

Company registration number: 8109112

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

**Annual report and audited financial statements for the year ended
31 December 2019**

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

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INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	C P Gill W M F von Guionneau K W Pickard
Company secretary	E Mendes
Company registration number	8109112
Registered office	Level 7, One Bartholomew Close Barts Square London EC1A 7BL
Banker	HSBC Bank Plc 8 Canada Square London E14 5HQ
Auditor	KPMG LLP 15 Canada Square London E14 5GL

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STRATEGIC REPORT

Strategic Report for the year ended 31 December 2019

The Directors present the strategic report of InfraRed Infrastructure Yield Holdings Limited (the "Company") for the year ended 31 December 2019.

Review of the business

The Company was incorporated on 18 June 2012 as a private limited company with registration number 8109112. The Company acts as an investment holding company established to hold underlying investments in other companies that own both equity and/or sub-debt investments in a range of infrastructure projects predominantly based in the United Kingdom.

There has been no significant change in respect of the performance and operations of the Company during 2019 and there is no material change expected in future years.

The key financial and other performance indicators were as follows:

	For the year ended 31 Dec 2019 £'000	For the year ended 31 Dec 2018 £'000	Annual change	Change (%)
Turnover	25,780	26,042	-262	-1%
Profit for the year	8,378	29,885	-21,507	-72%
Net assets attributable to shareholders	132,145	152,200	-20,055	-13%

The Company holds 15 (2018: 16) loan stock investments in subsidiaries, joint ventures and associates after disposing Fife Hospital during the year. The value of these loan stock balances at 31 December 2019 was £245.9 million (2018: £264.2 million), a decrease of 7% on the previous year. The top five investments account for approximately 76% of the Company's loan stock investment portfolio, while the total value of the Company's investments in loan stock of related undertakings represents 56% (2018: 61%) of the Company's total assets.

The Company also holds a number of equity investments. The value of these equity investments at 31 December 2019 was £182 million (2018: £198.0 million).

The impact of uncertainties due to the COVID-19 pandemic

The impact of the global spread of COVID-19 continues to evolve and will require continued assessment as the pandemic plays out. COVID-19 is considered to be a non-adjusting post balance sheet event and therefore no adjustment to the recognition or measurement of balances within the financial statements has been made as a result. The rapid development of the COVID-19 virus makes it very difficult to estimate the ultimate impact, however at this stage there is no compelling evidence that would lead to an immediate going concern risk to the Company. Due to the fluidity of the situation this could change and the Directors will continue to assess the impact. The Directors are keeping in continued contact with the management teams at the project companies and continue to support them through this challenging period.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. For further details on going concern see note 2b.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company is part of the Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP) group (the "Group"). Risk is managed on a Group basis. The managing partners of the Group are responsible for the Group risk management framework. This comprises identifying and evaluating the risks that the Group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the Group risk management framework is to have documented policies and procedures in place.

The Directors of the Company are responsible for ensuring that the Company complies with the Group's risk management framework. Assurance as to the effectiveness of and compliance with the risk management framework and internal controls is provided by the Group's risk management functions.

The Directors consider its risk management framework is appropriate for a Company of its size and complexity.

a) Financial instrument risk

Valuations are performed using a discounted cash flow approach and discount rates are determined from similar secondary market participants. All the Company's investments are in Pound Sterling and hence there is no foreign exchange risk.

b) Credit risk

Credit risk is managed in accordance with the Directors' policies and procedures. The Directors' credit team uses external credit ratings for all financial institutions. Appropriate credit checks are required to be made on all counterparties to the Company. The Company only deposits money with appropriately rated counterparties. The Company plays an active part in the oversight of all underlying projects and assesses the credit risk of the investments on an ongoing basis.

c) Liquidity risk

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

The Company monitors its cash flow requirements on a monthly basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company has no other significant transactions.

Based on the review made by the Directors of the operations of the Company for the year ended 31 December 2019, the Director did not identify any significant risks that may cast doubt on the Company as a going concern.

The Directors will continue to provide valuable management expertise in order for the Company to meet its strategic goals and to enhance value.

