 10 Funnival Street, London, EC4A 1AB	Finance, rehabilitate, operate and maintain Sheffield	27 June 2012	United Kingdom	33%
Cornwall Energy Recovery Holdings Limited	SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES	Investment holding	15 February 2006	United Kingdom	33%
Cornwall Energy Recovery Limited*	SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES	Construction and operation of waste treatment infrastructure	2 February 2006	United Kingdom	33%
Scot Roads Partnership Finance Limited*	1e Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB	Raising of finance and the onward loan of proceeds to subsidiary Scot Roads Partnership Project Limited	13 December 2013	United Kingdom	30%

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

High Wood Health (Hold Co) Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Investment holding	19 May 2014	United Kingdom	50%
High Wood Health (Project Co) Limited*	8 White Oak Square, London Road, Swanley, BR8 7AG	Design, build, finance and maintenance of a hospital for Dumfries and Galloway Health Board	21 May 2014	United Kingdom	50%
High Wood Health (Finance Co) Limited*	8 White Oak Square, London Road, Swanley, BR8 7AG	Raising of finance and onward loan proceeds to High Wood Health (Project Co) Limited	12 February 2015	United Kingdom	50%
The Hospital Company (Liverpool) Holdings Limited	8th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL	Investment holding	28 October 2013	United Kingdom	50%
The Hospital Company (Liverpool) Limited*	8th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL	Design, redevelopment, financing, operation and maintenance of Liverpool Hospital	24 October 2013	United Kingdom	50%
Scot Roads Partnership Holdings Limited	1e Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB	Investment holding	18 November 2013	United Kingdom	30%
Scot Roads Partnership Project Limited*	1e Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB	Design, construction, operation and maintenance services on M8, M73 and M74	13 December 2013	United Kingdom	30%



## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Sustainable Communities for Leeds (Holdings) Limited	Unit 18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YP	Investment holding	5 December 2012	United Kingdom	50%
Sustainable Communities for Leeds Limited*	Unit 18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YP	Refurbishment of housing stock in Leeds, alongside demolition of properties and construction of new build properties	6 December 2012	United Kingdom	50%
West London Energy Recovery Holdings Limited	SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES	Investment holding	26 June 2013	United Kingdom	33%
West London Energy Recovery Limited*	SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES	Provision of waste treatment infrastructure	27 June 2013	United Kingdom	33%
AmeyCespa (AWRP) SPV Limited*	Chancery Exchange, 10 Funnival Street, London, EC4A 1AB	Design, installation, operation and maintenance of residential waste treatment facilities	3 October 2013	United Kingdom	33%
The Hospital Company (Southmead) Limited*	8 White Oak Square, London Road, Swanley, BR8 7AG	Design, redevelopment, financing, operation and maintenance of Southmead Hospital.	18 November 2009	United Kingdom	50%

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Hospital Company (Southmead) Holdings Limited*	8 White Oak Square, London Road, Swanley, BR8 7AG	Investment holding	19 November 2009	United Kingdom	37.5%
Sustainable Communities for Leeds (Finance) PLC*	Unit 18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YP	Issue of bonds and on-lending the proceeds of bond issue to Sustainable Communities for Leeds Limited	2 July 2013	United Kingdom	37.5%

\*denotes indirect holdings.

\*\* - the equity shareholding increased to 50% with no consideration paid as part of a Settlement Agreement with Amey.

#### 7. RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables	-	23
Corporation tax receivable	-	-
Receivable from the project companies (Note 14)	124	80
	<u>124</u>	<u>103</u>

As at 31 December 2020 and 31 December 2019, the carrying amounts of receivables approximate their fair

#### 8. SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised 1 ordinary share of GBP1.00 each	-	-
Issued and fully paid 1 ordinary share of GBP1.00 each	-	-

The holder of the ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

#### 9. SHARE PREMIUM

	2020 £'000	2019 £'000
Share premium	4,340	4,340

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2020**

#### **10. PAYABLES AND ACCRUALS**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Accruals and deferred income	27	46
Payable to a related party (Note 14)	110	162
Corporation tax	-	10
VAT payable	4	4
	<hr/>	<hr/>
	141	222
	<hr/>	<hr/>

#### **11. FINANCIAL RISK MANAGEMENT**

##### **11.1 Financial risk factors**

The objective of the Company's financial risk management is to manage and control the risk exposures of its investment portfolio. The Directors have overall responsibility for overseeing the management of financial risks. The review and management of financial risks are performed by the Directors, which 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.

