

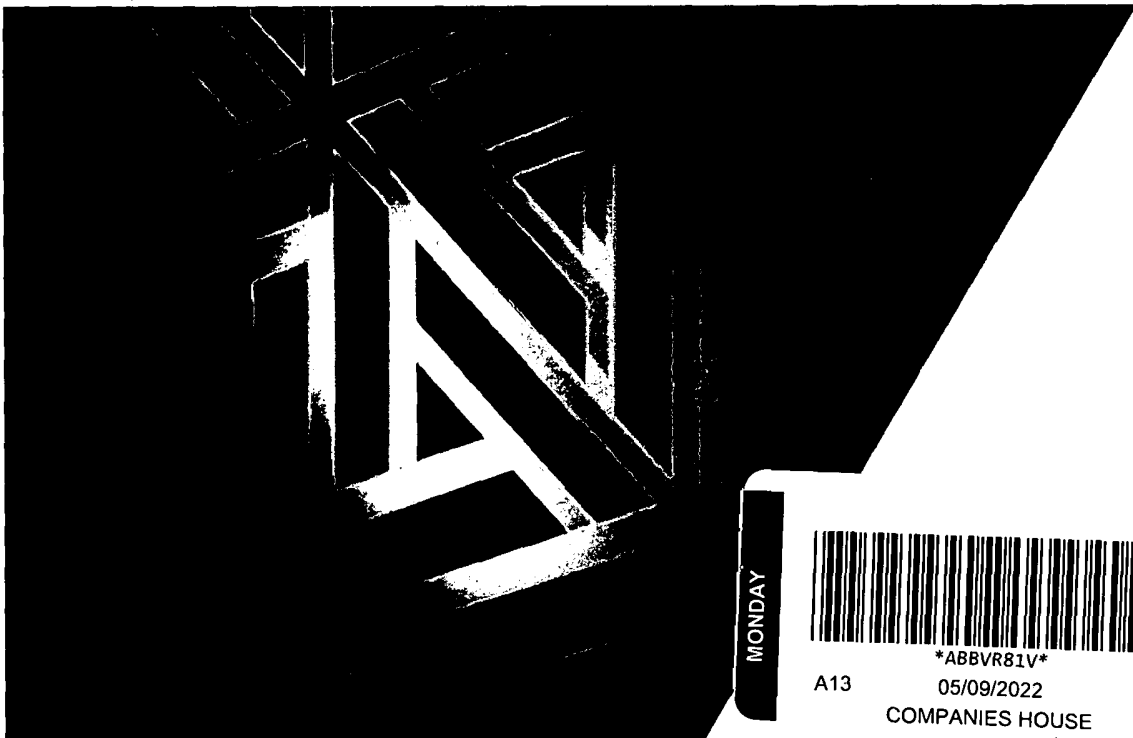


Registration number: 3364976

# InfraRed Capital Partners Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2021



## **InfraRed Capital Partners Limited**

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## **InfraRed Capital Partners Limited**

### **Company Information**

**Directors** C P Gill  
W M F von Guionneau  
H Seekings  
K W Pickard

**Company secretary** E Mendes

**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 Capital Partners Limited**

### **Strategic Report for the Year Ended 31 December 2021**

The directors present their strategic report of InfraRed Capital Partners Limited ("the Company") for the year ended 31 December 2021.

#### **Principal activity**

The principal activity of the Company is to act as the investment manager and adviser to a number of investment funds and investment companies. On 7 December 2021, the group which contains the Company completed the sale of its real estate business. Following the sale of the real estate business InfraRed is now focused solely on its Infrastructure business.

#### **Fair review of the business**

The key performance indicator for the Company is profit before tax excluding the profits on sale of the real estate business. Profits before tax excluding the sale of the real estate business have decreased from £15.01 million in 2020 to £14.22 million in the current year. The decrease in profitability arose from increased cost recharges from other group entities primarily related to increased headcount in the infrastructure business whilst infrastructure fee income grew but was offset by lower real estate income.

Infrastructure fund management fees have increased in the year to £68.59 million (2020: £65.40 million), an increase of £3.19 million which was driven by an increase in fee earning assets under management in the year. The £0.17 million of net interest and foreign exchange movements primarily relates to foreign exchange movements on intercompany balances. Real estate management fee income reduced by £3.05 million as a result of divestment of investment from legacy funds and fees only being accounted for to the period to 7 December 2021.