On behalf of the Board



C P Gill
Director

Registered office
Level 7, One Bartholomew Close
Barts Square
London
EC1A 7BL
20 July 2020

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of InfraRed Infrastructure Yield Holdings Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The Company acts as an investment holding company, established to hold an investment in a company established to undertake infrastructure projects.

Business review

The profit for the year before taxation is £8,266k (2018: £30,842k).

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. For further details on going concern see note 2b.

Strategic report

The Company has produced a strategic report and this is presented on page 2.

Risk management

The Company is part of the Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP) group (the "Group"). Risk is managed on a Group basis. The managing partners of the Group are responsible for the Group risk management framework. This comprises identifying and evaluating the risks that the Group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the Group risk management framework is to have documented policies and procedures in place.

The Directors of the Company are responsible for ensuring that the Company complies with the Group's risk management framework. Assurance as to the effectiveness of and compliance with the risk management framework and internal controls is provided by the Group's risk management functions.

The Directors consider its risk management framework is appropriate for a Company of its size and complexity.

Future developments

No change in the Company's activities is anticipated.

Dividends

The Directors have declared a dividend £28,433k in respect of the year ended 31 December 2019 (2018: £nil).

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Directors

The Directors who served during the year were as follows:

C P Gill
W M F von Guionneau
K W Pickard

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

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Independent auditor

KPMG LLP is deemed to be reappointed in accordance with an elective resolution made under section 487 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

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

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

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

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements (continued)

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



C P GIII
Director

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

20 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

Opinion

We have audited the financial statements of InfraRed Infrastructure Yield Holdings Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and Directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 6 and 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

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

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

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



Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

22 July 2020

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	25,780	26,042
Operating expenses	5	<u>(147)</u>	<u>(146)</u>
Operating profit		25,633	25,896
Profit from disposal of investments	10	20,833	-
Fair value (loss) / gain on investments	10	(4,513)	35,032
Interest receivable and similar income	7	20	8
Interest payable and similar charges	8	<u>(33,707)</u>	<u>(30,094)</u>
Profit before tax		8,266	30,842
Tax credit / (charge) on profit	9	<u>112</u>	<u>(957)</u>
Profit for the financial year		<u>8,378</u>	<u>29,885</u>
Total comprehensive income for the financial year		<u>8,378</u>	<u>29,885</u>

All activities derive from continuing operations.

The accompanying notes on pages 14 to 24 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	10	427,922	462,143
Debtors: amounts falling due after more than one year	12	5,781	5,974
		<u>433,703</u>	<u>468,117</u>
Current assets			
Debtors: amounts falling due within one year	11	202	2,016
Cash at bank and in hand	16	1,662	4,282
		<u>1,864</u>	<u>6,298</u>
Total current assets		1,864	6,298
Current liabilities			
Creditors: amounts falling due within one year	13	(589)	(783)
		<u>1,275</u>	<u>5,515</u>
Net current assets		1,275	5,515
Total assets less current liabilities		434,978	473,632
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(302,832)	(321,432)
		<u>132,145</u>	<u>152,200</u>
Net assets		132,145	152,200
Capital and reserves			
Called up share capital	15	1,107	1,107
Share premium account		54,030	54,030
Profit and loss account		77,008	97,063
		<u>132,145</u>	<u>152,200</u>
Equity Shareholder's funds		132,145	152,200

The accompanying notes on pages 14 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 July 2020 and were signed on its behalf by



C P Gill
Director

Company Registration Number: 8109112

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2018	1,107	54,030	67,178	122,315
Profit for the year	-	-	29,885	29,885
At 31 December 2018	1,107	54,030	97,063	152,200
Profit for the year	-	-	8,378	8,378
Dividends paid	-	-	(28,433)	(28,433)
At 31 December 2019	1,107	54,030	77,008	132,145

