Company registration number: 8109112

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

Annual report and audited financial statements for the year ended 31 December 2021

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 H Price (appointed 8 April 2022)
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 2021

The Directors present the strategic report of InfraRed Infrastructure Yield Holdings Limited (the "Company") for the year ended 31 December 2021.

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.

The increase in turnover of £5,731k was caused by an increase in dividend income in the year counteracted by small decreases in loan stock interest and other investment income. The increase in loss for the year of £10,443k was caused mainly by an increase in the amount of fair value losses on investments counteracted by a decrease in interest payable.

The key financial and other performance indicators were as follows:

	For the year ended 31 Dec 2021 £'000	For the year ended 31 Dec 2020 £'000	Annual change	Change (%)
Turnover	30,562	24,831	5,731	23%
Loss for the year	(15,776)	(5,333)	(10,443)	196%
Net assets attributable to shareholders	109,668	126,812	(17,145)	(14%)

The Company holds 15 (2020: 15) loan stock investments in subsidiaries, joint ventures and associates. The value of these loan stock balances at 31 December 2021 was £255.5 million (2020: £227.3 million), an increase of 12% on the previous year. The top five investments account for approximately 80% of the Company's loan stock investment portfolio, while the total value of the Company's investments in loan stock of related undertakings represents 61% (2020: 53%) of the Company's total assets.

The Company also holds a number of equity investments. The value of these equity investments at 31 December 2021 was £155.6 million (2020: £180.6 million).

Streamlined Energy and Carbon Reporting

The Company has adopted the operational control boundary approach for the measurement of energy emissions, as the Directors believe this reflects the level of emissions that can be actively controlled and reduced. There are no subsidiaries where the Company has operational control and as a result the Company is classed as a low energy user.

As part of its commitment to improving carbon reporting, the Company has voluntarily included UK and global energy use where individual investments have operational control, but where the Company does not have operational control itself (Tyne Tunnel and Maesgwyn Wind Farm) within its Scope 3 emissions data.

STRATEGIC REPORT (continued)

Streamlined Energy and Carbon Reporting (continued)

An average person in the UK uses 10 tCO^{2}e/year (2020: 14.1 tCO^{2}e/year)[1] .

Disclosure[2]	31 December 2021		31 December 2020	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions from investments with control over emissions, for which the company does not control (Scope 3) / tCO2e	23 tCO2e	Nil tCO2e	178 tCO2e	Nil tCO2e
Emissions from office use and business travel for which the company does not own or control (Scope 3) / tCO2e	3 tCO2e	Nil tCO2e	12 tCO2e	Nil tCO2e
Total gross Scope 3 emissions / tCO2e	**27 tCO2e**	**Nil tCO2e**	**190 tCO2e**	**Nil tCO2e**
Intensity ratio: tCO2e (gross Scope 1, 2 & 3) per user	0.000 tCO2e / user	Nil tCO2e / user	0.000 tCO2e / user	Nil tCO2e / user

Carbon emissions have decreased by 86% year on year. The Investment Manager is committed to reducing carbon emissions where possible and continues to focus on energy saving opportunities in underlying projects where appropriate.

Other GHG emissions

As a result of the above energy use (i.e., electricity and use of transportation fuels), the Company's investments were also responsible for the following emissions: methane 0 tCH^{4}e (2020: 1 tCH^{4}e), nitrous oxide 0 tN^{2}Oe (2020: 2 tN^{2}Oe). No hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride emissions were made.

Methodology

Emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and UK Government Conversion Factors have been utilised.

Energy use has primarily been collected from meter data and invoices from suppliers. Office energy use has been estimated with reference to the pro rata number of employees using the office space. User data is not tracked by all projects and in some instances has been estimated based on third-party information.

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[1] Source: carbonindependent.org
[2] Companies included in the disclosure are: TT2 Holdings (Company share 41%) and Pennant Walters (Maesgwyn) Limited (Company share 67%).
[3] Scope 3 investment emissions relate to the operation of assets at the following projects; Tyne Tunnel and Maesgwyn Wind Farm.
[4] Scope 3 emissions include emissions associated with office use and travel of the employees of the Investment Manager.

STRATEGIC REPORT (continued)

Methodology (continued)

Emissions have been measured over the period 1 January to 31 December, which is coterminous with Company's year end.

Energy efficiency action taken

While non-operational control investment emissions data is not published, the Company uses its influence as an investor to promote a commitment in investee companies to minimise their environmental footprint, invest in the mitigation of their environmental impact and implement energy efficiency measures. This is an important part of portfolio risk management procedures and value creation for each investment.