The Company owns a portfolio of investments in the ordinary equity of PFI/PPP companies. These companies are structured at the outset to minimise financial risks of acquiring and holding the investments. The Company primarily focuses its risk management on the direct financial risks of acquiring and holding the investments, but continues to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.

##### **11.1.1 Market risk**

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- interest rates (interest rate risk);
- foreign exchange rates (currency risk); and
- equity markets (other price risk).

The investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company has an Investment Manager who provides the Board of Directors with investment recommendations. The Investment Manager's recommendations are reviewed by the Board of Directors before the investment decisions are implemented.

The performance of the investments held by the Company are monitored by the Investment Manager and reviewed by the Board of Directors both on a quarterly basis.

##### **(a) Price risk**

Returns from the Company's investments are affected by the price at which they are acquired. The value of the investments could go up or down and may not be realised equivalent to their original acquisition cost. As such the value varies with the movements in market prices, interest rates and competition for such assets.

Price risk arises from the Company's investments held at fair value through profit and loss, which are valued using a discounted cashflow method. Details of the valuation method and the results of sensitivity analysis are disclosed in Note 11.3.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

**11. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**11.1 Financial risk factors (continued)**

**11.1.1 Market risk (continued)**

**(b) Currency risk**

The project companies in which the Company invests conduct their business and pay interest, dividends and principal in GBP. The Company is not exposed to any currency risk.

**(c) Interest rate risk**

The Company is not directly affected by changes in interest rate risk, except as part of the exercise to value its unlisted investments.

**(d) 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 a mismatch between income and costs due to movements in inflation indexes. The Company's overall cash flows are estimated to partially vary with inflation. The effect of these inflation changes does not always immediately flow through to the Company's cash flows as there is a time lag due to financial models only being updated on a 6 monthly basis.

**11.1.2 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 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 forecasts are project companies' 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 investments and their subsidiary entities generally receive revenue from government departments, public sector or local authority clients. Therefore a significant portion of the Company's revenue arises from counterparties of good financial standing.

The Company is also reliant on the projects' subcontractors continuing to perform their construction contract and service delivery obligations such that revenues to projects are not disrupted. The Company has a subcontractor counterparty monitoring procedure in place. The credit standing of subcontractors is reviewed and the risk default estimated for each significant counterparty position. Monitoring is ongoing and period end positions are reported to the Directors on a quarterly basis.

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 11.1 Financial risk factors (continued)

##### 11.1.2 Credit risk (continued)

No classes within trade and receivables contain impaired assets. The maximum exposure to credit risk over financial assets is the carrying value of those assets in the Statement of Financial Position and as set out below:

	2020 £'000	2019 £'000
Investments at fair value through profit or loss	64,793	81,181
Receivables	124	103
Cash and cash equivalents	43	78
	<u>64,960</u>	<u>81,362</u>

The cash investments of the Company are limited to financial institutions of a suitable credit quality.

As at 31 December 2020, the Company did not record any other overdue and impaired balances (2019: £Nil). The table below sets out the internal credit rating of equity securities:

	2020 %	2019 %
Internal rating – better than satisfactory risk	-	-
Internal rating – satisfactory risk	100	100
Internal rating – viable but monitoring	-	-
Internal rating – high risk	-	-

Cash transactions are limited to Royal Bank of Scotland which is a subsidiary of a financial institution with a Long term debt credit rating of A (2019: A), as rated by the rating agency, Standard & Poor's. At 31 December 2020, all cash and cash equivalents were placed with the Banker.

In accordance with the Company's policy, the Company's credit risk exposure is monitored by the Investment Manager and reviewed by the Board of Directors both on a quarterly basis.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **11. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **11.1 Financial risk factors (continued)**

###### **11.1.3 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 have sufficient financial resources and liquidity to meet its liabilities when due. The Company's activity is predominantly funded by long-term funding and the Company's liquidity risk is managed in conjunction with the established framework.