The accompanying notes on pages 14 to 24 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year from operations		25,633	25,896
Accrued interest	10	(2,654)	(8,266)
Corporation tax received / (paid)		138	(957)
Decrease / (increase) in debtors		2,008	(535)
Decrease in creditors		(350)	(1,304)
Net cash generated from operating activities		24,775	14,834
Cash flows from investing activities			
Redemptions of investments	10	5,729	3,401
Receipt of mezzdebt repayments	10	325	384
Disposal of investments	10	47,142	-
Net cash generated from investing activities		53,196	3,785
Cash flows from financing activities			
Interest paid		(33,687)	(30,086)
Dividends paid		(28,433)	-
Repayment of Eurobond loan notes		(18,471)	-
Drawdown of Eurobond loan notes		-	10,118
Net cash used in financing activities		(80,591)	(19,968)
Decrease in cash and cash equivalents in the year	16	(2,620)	(1,349)
Cash and cash equivalents at 1 January		4,282	5,631
Cash and cash equivalents at 31 December		1,662	4,282

The accompanying notes on pages 14 to 24 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

InfraRed Infrastructure Yield Holdings Limited (the "Company") was incorporated on 18 June 2012. The Company is a private limited company with Company number 8109112.

The Company acts as an investment holding company established to hold investments in a company established to undertake infrastructure projects.

The Company's registered address is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

2. ACCOUNTING POLICIES

a) Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and all applicable laws and regulations.

The Company has adopted the Amendments to FRS 102 – Triennial Review 2017 in these financial statements. These Amendments are effective for accounting periods beginning on or after 1 January 2019. Information on the effect of adoption of these Amendments is provided in Note 16. There has been no other impact following the adoption of the Amendments on accounting policies for classification, recognition and measurement of items within the financial statements or on disclosures within these.

b) Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (FRS 102). These financial statements are presented in Pounds Sterling ("£"), the Company's functional currency. Amounts have been rounded to the nearest £1,000.

The Company is funded by equity and debt financing ultimately from the parent fund (InfraRed Infrastructure Yield LP). The Company invests in the entities disclosed in note 10, which directly and indirectly invest in a diverse range of infrastructure assets. Given the ongoing Covid-19 pandemic, there is heightened uncertainty in the UK, where the investments' operations are based. The infrastructure assets are all complete and remain fully operational at this time. The investment portfolio includes a number of entities with debt facilities. These debt facilities are currently being serviced by revenues generated from the entities' operations and the expectation is that this will remain the case however, these debt facilities are non-recourse to the Company itself. The Company has no obligation to invest further funds into any of its investments, but may do so based on the Directors' assessment of the returns to the Company.

As a result of the Covid-19 pandemic, the performance of some of the infrastructure assets have been affected to a relatively small degree. The Company's income from investments may be reduced or payment delayed. At 30 April 2020, the Company held cash of £1.3m which is forecast to be sufficient to cover existing and future operational expenses, excluding interest repayments, for a period of at least 12 months from the date of approval of these financial statements. Further, in accordance with the terms of the Eurobond loan notes held by Infrastructure Yield Holdings Guernsey Limited repayments commence in 2031 and any unpaid interest can, at the discretion of the Company, be capitalised via the issuance of Payment in Kind (PIK) notes.

Therefore, the Directors consider the Company has sufficient resources to maintain operations at their existing levels and has prepared the financial statements on a going concern basis.

The principal accounting policies, which have been consistently applied throughout the year and the preceding year, are described overleaf.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. ACCOUNTING POLICIES (continued)

c) Exemption from preparing consolidated financial statements

The Company is a subsidiary of Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP), a LLP incorporated in the United Kingdom, and is included in the consolidated accounts of that company. As such it is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

d) Turnover

Turnover represents loanstock interest, indexation and dividends received from investments.

Loanstock interest and indexation are recognised in profit or loss on an accruals basis, from the date the entitlement arises.

