PIP PPP Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2020

Company Number 10938996

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SUMMARY OF DIRECTORS AND ORGANISATION

DIRECTORS:	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)
REGISTERED OFFICE:	Cannon Place 78 Cannon Street London England EC4N 6AF
ADMINISTRATOR AND SECRETARY:	Infrastructure Managers Limited 2nd Floor 11 Thistle Street Edinburgh Scotland EH2 1DF
BANKER:	Royal Bank of Scotland 62-63 Threadneedle St London EC2R 8LA
INDEPENDENT AUDITORS:	BDO LLP 55 Baker Street London W1U 7EU
INVESTMENT MANAGER:	PIP Manager Limited C/O Foresight Group LLP The Shard 32 London Bridge Street London United Kingdom SE1 9SG

REPORT OF THE DIRECTORS
For the year ended 31 December 2020

The Directors present their annual report and audited financial statements for PIP PPP Limited (the "Company") for the year ended 31 December 2020.

Registered office
The Company's registered office is Cannon Place, 78 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 12 to the financial statements. The Company is funded by its Immediate Parent PIP Multi-Strategy Infrastructure PPP LP, and as a result financial risks are managed by the Company in conjunction with the Immediate Parent.

Results and dividends
The Company's total comprehensive loss for the year was £40,173k (2019: £5,403k). No dividends were paid or declared during the period.

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
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 (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) and regulations.

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.

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 applicable law 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

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 year is set out in the Statement of Comprehensive Income on page 8. The Directors have considered the performance of the Company during the year 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 operates as an investment holding company. The Company holds an equity investment in PIP Infrastructure Managers Limited. The Directors do not expect any developments in the Company's business in the current year to result in significant changes in its present activities.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager. 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 12 to the financial statements. The Company is funded by the Immediate Holding Companies and as a result financial risks are managed by the Company in conjunction with the Immediate Holding Companies.

Key performance indicators

The Directors of the Company consider its operations to be consistent with those at the level of the Immediate Holding Companies that are managed by the Investment Manager. For this reason, the Company's Directors believe that an analysis using key performance indicators for the Company 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP PPP LIMITED

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 PPP 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP PPP LIMITED (CONTINUED)

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 period 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIP PPP LIMITED (CONTINUED)

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. 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:
Elizabeth Hooper
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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).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	Year to 2020 £'000	Year to 2019 £'000
Income			
Interest income	**3**	22,271	21,922
Net change in fair value of financial assets at fair value through profit or loss	**6**	(40,988)	(5,875)
Total (loss)/ income		(18,717)	16,047
EXPENSES			
Professional fees		27	4
Administration costs		40	35
Eurobond interest	**16**	21,590	21,300
Total expenses		21,657	21,339
Operating loss		(40,374)	(5,292)
Income tax credit / (charge)	**5**	201	(111)
Loss after tax for the year		(40,173)	(5,403)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(40,173)	(5,403)
Attributable to Equity holders:			
Total comprehensive loss for the year		(40,173)	(5,403)

The notes on pages 12 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments at fair value through profit and loss	**6**	329,615	359,500
Total non-current assets		329,615	359,500
Current assets			
Receivables and prepayments	**8**	298	-
Cash and cash equivalents		99	65
Total current assets		397	65
Total assets		330,012	359,565
Liabilities			
Non-current liabilities			
Loans and borrowings	**10**	226,795	216,068
Total non-current liabilities		226,795	216,068
Current liabilities			
Payables and accruals	**11**	124	231
Total current liabilities		124	231
Total liabilities		226,919	216,299
Equity			
Share capital	**9**	227,349	227,349
Retained earnings		(124,256)	(84,083)
Total equity		103,093	143,266
Total equity and liabilities		330,012	359,565

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 12 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019	227,349	(78,680)	148,669
Total comprehensive loss for the period	-	(5,403)	(5,403)
Balance at 31 December 2019	227,349	(84,083)	143,266
Balance at 1 January 2020	227,349	(84,083)	143,266
Total comprehensive loss for the year	-	(40,173)	(40,173)
Balance at 31 December 2020	227,349	(124,256)	103,093