Renewable energy

The Tyne Tunnel has sourced 100% Renewable Energy Guarantees of Origin ("REGO") backed purchased electricity for all operations since August 2021. Maesgwyn wind farm utilises 100% renewable energy in all of its operations. Renewable energy and REGO sourced energy are not included in the calculation of the carbon disclosures. Maesgwyn electricity usage in the year, including imported and self-generated electricity, was 1,666 MWh (2020: 1,856 MWh). Maesgwyn produced 28,426 MWh of renewable energy (2020: 40,422 MWh).

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.

Principal risks and uncertainties

The Company is part of the InfraRed Partners LLP ("InfraRed") group of companies (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.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

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 2021, the Directors did not identify any material 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

Keith Pickard

12-Oct-22 | 11:18:10 AM BST

K W Pickard
Director

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

12 October 2022

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 2021.

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 loss for the year before taxation is £14,732k (2020: £5,926k).

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.

Future developments

No change in the Company's activities is anticipated.

Dividends

The Directors approved an interim dividend of £1,368k which was subsequently paid in respect of the year ended 31 December 2021 (2020: £nil).

Directors

The Directors who served during the year were as follows:

C P Gill
W M F von Guionneau
K W Pickard
H Price (appointed 8 April 2022)

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.

DIRECTORS' REPORT (continued)

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

On behalf of the Board

Keith Pickard

K W Pickard
Director
12-Oct-22 | 11:18:10 AM BST

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

12 October 2022

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 2021 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including Financial Reporting Standard*, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*; 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").

In our evaluation of the Director's 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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors of whether they are aware of fraud and of the Company's high-level policies and procedures to prevent and detect fraud; and
- Reading board minutes.

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment valuations. On this audit, we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the directors matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

Fraud and breaches of laws and regulations – ability to detect (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

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.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic report.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on pages 8, 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.

Kushan Tikkoo

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

12 October 2022

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	30,562	24,831
Operating expenses	5	(152)	(159)
Operating profit		30,410	24,672
Fair value loss on investments	10	(25,008)	(1,398)
Interest receivable and similar income	7	2	4
Interest payable and similar charges	8	(20,136)	(29,204)
Loss before tax		(14,732)	(5,926)
Tax (charge) / credit on loss	9	(1,044)	593
Loss for the year		(15,776)	(5,333)
Total comprehensive loss for the year		(15,776)	(5,333)

All activities derive from continuing operations.

The accompanying notes on pages 16 to 26 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments	10	411,177	407,984
Debtors: amounts falling due after more than one year	12	4,572	6,195
		415,749	414,179
Current assets			
Debtors: amounts falling due within one year	11	8	56
Cash at bank and in hand	16	2,964	13,241
Total current assets		2,972	13,297
Current liabilites			
Creditors: amounts falling due within one year	13	(117)	(208)
Net current assets		2,855	13,089
Total assets less current liabilities		418,604	427,268
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(308,936)	(300,456)
Net assets		109,668	126,812
Capital and reserves			
Called up share capital	15	1,107	1,107
Share premium account		54,030	54,030
Profit and loss account		54,531	71,675
Equity Shareholder's funds		109,668	126,812

The accompanying notes on pages 16 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 October 2022 and were signed on its behalf by

Keith Pickard

12-Oct-22 | 11:18:10 AM BST

K W Pickard
Director

Company Registration Number: 8109112

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2021

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2020	1,107	54,030	77,008	132,145
Loss for the year	-	-	(5,333)	(5,333)
At 31 December 2020	1,107	54,030	71,675	126,812
Loss for the year	-	-	(15,776)	(15,776)
Dividends paid	-	-	(1,368)	(1,368)
At 31 December 2021	1,107	54,030	54,531	109,668

The accompanying notes on pages 16 to 26 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year from operations		30,410	24,672
Accrued interest and remeasurement of debt		(10,231)	4,864
Corporation tax received / (paid)		463	(54)
Decrease in debtors		56	146
Increase / (decrease) in creditors		17	(149)
Net cash (used in) / generated from operating activities		20,715	29,479
Cash flows from investing activities			
Redemptions of investments		2,409	5,176
Receipt of mezzdebt repayments		985	8,500
Net cash generated from investing activities		3,394	13,676
Cash flows from financing activities			
Interest paid		(19,825)	(29,200)
Dividends paid		(1,368)	-
Repayment of Eurobond loan notes		(13,193)	(2,376)
Net cash used in financing activities		(34,386)	(31,576)
(Decrease) / increase in cash and cash equivalents in the year	16	(10,277)	11,579
Cash and cash equivalents at 1 January		13,241	1,662
Cash and cash equivalents at 31 December		2,964	13,241

The accompanying notes on pages 16 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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 individual 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 Republic of Ireland'' (''FRS 102'') and all applicable laws and regulations.

The Company has adopted the following Amendments to FRS 102 in these financial statements. These Amendments are effective for accounting periods beginning on or after 1 January 2021:

i. the Amendments to FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland – Interest rate benchmark reform (Phase 2);

ii. the consequential Amendments to FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland – UK exit from the European Union; and

iii. the Amendments to FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland – COVID-19-related rent concessions beyond 30 June 2021.