Dividend income from investments is recognised when the right to receive payment is established.

e) Taxation

Taxation expense for the year comprises current tax and deferred tax recognised in the financial year. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. ACCOUNTING POLICIES (continued)

f) Investments

Investments in equity and loanstock

Investments in the equity and loan stock of entities engaged in infrastructure activities are designated at fair value through profit or loss since the Company manages these investments based on their fair value. Fair values are determined using 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 appropriate discount rate, regard is had to relevant long term government bond yields, the specific risks of each investment and the evidence of recent transactions. Fair values included accrued interest on loans outstanding at the reporting date.

g) Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are basic financial instruments and are initially recognised at the present value of cash receivable from (in the case of an asset) or payable to (in the case of a liability) the counterparty (including interest).

After initial recognition they are measured at amortised cost using the effective interest rate method (in the case of assets, less impairment). The effective interest rate amortisation is included within turnover in the statement of comprehensive income where the loan is an asset and interest payable and similar charges for where the loan is a liability.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

i) Current debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

j) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

3. USE OF ASSUMPTIONS AND ESTIMATES

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make assumptions and estimates that are reasonable and prudent.

The accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality, of the items to which the policy applied, which involve a high degree of assumption and estimation are addressed below.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. USE OF ASSUMPTIONS AND ESTIMATES (continued)

Valuation of investments

Investments are valued using the discounted cash flow method. Valuations are particularly sensitive to the assumptions made by the Directors on discount rates and the timing of dividends and capital repayments.

Valuations of investments have been based on the assumptions and estimates made by the Directors based on market conditions as at 31 December 2019. No adjustments have been made as a result of events post the valuation date including the impact of the COVID-19 pandemic.

4. TURNOVER

	2019 £'000	2018 £'000
Loanstock interest	21,997	21,810
Dividend income	1,388	1,536
Other investment income	2,395	2,696
	<u>25,780</u>	<u>26,042</u>

5. OPERATING EXPENSES

	2019 £'000	2018 £'000
Administrative expenses	<u>147</u>	<u>146</u>

Operating expenses include fees payable for the audit of £35k (2018: £35k).

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors are not remunerated by the Company. The Directors are partners of Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP) ("LLP"), the ultimate controlling party, and are remunerated through profit shares from the LLP or are employees of InfraRed Partners LLP, and intermediate parent company, and are remunerated from InfraRed Partners LLP.

The number of persons employed by the Company during the year was nil (2018: nil).

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Interest on deposits	<u>20</u>	<u>8</u>

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Interest on Eurobond loan notes	33,707	30,094

9. TAX ON PROFIT

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	530	494
Adjustments in respect of prior years	(707)	(498)
Total current tax expense	(177)	(4)
Deferred tax		
Origination and reversal of temporary differences	(552)	726
Effect of changes in tax rates	58	(76)
Adjustments in respect of prior years	559	311
Total deferred tax expense	65	961
Total tax (credit) / charge	(112)	957

The tax assessed for the year is different to that resulting from applying the standard rates of corporation tax applicable in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	8,266	30,842
Profit multiplied by standard rate	1,571	5,860
Effects of:		
Income and gains not taxable	(3,509)	(6,874)
Amounts not deductible for tax purposes	1,916	1,174
Adjustments in respect of prior years	(148)	(187)
Deferred tax not recognised on losses	-	1,060
Effects of changes in tax rates	58	(76)
Total tax (credit) / charge for the year	(112)	957

Factors affecting current and future tax charges

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

A deferred tax asset of £2,242k (2018: £2,242k) has not been recognised on unutilised tax losses due to the uncertainty of future taxable profits against which they can be utilised.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

9. TAX ON PROFIT (continued)

Factors affecting current and future tax charges (continued)

The deferred tax balances and movements:

	Tax losses	Other timing differences	Total
	£'000	£'000	£'000
Balance as at 1 January 2018	5,304	1,503	6,807
Origination and reversal of temporary differences	(652)	(74)	(726)
Changes in tax rates	68	8	76
Adjustments in respect of prior years	(311)	-	(311)
Balance as at 31 December 2018	<u>4,409</u>	<u>1,437</u>	<u>5,846</u>
Origination and reversal of temporary differences	408	144	552
Changes in tax rates	(43)	(15)	(58)
Adjustments in respect of prior years	(559)	-	(559)
Balance as at 31 December 2019	<u>4,215</u>	<u>1,566</u>	<u>5,781</u>

10. INVESTMENTS

	2019 £'000	2018 £'000
At 1 January	462,143	422,246
Accrued interest	2,654	8,266
Redemptions	(6,054)	(3,401)
Disposals	(26,309)	-
Change in fair value	<u>(4,513)</u>	<u>35,032</u>
At 31 December	<u>427,922</u>	<u>462,143</u>

At 31 December 2019, the investment balance is comprised of equity of £182,037k (2018: £197,978k) and loanstock of £245,885k (2018: £264,165k).