Operating expenses increased in the year to £65.20 million from £64.10 million, an increase of £1.10 million. The increase is primarily due to an increase in headcount in the infrastructure business required to drive growth; costs in the real estate business were broadly consistent with the prior year.

#### **Duty to report on s172 of the Companies Act 2006**

The success of InfraRed is based upon the success of the funds and assets it manages. Ensuring that all our stakeholders needs are met is key to the success of InfraRed and InfraRed does this through ensuring we maintain our track record, create real value for people and their communities in the form of job creation and high-quality buildings and infrastructure that enhance their surroundings and through the integration of Environmental, Social and Governance (ESG) criteria into our investment process.

During 2021, InfraRed made decisions with long term effects for stakeholders.

In December 2021 InfraRed completed the sale of its European Real Estate Investment Management business to ARA Dunedin, a subsidiary of ARA Asset Management. The transaction, signed in August 2021, was the result of a strategic review undertaken by InfraRed to determine the long-term evolution of its real estate investment management business, following the announcement of its partnership with Sun Life in December 2019. InfraRed will now focus solely on its infrastructure proposition to provide income streams for its investors across assets in core and energy infrastructure.

In 2021 InfraRed launched a new fund, Infrastructure Development Fund VI which received \$517m of commitments from investors (\$100m from other group companies).

## **InfraRed Capital Partners Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

InfraRed has invested heavily in its staff and increased headcount across the InfraRed Group in order to drive further growth. This growth is key to the development opportunities of staff enabling, InfraRed to retain key talent and recruit the talent we need to strengthen our business. InfraRed has also invested heavily in IT ensuring that, when it came to it, the business could continue to operate efficiently during the Covid-19 pandemic facilitating staff to maintain teamwork and morale.

InfraRed takes an active approach to long-term sustainable investment by integrating ESG criteria into every aspect of our business. We firmly believe this unlocks the potential of our investments, reduces the risks in the portfolio, and creates enduring benefits for the local economy.

InfraRed has been a signatory of the Principles of Responsible Investment since 2011 and has been awarded triple A+ score in the 2020 review (relating to the 2019 assessment period). These principles provide a voluntary framework for incorporating ESG issues into investment practice, contributing to a sustainable financial system. InfraRed is also a member of the Net Zero Asset Manager's Initiative, a certified CarbonNeutral® company and is a TCFD supporter.

#### **Risk management**

The Company is part of the InfraRed Partners LLP group ("the Group"). The Management Committee of the Group are ultimately responsible for the Group's risk management framework, which includes the structure for risk governance or oversight, the identification and assessment of risks, and maintaining an appropriate system of internal controls.

The Group's approach to risk management builds upon the following core principles:

- Authority to manage the business, including internal controls and risk, is delegated from the Management Committee to the Group's Chief Executive (CEO).
- The CEO delegates primary responsibility for the risk and controls framework within the Group and the independent monitoring and reporting of risk and controls to the Deputy Chief Executive Officer (DCEO).
- Risk Oversight Committee (ROC) supports the DCEO and is the principal committee for the monitoring and reporting of risks and controls.
- Significant risk and control issues are reported to the CEO and the board of the Company.

Within this framework, the Risk Oversight Committee ("ROC") provides oversight and challenge to the Group's reported risk profile, and identifies emerging issues and changes in business conditions that may affect the outlook, e.g. in respect of legal, regulatory or IT risks. The ROC reviews changes to the Group's quarterly risk matrices, considers internal and external audit and review findings, any operational errors and breaches of policy, and receives updates on the progress of agreed action plans.

An important part of the risk management framework is to have documented policies and procedures in place.

The directors consider the Company's risk management framework to be appropriate for a company of its size and complexity.

## **InfraRed Capital Partners Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **Financial risk management**

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

#### **Foreign exchange risk**

Foreign exchange risk is the risk that the Company will sustain losses through adverse movements in currency exchange rates.

Although the Company predominately operates in the UK, a significant amount of its income and a proportion of its expenses are denominated in currencies other than Pounds Sterling. This impacts the Company's exposure to non-sterling income and expenses. The Company monitors foreign currency balances closely to effectively manage foreign currency risk. At least 75% of future management fees receivable in foreign currencies (net of estimated expenses in the same currency) are sold forward for pounds sterling in order to provide certainty over income for at least a twelve-month period. The Company's policy is to hold minimum non-sterling currency to cover operational needs and therefore converts foreign currency on receipt.