There has been no material 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 invests in the entities disclosed in note 10, which directly and indirectly invest in a diverse range of infrastructure assets. The Directors have considered going concern by reviewing forecasts of the Company's investments and what payments the Company expects to receive in. 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 are non-recourse to the Company itself. The entities are expected to continue to earn revenues and pay loan principal and/or interest to the Company as they fall due. 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.

2. ACCOUNTING POLICIES (continued)

b) Basis of preparation (continued)

Due to the nature of the investments and their contractual structure, they are considered to largely be insulated from the continuing impact of the Covid-19 pandemic and the current geopolitical situation. The Company's availability-based investments (93% of the portfolio at 31 December 2021) have performed in line with expectations. 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 consequently have 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 below.

c) Exemption from preparing consolidated financial statements

The Company is a subsidiary of InfraRed Partners LLP ("InfraRed") group of companies, 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.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

e) **Taxation (continued)**

Current tax (continued)

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.

f) **Investments**

Investments in equity

Investments in the equity 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 include 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.

2. ACCOUNTING POLICIES (continued)

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.

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 2021.

4. TURNOVER

	2021 £'000	2020 £'000
Loanstock interest	19,220	20,428
Dividend income	10,050	1,914
Other investment income	1,292	2,489
	30,562	24,831

5. OPERATING EXPENSES

	2021 £'000	2020 £'000
Administrative expenses	152	159

Operating expenses include fees payable for the audit of £46k (2020: £41k).

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

The number of persons employed by the Company during the year was nil (2020: nil).

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Interest on deposits	2	4

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £'000	2020 £'000
Interest on Eurobond loan notes	20,136	29,204

An amount of £21,362k of remeasurement of debt investment (note 10) and an amount of £15,498k of remeasurement of creditors, both arising due to change in project cash flows that have been presented net within interest payable and similar charges.

9. TAX ON PROFIT

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	631	586
Adjustments in respect of prior years	(1,211)	(764)
Total current tax expense	(580)	(178)
Deferred tax		
Origination and reversal of temporary differences	810	(402)
Effect of changes in tax rates	(447)	-
Adjustments in respect of prior years	1,261	(13)
Total deferred tax expense	1,624	(415)
Total tax charge / (credit)	1,044	(593)

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

9. TAX ON PROFIT (continued)

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% (2020: 19%). The differences are explained below:

	2021 £'000	2021 £'000
Profit before taxation	(14,732)	(5,926)
Profit multiplied by standard rate	(2,799)	(1,126)
Effects of:		
Income and gains not taxable	(1,986)	(98)
Amounts not deductible for tax purposes	6,305	1,408
Adjustments in respect of prior years	51	(777)
Deferred tax not recognised on losses	(80)	-
Effects of changes in tax rates	(447)	-
Total tax charge / (credit) for the year	1,044	(593)

Factors affecting current and future tax charges

The UK corporation tax rate is due to increase from 19% to 25% with effect from 1 April 2023. This change was substantially enacted on 24 May 2021 and the 25% rate has been applied, where applicable, to deferred tax balances at the balance sheet date. However, on 23 September 2022, the Chancellor of the Exchequer announced that this scheduled increase will be reversed, and corporation tax will remain at 19%. This legislation has not been substantively enacted at the date of issue of these financial statements.

A deferred tax asset of £2,385k (2020: £2,405k) has not been recognised on unutilised tax losses due to the uncertainty of future taxable profits against which they can be utilised.

The deferred tax balances and movements:

	Tax losses £'000	Other timing differences £'000	Total £'000
Balance as at 1 January 2020	4,215	1,566	5,781
Origination and reversal of temporary differences	402	-	402
Adjustments in respect of prior years	13	-	13
Balance as at 31 December 2020	4,630	1,566	6,196
Origination and reversal of temporary differences	(810)	-	(810)
Effect of changes in tax rates	447	-	447
Adjustments in respect of prior years	(1,261)	-	(1,261)
Balance as at 31 December 2021	3,006	1,566	4,572

10. INVESTMENTS

	2021 £'000	2020 £'000
At 1 January	407,984	427,922
Accrued interest and remeasurement of debt	31,595	(4,864)
Redemptions	(3,394)	(13,676)
Change in fair value	(25,008)	(1,398)
At 31 December	411,177	407,984

At 31 December 2021, the investment balance is comprised of equity of £155,631k (2020: £180,638k) and loanstock of £255,547k (2020: £227,346k).