During the year, total profit on the sale of investments was £20,833k (2018: £nil).

The Company had equity interests in the following equity investments incorporated in the United Kingdom as at 31 December.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. INVESTMENTS (continued)

	Place of incorporation	Nature of Business	Class of shares held	Proportion held by the Company	
				2019	2018
Catalyst Healthcare (Manchester) Holdings Limited <i>C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB</i>	UK	Healthcare	Ordinary £1 shares	25.00%	25.00%
Catalyst Healthcare (Manchester) Holdings Limited <i>C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB</i>	UK	Healthcare	C preference £0.01 shares	25.00%	25.00%
Genesys Telecommunications Holdings Limited <i>First Floor Templeback, 10 Temple Back, Bristol, United Kingdom, BS1 6FL</i>	UK	Transport	Ordinary £1 shares	55.00%	55.00%
Prospect Healthcare (Ipswich) Holdings Limited <i>Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE</i>	UK	Healthcare	A ordinary £1 shares	50.00%	50.00%
Aspire Defence Holdings Limited <i>Aspire Business Centre, Ordnance Road, Tidworth, England, SP9 7QD</i>	UK	Accommodation	Ordinary £1 shares	5.00%	5.00%
Consort Healthcare (Birmingham) Holdings Limited <i>6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX</i>	UK	Healthcare	B ordinary £1 shares	30.00%	30.00%
Consort Healthcare (Birmingham) Intermediate Limited <i>6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX</i>	UK	Healthcare	Ordinary £1 shares	30.00%	30.00%
Eastbury Park (Holdings) Limited <i>8 White Oak Square, London Road, Swanley, England, BR8 7AG</i>	UK	Accommodation	Ordinary £1 shares	50.00%	50.00%
By Education (Lewisham) Holdings Limited <i>Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE</i>	UK	Education	A ordinary £1 shares	100.00%	100.00%
Paradigm (Sheffield BSF) Holdings Limited * <i>Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ</i>	UK	Education	C £1.8367 shares	19.60%	19.60%

* 19.6% represents the proportion by number of shares. The proportion by nominal value is 36%.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. INVESTMENTS (continued)

	Place of incorporation	Nature of Business	Class of shares held	Proportion held by the Company	
				2019	2018
Sheffield LEP Limited <i>Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ</i>	UK	Education	C £1 shares	40.00%	40.00%
ByNorth (Holdings) Limited <i>8 White Oak Square, London Road, Swanley, England, BR8 7AG</i>	UK	Healthcare	A ordinary £1 shares	100.00%	100.00%
Peterborough Hospital Investments Limited <i>Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL</i>	UK	Healthcare	Ordinary £1 shares	100.00%	100.00%
By Education (Waltham Forest) Holdings Limited <i>21 St Thomas Street, Bristol, BS1 6JS</i>	UK	Education	Ordinary £1 shares	58.20%	58.20%
Bouygues Partnership for Education and Community (Waltham Forest) Limited <i>21 St Thomas Street, Bristol, BS1 6JS</i>	UK	Education	A ordinary £1 shares	85.00%	85.00%
Consort Healthcare (Salford) Holdings Limited <i>Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE</i>	UK	Healthcare	B ordinary £1 shares	50.00%	50.00%
Consort Healthcare (Tameside) Holdings Limited <i>Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE</i>	UK	Healthcare	B ordinary £1 shares	50.00%	50.00%
TT2 (Holdings) Limited <i>Tyne Tunnels, Wallsend, Tyne And Wear, NE28 0PD</i>	UK	Transport	Ordinary £1 shares	41.00%	41.00%
By Chelmer Holdings Limited <i>8 White Oak Square London Road, Swanley, England, BR8 7AG</i>	UK	Healthcare	A ordinary £1 shares	100.00%	100.00%
Consort Healthcare (Fife) Holdings Limited <i>Maxim 7, Maxim Office Park Parklands Avenue, Eurocentral, Holytown, United Kingdom, ML1 4WQ</i>	UK	Healthcare	B ordinary £1 shares	0.00%	50.00%