The notes on pages 12 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	Year to 2020 £'000	Year to 2019 £'000
Cash flows from operating activities			
Total comprehensive loss for the year		(40,173)	(5,403)
Adjustment for:			
Tax	**5**	(201)	111
Movement in financial assets at fair value through profit or loss	**6**	40,988	5,875
Capitalised interest - Investment in debt securities	**6**	(11,103)	(3,873)
Capitalised interest - Loans and borrowings	**10**	10,727	3,556
Amounts repaid - Investment in debt securities		-	10,760
Amounts repaid - Loans and borrowings		-	(11,093)
		238	(67)
Increase / (decrease) in receivables and prepayments	**8**	(96)	52
Decrease in payables and accruals	**11**	(107)	(35)
Net cash flow generated from/ (used in) operating activities		34	(50)
Net increase / (decrease) in cash and cash equivalents		34	(50)
Cash and cash equivalents at 31 December 2019		65	115
Cash and cash equivalents at 31 December 2020		99	65

The notes on pages 12 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated and 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 £1,000.

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 13.

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

Several amendments to standards 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.

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 investment's performance on a fair value basis, in accordance with the policies set out in these financial statements.

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".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 presentation 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 as 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 presentation 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.

2.5 Financial assets at fair value through profit and loss

(a) Classification

The Company classifies its investment in equity securities and loan security receivables as financial assets at fair value through profit or loss. The company classifies its liabilities at amortised cost.

(i) Financial assets designated at fair value through profit or loss at inception

Financial assets 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 on a fair value basis together with other related financial information.

(ii) Financial liabilities at amortised cost

Financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets at fair value through profit and loss (continued)

(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 project's 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, which in turn have invested in a number of portfolio companies.

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.

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 7.

2.8 Receivables

Receivables except for debt securities 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 2019, the carrying amounts of cash and cash equivalents approximate their fair value.

2.10 Payables and accruals

Payables and accruals are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Unpaid loan interest is capitalised and rolled up into principal amounts as prescribed in the underlying loan agreements. Payables and accruals are derecognised when the obligation under the liability is discharged or cancelled or expires.

2.11 Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Expenses

Expenses are recognised on an accruals basis. All operational expenses of the Company are borne by the Immediate Holding Companies and hence are not recognised within the Statement of Comprehensive Income.

2.14 Interest income

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

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

2.15 Taxation

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 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 and 2019.

3. INTEREST INCOME

	Year to 2020 £'000	Year to 2019 £'000
Loan note interest income	22,271	21,922
	22,271	21,922

4. AUDITORS' REMUNERATION

Fees charged by the Company's Independent Auditor for the audit of the Company's annual financial statements for the year ended 31 December 2020 amounted to £5.5k (2019: £5.4k). No non-audit services were provided to the Company.

5. TAX

	Year to 2020 £'000	Year to 2019 £'000
Current tax expense		
Current period	(201)	111
Reconciliation of effective tax rate		
Loss before tax	(40,374)	(5,292)
Tax using the Company's domestic tax rate of 19%	(7,671)	(1,005)
Expenses not deductible for tax purposes	7,788	1,116
Group relief not paid for	(117)	-
Prior year adjustment*	(201)	-
Total tax charged in Statement of Comprehensive Income	(201)	111

* - Prior year adjustment required to recognise group relief taken in prior years will not be paid for.

Factors that may affect future tax expense

A change to the future UK corporation tax was announced in the March 2021 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.

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

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investment in subsidiary detailed in note 7 is represented by the following equity interest and debt securities:

	2020 £'000	2019 £'000
Equity interest	64,793	81,181
Investment in debt securities	264,822	278,319
	329,615	359,500

PIP PPP Limited owns 100% of the share capital in PIP Infrastructure Managers Limited (as detailed in note 7). The equity interest and investment in debt securities represent the indirect investment in the subsidiaries PIP Infrastructure Investments (No 5) Limited and PIP Infrastructure Investments (No 6) Limited respectively.

Changes in financial assets at fair value through profit or loss

	Equity interest £'000	Investment in debt securities £'000	Total £'000
As at 1 January 2020	81,181	278,319	359,500
Capitalised interest	-	11,103	11,103
Net change in fair value of financial assets at fair value through profit or loss	(16,388)	(24,600)	(40,988)
As at 31 December 2020	64,793	264,822	329,615

	Equity interest £'000	Investment in debt securities £'000	Total £'000
As at 1 January 2019	100,312	271,950	372,262
Capitalised interest	-	3,873	3,873
Amounts repaid	-	(10,760)	(10,760)
Net change in fair value of financial assets at fair value through profit or loss	(19,131)	13,256	(5,875)
As at 31 December 2019	81,181	278,319	359,500