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

The Company's investment companies have borrowings which rank senior to the Company's own investments in these project companies. The 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.

The Company operates as an investment structure whereby the Company invests and commits to invest into various portfolio companies. As at 31 December 2020, there were no outstanding capital commitment obligations (2019: £Nil) with respect to specific portfolio company acquisitions and no amounts due to the portfolio company for unsettled purchases.

The following table illustrates the expected maturity of assets held:

	<b>Less than 1 month £'000</b>	<b>1-12 months £'000</b>	<b>More than months £'000</b>
<b>As at 31 December 2020</b>			
Total assets	-	167	-
<b>As at 31 December 2019</b>			
Total assets	-	181	-

The amounts in the table are the contractual undiscounted cash flows.

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 11.1 Financial risk factors (continued)

###### 11.1.3 Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the Company's expected maturity for its financial liabilities together with the contractual undiscounted cash flow amounts.

	On demand £'000	Less than 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
<b>As at 31 December 2020</b>					
<b>Liabilities</b>					
Payables and accruals	-	141	-	-	141
<b>As at 31 December 2019</b>					
<b>Liabilities</b>					
Payables and accruals	-	222	-	-	222

##### 11.2 Capital risk management

The capital of the Company is represented by the shareholder's equity. The amount of shareholder's equity may change as the Company may adjust the amount of dividends paid to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

The Company has no lease arrangements or externally imposed capital requirements. As at 31 December 2020 and 2019 the Company is in a net asset position.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **11. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **11.3 Fair value estimation**

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 given to risk free rates, the specific risks of each investment and the evidence of recent transactions. A detailed discounted cash flow valuation methodology is disclosed in Note 2.5 (c).

For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The models used to determine fair values are validated and periodically reviewed by the Investment Manager and approved by the Board of Directors quarterly. The current year valuation is calculated based on the forecasted cash-flows expected from the Company's underlying investment in December 2020.

The carrying value less impairment provision of receivables and payables and accruals is assumed to approximate their fair values.

The fair value of financial assets for disclosure purposes are derived using a discounted cash-flow method, estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The weighted average discount rate of the Company's investments is 6.78% (2019: 6.76%).

The fair value of the Company's investments is £64,793k (2019: £81,181k). The analysis below is provided to illustrate the sensitivity of the fair value of investments to an individual input, while all other variables remain constant. The Board considers these changes in inputs to be within reasonable expected ranges. This is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

<b>Input</b>	<b>Base case</b>	<b>Change in</b>	<b>Change in fair value of investments £'000</b>
		+0.5%	(3,842)
Discount rate	6.78%	-0.5%	4,150
		+0.5%	789
Inflation		-0.5%	(1,341)



## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 11.3 Fair value estimation (continued)

Fair value hierarchy

The fair value hierarchy consists of the following three levels:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' input requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses, within the fair value hierarchy, the Company's investments measured at fair value:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 December 2020</b>				
Investment in associated undertakings	-	-	64,426	64,426
Investment in subsidiary	-	-	367	367
	-	-	64,793	64,793
<b>As at 31 December 2019</b>				
Investment in associated undertakings	-	-	79,060	79,060
Investment in subsidiary	-	-	2,121	2,121
	-	-	81,181	81,181

There were no transfers between levels during the year.

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 11.3 Fair value estimation (continued)

The following table analyses the changes in the value of Level 3 assets held at fair value during the year:

	2020 £'000	2019 £'000
As at 1 January	81,181	98,011
Net change in fair value of financial assets at fair value through profit or loss	(16,388)	(16,830)
As at 31 December	64,793	81,181

#### 12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Estimates, by their nature, are based on judgement and available information. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used to determine the fair value of the investments as disclosed in Note 11.3 to the financial statements. The estimates and assumptions that have a significant risk of causing a material impact on the financial statements are outlined below.