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

	Place of incorporation	Nature of business	Class of shares held	Proportion held by the Company 2021	2020
Catalyst Healthcare (Manchester) Holdings Limited *C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB*	UK	Healthcare	Ordinary £1 shares	25.00%	25.00%
Catalyst Healthcare (Manchester) Holdings Limited *C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB*	UK	Healthcare	C preference £0.01 shares	25.00%	25.00%
Prospect Healthcare (Ipswich) Holdings Limited *Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE*	UK	Healthcare	A ordinary £1 shares	50.00%	50.00%
Aspire Defence Holdings Limited Aspire Business Centre, Ordnance Road, Tidworth, England, SP9 7QD	UK	Accommodation	Ordinary £1 shares	5.00%	5.00%
Consort Healthcare (Birmingham) Holdings Limited 6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX	UK	Healthcare	B ordinary £1 shares	30.00%	30.00%

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. INVESTMENTS (continued)

	Place of incorporation	Nature of business	Class of shares held	Proportion held by the Company 2021	2020
Consort Healthcare (Birmingham) Intermediate Limited 6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX	UK	Healthcare	Ordinary £1 shares	30.00%	30.00%
Eastbury Park (Holdings) Limited *8 White Oak Square, London Road, Swanley, England, BR8 7AG*	UK	Accommodation	Ordinary £1 shares	50.00%	50.00%
By Education (Lewisham) Holdings Limited *Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE*	UK	Education	A ordinary £1 shares	100.00%	100.00%
Paradigm (Sheffield BSF) Holdings Limited * *Third Floor Broad Quay House, Prince* *Street, Bristol, United Kingdom, BS1 4DJ*	UK	Education	C £1.8367 shares	19.60%	19.60%
Sheffield LEP Limited *Third Floor Broad Quay House, Prince* *Street, Bristol, United Kingdom, BS1 4DJ*	UK	Education	C £1 shares	40.00%	40.00%
ByNorth (Holdings) Limited *8 White Oak Square, London Road, Swanley, England, BR8 7AG*	UK	Healthcare	A ordinary £1 shares	100.00%	100.00%
Peterborough Hospital Investments Limited *Level 7, One Bartholomew Close, Barts Square,* *London, EC1A 7BL*	UK	Healthcare	Ordinary £1 shares	100.00%	100.00%
By Education (Waltham Forest) Holdings Limited *21 St Thomas Street,* *Bristol, BS1 6JS*	UK	Education	Ordinary £1 shares	58.20%	58.20%
Bouygues Partnership for Education and Community (Waltham Forest) Limited *21 St Thomas Street,* *Bristol, BS1 6JS*	UK	Education	A ordinary £1 shares	85.00%	85.00%

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

10. INVESTMENTS (continued)

	Place of incorporation	Nature of business	Class of shares held	Proportion held by the Company 2021	Proportion held by the Company 2020
Consort Healthcare (Salford) Holdings Limited *Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE*	UK	Healthcare	B ordinary £1 shares	50.00%	50.00%
Consort Healthcare (Tameside) Holdings Limited *Second Floor, 46 Charles Street, Cardiff, Wales, CF10 2GE*	UK	Healthcare	B ordinary £1 shares	50.00%	50.00%
TT2 (Holdings) Limited *Tyne Tunnels, Wallsend, Tyne And Wear, NE28 0PD*	UK	Transport	Ordinary £1 shares	41.00%	41.00%
By Chelmer Holdings Limited *8 White Oak Square London Road, Swanley, England, BR8 7AG*	UK	Healthcare	A ordinary £1 shares	100.00%	100.00%
Maesgwyn Investments Limited *Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL*	UK	Renewable energy	Ordinary £100 shares	100.00%	100.00%

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Group Tax Relief	8	-
Other debtors	-	56
	8	56

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

	2021 £'000	2020 £'000
Deferred tax	4,572	6,195

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	117	100
Corporation tax	-	108
	117	208

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

	2021 £'000	2020 £'000
Eurobond loan notes	308,936	300,456

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

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
1,107k (2020: 1,107k) ordinary shares of £1 each	1,107	1,107

16. ANALYSIS OF NET DEBT

	As at 1 January 2021 £'000	Cash flows £'000	As at 31 December 2021 £'000
Cash at bank and in hand	13,241	(10,277)	2,964
Eurobond loan notes	(300,456)	(8,480)	(308,936)
	(287,215)	(18,757)	(305,972)

17. RELATED PARTY TRANSACTIONS

The Company is a related party of all companies within the InfraRed Partners 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 InfraRed Partners LLP is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

18. ULTIMATE PARENT UNDERTAKING

The ultimate controlling party is Sun Life Financial Inc, with a registered address of 1 York Street, Toronto, Ontario, Canada, M5J 0B6.

The smallest and largest group which consolidates the results of the Company is InfraRed Partners LLP, with a registered address of 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.

19. SUBSEQUENT EVENTS

There are no material post balance sheet events requiring disclosure that are not in the normal course of business.

INFRARED INFRASTRUCTURE YIELD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

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 plays an active part in the oversight of all underlying projects 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.