	Year to 2020 £'000	Year to 2019 £'000
Change in unrealised gain for Level 3 assets held as at year end and included in net changes in fair value of financial assets at fair value through profit or loss	(40,988)	(5,875)

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

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

Changes in financial assets at fair value through profit or loss (continued)

The investment in debt securities represents a loan due from PIP Infrastructure Managers Limited which is held at fair value as detailed in accounting policy note 2.5. The loan stock bears interest at a rate of 10.047%, is unsecured and in the event of the Company winding up, it would rank alongside ordinary debtors. The interest on the principal amount accrues daily and is payable in cash on 30 June and 31 December each year. If the Company does not have sufficiently available cash to make any interest payments, these amounts will be deferred and capitalised.

As at 31 December 2020 and 2019 the carrying amounts of the financial assets at fair value through profit and loss approximate their fair value.

7. INVESTMENT IN SUBSIDIARY

The subsidiary of the Company is as follows:

Subsidiary	Registered office address	Principal activity	Date of incorporation	Country of incorporation	Holding %
PIP Infrastructure Managers Limited	2nd floor, Thistle street, Edinburgh, Scotland, EH2 1DF	Investment holding	4 July 2007	United Kingdom	100%
PIP Infrastructure Investments (No 5) Limited*	Cannon Place, 78 Cannon Street, London, England, EC4N 6AF	Investment holding	9 May 2012	United Kingdom	100%
PIP Infrastructure Investments (No 6) Limited*	Cannon Place, 78 Cannon Street, London, England, EC4N 6AF	Investment holding	9 May 2012	United Kingdom	100%
PIP Infrastructure Investments (Southmead) Limited*	Cannon Place, Cannon Street, London, England, EC4N 6AF	Investment holding	15 October 2007	United Kingdom	75%

The company owns 100% of the issued share capital in PIP Infrastructure Managers Limited.
* - The investments in PIP Infrastructure Investments (No 5) Limited, PIP Infrastructure Investments (No 6) Limited and PIP Infrastructure Investments (Southmead) Limited are all held indirectly.

The Company has indirect interest in the following subsidiaries, joint ventures and associates due to the equity investments described above:

Associate / joint venture	Registered office address	Principal activity	Date of incorporation	Country of incorporation	Holding %
Birmingham Highways Holdings Limited**	One Colmore Square, Birming ham, B4 6HQ	Investment holding	2 November 2009	United Kingdom	33%

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

7. INVESTMENT IN SUBSIDIARY (CONTINUED)

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 Furnival Street, London, EC4A 1AB	Investment holding	3 October 2013	United Kingdom	50%
Amey Hallam Highways Holdings Limited	Chancery Exchange, 10 Furnival Street, London, EC4A 1AB	Investment holding	27 June 2012	United Kingdom	33%
Amey Hallam Highways Limited	Chancery Exchange, 10 Furnival Street, London, EC4A 1AB	Finance, rehabilitate, operate and maintain Sheffield Highways	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%
High Wood Health (Hold Co) Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Investment holding	19 May 2014	United Kingdom	50%

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

7. INVESTMENT IN SUBSIDIARY (CONTINUED)

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%
Sustainable Communities for Leeds (Holdings) Limited	Unit 18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston,	Investment holding	5 December 2012	United Kingdom	50%

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

7. INVESTMENT IN SUBSIDIARY (CONTINUED)

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 Furnival 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%
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-loaning the proceeds of bond issue to Sustainable Communities for Leeds Limited	2 July 2013	United Kingdom	37.5%

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

8. RECEIVABLES AND PREPAYMENTS

	2020 £'000	2019 £'000
Corporation tax receivable	204	-
VAT	6	-
Amounts owed by related parties	89	-
	298	-

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

9. SHARE CAPITAL AND SHARE PREMIUM

	2020 £'000	2019 £'000
Authorised		
227,348,883 ordinary shares of GBP1 each	227,349	227,349
Issued and fully paid		
227,348,883 ordinary shares of GBP1 each	227,349	227,349

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

10. LOANS AND BORROWINGS

The Company created and authorised the issue of fixed rate unsecured loan notes. The holder of these loan notes is the parent PIP MSI PPP LP. The Loan Notes were subsequently formally admitted to the Official List of The International Stock Exchange ("TISE").