##### *(a) Fair value of equity securities including investment in subsidiary*

The Company may, from time to time, hold financial instruments that are not quoted in active markets such as the unlisted equity securities. Fair values of such instruments are determined by using valuation techniques (see Note 11.3). Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by the Board of Directors and approved by the Board of Directors quarterly.

##### *(b) Investment entity status*

The Directors have determined that the Company meets the definition of an investment entity. See accounting policy 2.2 for details.

##### *(c) Subsidiary*

The Company controls 75% of the voting rights and ownership interests in PIP Infrastructure Investments (Southmead) Limited.

Per IFRS 10, there is a requirement for the Directors to assess whether the Subsidiary is itself an Investment Entity. The Directors have performed this assessment and have concluded that the Subsidiary is itself an Investment Entity for the reasons below:

- (i) The Subsidiary has obtained funds for the purpose of investing in equity or other similar interests in multiple investments and providing the Company and its investors with returns from capital appreciation and investment income.
- (ii) The performance of investments made through the Subsidiary are measured and evaluated on a fair value basis.

## PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2020

#### 12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Furthermore, the Subsidiary is not deemed to be an operating entity providing services to the Company, and therefore is able to apply the exception to consolidation.

Movements in the fair value of the Subsidiary's portfolio and corresponding movements in the fair value of the Subsidiary may expose the Company to a loss.

#### 13. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2020	Financial assets at amortised cost £'000	Financial assets at fair value through profit or loss £'000	Total £'000
<b>Assets</b>			
Investment in associated undertakings	-	64,426	64,426
Investment in subsidiary	-	367	367
Receivables	124	-	124
Cash and cash equivalents	43	-	43
	<u>167</u>	<u>64,793</u>	<u>64,960</u>

As at 31 December 2019	Loans and receivables £'000	Financial assets at fair value through profit or loss £'000	Total £'000
<b>Assets</b>			
Investment in associated undertakings	-	79,060	79,060
Investment in subsidiary	-	2,121	2,121
Receivables	103	-	103
Cash and cash equivalents	78	-	78
	<u>181</u>	<u>81,181</u>	<u>81,362</u>

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **13. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

	<b>Other financial liabilities at amortised cost £'000</b>	<b>Liabilities at fair value through profit or loss £'000</b>	<b>Total £'000</b>
<b>As at 31 December 2020</b>			
<b>Liabilities</b>			
Payables and accruals	141	-	141
<b>As at 31 December 2019</b>			
<b>Liabilities</b>			
Payables and accruals	222	-	222

As at 31 December 2020 and 2019 the carrying amounts of the financial assets and liabilities at amortised cost approximate their fair value.

#### **14. RELATED PARTIES TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Under varying shareholders' agreements between the Company and its investee project companies the Company receives Directors' fees for the provision of director services. During the year ended 31 December 2020, the Company earned Directors' fees of £98k (2019: £122k). At 31 December 2020 the Company had Directors' fees received in advance of £14k (2019: £24k) and accrued Directors' fees of £124k (2019: £80k).

As at 31 December 2020, the Company owes PIP Infrastructure Investments (No 6) Limited, a related company also owned by PIP Infrastructure Managers Limited, £162k (2019: £162k) for transactions made on the Company's behalf.

As at 31 December 2020, PIP PPP Limited, the parent company of PIP Infrastructure Managers Limited, owes the company £52k (2019: £nil) for transactions made on the Company's behalf.

The Company has related party transactions with its project companies. During the year ended 31 December 2020, the Company earned other investment income of £450k (2019: £3,959k), of which a total of £nil (2019: £nil) remained outstanding as at 31 December 2020.

## **PIP INFRASTRUCTURE INVESTMENTS (NO 5) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2020**

#### **15. STAFF COSTS**

The Company has no employees. The Directors of the Company waived their right to receive Directors' remuneration.

#### **16. PARENT AND ULTIMATE CONTROLLING PARTY**

As at 31 December 2020, the Company's immediate parent undertaking was PIP Infrastructure Managers Limited. The ultimate controlling party was PIP Multi-Strategy Infrastructure PPP LP.

#### **17. SUBSEQUENT EVENTS**

The Directors' have evaluated the period since the year end and have not noted any subsequent events.