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. INVESTMENTS (continued)

	Place of incorporation	Nature of Business	Class of shares held	Proportion held by the Company	
				2019	2018
Consort Healthcare (Fife) Intermediate Limited <i>Maxim 7, Maxim Office Park Parklands Avenue, Eurocentral, Holytown, United Kingdom, ML1 4WQ</i>	UK	Healthcare	B ordinary £1 shares	0.00%	50.00%
Maesgwyn Investments Limited <i>Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL</i>	UK	Renewable energy	Ordinary £100 shares	100.00%	100.00%

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Accrued income	-	1,403
Other debtors	202	613
	<u>202</u>	<u>2,016</u>

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Deferred tax	<u>5,781</u>	<u>5,974</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	249	783
Corporation tax	340	-
	<u>589</u>	<u>783</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Eurobond loan notes	302,832	321,303
Deferred tax	-	129
	<u>302,832</u>	<u>321,432</u>

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The Eurobonds mature between 2031 and 2046. The average weighted remaining Eurobond maturity is 25 years from year end. Interest rates on the Eurobonds range from 8.3% to 13.9% with a weighted average of 10.6%. These Eurobonds are listed on The International Stock Exchange but fully subscribed by the Company's immediate parent company.

15. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
1,107k (2018: 1,107k) ordinary shares of £1 each	1,107	1,107

16. ANALYSIS OF NET DEBT

	As at 1 January 2019 £'000	Cash flow £'000	As at 31 December 2019 £'000
Cash and cash equivalents	4,282	(2,620)	1,662
Eurobond loan notes	(321,303)	18,471	(302,832)
	(317,021)	15,851	(301,170)

17. RELATED PARTY TRANSACTIONS

The Company is a related party of all companies within the Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP) ("InfraRed") group of companies by virtue of its immediate parent company being InfraRed Infrastructure Yield LP (acting by its general partner, InfraRed Infrastructure Yield General Partner Limited), an InfraRed group company incorporated in the England and Wales. The registered address of Charles II Realisation LLP is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

As at 31 December 2019, there were no outstanding balances due to related parties (2018: £nil).

18. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the Company during the year was Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP), which was the parent of the largest group which consolidates the results of the Company. The registered address of Charles II Realisation LLP is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

The consolidated financial statements of the Group are available to the public and may be obtained from Companies House.

The ultimate parent undertaking of the Company changed subsequent to the year, as noted below in Note 19.

19. SUBSEQUENT EVENTS

On 1 July 2020, 80% of InfraRed Partners LLP was acquired by the group headed by Sun Life Financial, Inc., a Canadian incorporated company which is now the ultimate parent undertaking.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

20. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities that require disclosure in the financial statements.

21. FINANCIAL RISK MANAGEMENT

The Company is subject to a number of financial risks throughout its business. Valuations are performed using a discounted cash flow approach and discount rates are determined from similar secondary market participants. All the Company's investments are in Pounds Sterling and hence there is no foreign exchange risk.

a) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to pay outstanding amounts as they fall due. The Company's credit risk arises principally from debt investments in its underlying projects, receivables from those projects and cash balances with banks.

Appropriate credit checks are required to be made on all counterparties to the Company. The Company only deposits money with appropriately rated counterparties. The Company pays an active part in the oversight of all underlying projects and along and assesses the credit risk of the investments on an ongoing basis.

b) Liquidity risk

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

The Company monitors its cash flow requirements on a monthly basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company has no other significant transactions.