The Loan Notes are redeemable in accordance with conditions set out in the loan instrument agreement. Interest shall accrue on the principal amount outstanding on the Loan Notes at 9.797% per annum. The interest is due to be paid to the Noteholder on 30 June and 31 December of each year. If the Company does not have sufficiently available cash to make any interest payments, these amounts will be deferred and capitalised.

The table below sets out the terms of the Loan Notes issued by the Company up to 31 December 2020:

Maturity date	Issue date	TISE admission date	Interest rate per annum	Loan Notes issue created and authorised
06/12/2047	06/12/2017	18/12/18	9.797%	GBP201,916,661

The movement in Loan Notes issued by the Company up to 31 December 2020 is set out in the table below:

	31/12/2020 Balance £'000	Amounts repaid £'000	Capitalised Interest £'000	01/01/2020 Balance £'000
Fixed rate unsecured redeemable loan notes 06/12/2047	226,795	-	10,727	216,068

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

10. LOANS AND BORROWINGS (CONTINUED)

The movement in Loan Notes issued by the Company up to 31 December 2019 is set out in the table below:

	31/12/2019 Balance £'000	Period to 31 December 2019 Repaid £'000	Capitalised Interest £'000	01/12/2019 Balance £'000
Fixed rate unsecured redeemable loan notes 06/12/2047	216,068	(11,093)	3,556	223,605

11. PAYABLES AND ACCRUALS

	2020 £'000	2019 £'000
Accruals	9	8
Group payables (Note 16)	115	16
Corporation tax payable	-	207
	124	231

12. FINANCIAL RISK MANAGEMENT

12.1 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 indirectly owns a portfolio of investments in subordinated debt and 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.

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.1 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 12.3.

(b) Currency risk
The project in which the Company has invested in conducts its business, pays interest, dividends and principal in GBP. The Company is not exposed to any currency risk. Refer to the accounting policy in Note 2.4.

(c) Interest rate risk
The financial instruments of the Company have a fixed rate of interest. The Company is not directly affected by changes in interest rate risk, except as part of the exercise to value its unlisted investment.

(d) Inflation risk
The Company's project company is 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 do not always immediately flow through to the Company's cash flows as there is a time lag due to the financial model only being updated on a 6 monthly basis.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.2 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. Events of default are laid out in the funding agreements between the project companies and their lenders. Causes may be due to breach of covenants or failure to provide representations or warranties. Monitoring is ongoing and year end positions are reported to the Directors on a quarterly basis.

Where there is no reasonable expectation of recovery (such as an compulsory strike-off of an investment) assets are written off.

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
Equity interest	64,793	81,181
Investment in debt securities	264,822	278,319
Receivables and prepayments	298	-
Cash and cash equivalents	99	65
	330,012	359,565

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

As at 31 December 2020 and 2019, the Company did not record any overdue and impaired balances . 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	-	-

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.2 Credit risk (continued)

The table below sets out the internal credit rating of debt securities:

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

12.1.3 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 and 2019, there were no outstanding capital commitment obligations 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 and represents the Company’s expected maturity for its financial assets together with the contractual undiscounted cash flow amounts:

As at 31 December 2020	Less than 1 month £'000	1-12 months £'000	More than 12 months £'000
Debt securities	-	-	264,822
Receivables and prepayments	-	298	-
Cash and cash equivalents	-	99	-
	-	398	264,822

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.3 Liquidity risk (continued)

As at 31 December 2019	Less than 1 month £'000	1-12 months £'000	More than 12 months £'000
Debt securities	-	-	278,319
Receivables and prepayments	-	-	-
Cash and cash equivalents	-	65	-
	-	65	278,319

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 contractual undiscounted cash flows.

	On demand £'000	Less than 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
As at 31 December 2020				
Liabilities				
Eurobond capital	-	-	-	226,794
Payables and accruals	-	124	-	-
Total	-	124	-	226,794

	On demand £'000	Less than 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
As at 31 December 2019				
Liabilities				
Eurobond capital	-	-	-	216,068
Payables and accruals	-	231	-	-
Total	-	231	-	216,068

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.2 Capital risk management

The capital of the Company is represented by the net assets attributable to its shareholders. The amount of net assets attributable to its shareholders may change as the Company may adjust the amount of dividends paid to its shareholders, return capital to its shareholders, 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 shareholders 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.

12.3 Fair value estimation

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 carrying value of payables and accruals is assumed to approximate their fair value.

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 5.95% (2019: 6.64%).

The fair value of the Company's investments is £329,615k (2019: £359,500k). 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.

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.3 Fair value estimation (continued)

Input	Base case	Change in input	Change in fair value of investments £'000
		+0.5%	(16,716)
Discount rate	5.95%	-0.5%	18,102
		+0.5%	3,013
Inflation		-0.5%	(2,712)

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;
- 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:

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equity interest	-	-	64,793
Investment in debt securities	-	-	264,822
	-	-	329,615

There were no transfers between levels during the year.

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.3 Fair value estimation (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 December 2019			
Equity interest	-	-	81,181
Investment in debt securities	-	-	278,319
	-	-	359,500

There were no transfers between levels during the year.

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 2020	359,500	372,262
Additions	-	-
Amounts repaid	-	(10,760)
Net change in fair value of financial assets at fair value through	(40,988)	(5,875)
Capitalised interest	11,103	3,873
As at 31 December 2020	329,615	359,500

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

13. 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 12.3 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 12.3). 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 100% of the voting rights and ownership interests in PIP Infrastructure Mangers 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.

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.

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

14. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost £'000	Designated at fair value through profit or loss £'000	Total £'000
As at 31 December 2020			
Assets			
Equity interest	-	64,793	64,793
Investment in debt securities	-	264,822	264,822
Cash and cash equivalents	99	-	99
	99	329,615	329,714

	Financial assets at amortised cost £'000	Designated at fair value through profit or loss £'000	Total £'000
As at 31 December 2019			
Assets			
Equity interest	-	81,181	81,181
Investment in debt securities	-	278,319	278,319
Cash and cash equivalents	65	-	65
	65	359,500	359,565

	Financial liabilities at amortised cost £'000	Designated at fair value through profit or loss £'000	Total £'000
As at 31 December 2020			
Liabilities			
Loans and borrowings	226,795	-	226,795
Payables and accruals	124	-	124
	226,919	-	226,919

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

14. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost £'000	Designated at fair value through profit or loss £'000	Total £'000
As at 31 December 2019			
Liabilities			
Loans and borrowings	216,068	-	216,068
Payables and accruals	231	-	231
	216,299	-	216,299

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

15. STAFF COSTS

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

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

16. 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.

There are loans payable to PIP MSI PPP LP which were issued in 2018. These amounts are detailed in note 10.

During the year to 31 December 2020, interest of £21,590k (2019: £21,300k) was incurred and interest of £10,727k (2019: £3,556k) of interest was capitalised. During the year to 31 December 2020 loan amounts of £nil (2019: £11,093) were repaid. At the year end £226,795k (2019: £216,068k) was due to PIP MSI PPP LP.

PIP PPP Limited owns 100% of the share capital of PIP Infrastructure Managers Limited. During the period to 31 December 2018, PIP Infrastructure Managers Limited issued debt securities of £201,917k to PIP PPP Limited. During the year to December 31 2020, interest of £22,271k (2019: £21,922k) was incurred and interest of £11,103k (2019: £3,873k) was capitalised. At the year end the fair value of the debt securities due from PIP Infrastructure Managers Limited was £264,822k (2019: £278,319k).

As at 31 December 2020, PIP Infrastructure Managers Limited owes the Company £89k (2019: £nil) for the expenses paid on it's behalf.

PIP PPP Limited has an indirect holding of 100% of the share capital in PIP Infrastructure Investments (No 5) Limited. During the year to 31 December 2020 PIP PPP Limited transferred £52k (2019: nil) to PIP Infrastructure Investments (No 5) Limited. At 31 December 2020 £52k (2019: nil) was due to PIP Infrastructure Investments (No 5) Limited as detailed in note 11.

PIP PPP Limited has an indirect holding of 100% of the share capital in PIP Infrastructure Investments (No 6) Limited. During the year to 31 December 2020 PIP Infrastructure Investments (No 6) Limited transferred £47k (2019: £nil) to PIP PPP Limited. At 31 December 2020 £63k (2019: £16k) was owed to PIP Infrastructure Investments (No 6) as detailed in note 11.

17. ULTIMATE PARENT UNDERTAKING

As at 31 December 2020, the Company's immediate and ultimate parent undertaking was PIP Multi-Strategy Infrastructure PPP LP.

18. SUBSEQUENT EVENTS

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