#### **Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or can only do so at a significantly high cost. The Company's approach to managing liquidity is to first ensure that it meets all regulatory requirements and then 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 daily and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Fees are received quarterly with approximately 40% received in advance. The balance sheet of the Company is also largely held in cash with no indebtedness.

#### **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.

Credit risk for the Company primarily arises from its own working capital in liquid deposits and from receivables from funds (either directly or indirectly through fellow group companies) managed or advised by the Company.

With regards to working capital in liquid deposits, the Group only deposits money with appropriately rated banks or in appropriately rated liquidity funds or short term bonds. In relation to receivables from funds, credit risk stems largely from insolvency caused by investor default. This underlying risk is mitigated by investors' contractual obligation to commit capital, the forfeiture provisions of limited partnership agreements and the variety and diversity of investors. It is further controlled by an assessment of credit-worthiness prior to accepting investors into Funds.

#### **Environmental and Social Corporate Governance ("ESG")**

The Company takes seriously its corporate responsibilities to its stakeholders, partners, employees and the wider community. The Company has developed and integrated ESG analysis into its investment process to ensure that risk factors and opportunities are considered throughout the investment cycle. In 2021, the Company joined the Net Zero Asset Managers Initiative and made a net-zero pledge.

**InfraRed Capital Partners Limited**

**Strategic Report for the Year Ended 31 December 2021 (continued)**

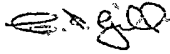
**Future developments**

Growth of the Company will focus on fund management opportunities in specialist markets within infrastructure. The Company seeks to achieve market leading positions in clearly defined segments with high barriers to entry.

Consistent with its strategy in growing funds under management in the infrastructure sector, the Company has plans to grow existing funds and launch more funds in future years. The Group is committed to not compromise its management of risk and its capital position in order to achieve growth.

26th April 2022

Approved by the Board on ..... and signed on its behalf by:



.....  
C P Gill  
Director

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

## **InfraRed Capital Partners Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Dividends**

The Directors have declared dividends of £18,315,250 (2020: £10,400,000) in respect of the year ended 31 December 2021 of which £18,315,250 was paid during the year (2020: £10,400,000). Dividends are reflected in the financial statements in the period in which they are declared.

#### **Directors of the Company**

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

C P Gill

W M F von Guionneau

H Seekings

S Jackson (resigned 7 December 2021)

K W Pickard (appointed 18 December 2021)

#### **Engagement with employees, suppliers, customers and others**

Ensuring that all our stakeholders needs are met is key to the success of InfraRed and InfraRed does this through ensuring we maintain our track record, create real value for people and their communities in the form of job creation and high quality buildings and infrastructure. The principal decisions taken by the Company during the financial year are detailed in the Strategic Report (page 2).

#### **Streamlined Energy and Carbon Reporting ("SECR")**

The Company has not included a Streamlined Energy and Carbon Report as InfraRed Partners LLP, the parent undertaking has included the information in its Group Energy and Carbon Report.

#### **Directors' liabilities**

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 the 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 or she ought to have taken as a director in order to make himself/herself 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.

#### **Reappointment of auditor**

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

**InfraRed Capital Partners Limited**

**Directors' Report for the Year Ended 31 December 2021 (continued)**

26th April 2022

Approved by the Board on ..... and signed on its behalf by:



.....  
C P Gill  
Director

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

## **InfraRed Capital Partners Limited**

### **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 period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website at [www.ircp.com](http://www.ircp.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **InfraRed Capital Partners Limited**

### **Independent Auditor's Report to the Members of InfraRed Capital Partners Limited**

#### **Opinion**

We have audited the financial statements of InfraRed Capital Partners 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 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 the terms of our engagement letter dated 03 March 2022. 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 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.

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.

## **InfraRed Capital Partners Limited**

### **Independent Auditor's Report to the Members of InfraRed Capital Partners Limited (continued)**

#### **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 Directors as to the Company's policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of board meetings.
- Using analytical procedures to identify any unusual or unexpected relationships.

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, and taking into account our overall knowledge of the control environment, 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.

On this audit we do not believe there is a fraud risk related to revenue recognition as the nature of the industry and Company's operations provide limited opportunities to engage in fraudulent 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.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included any material post-closing entries and those posted to unusual accounts.
- Evaluating the business purpose of any significant unusual transactions..

##### *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.

## **InfraRed Capital Partners Limited**

### **Independent Auditor's Report to the Members of InfraRed Capital Partners Limited (continued)**

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 and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, anti-money laundering and financial services regulations including Client Assets, and specific areas of regulatory capital and liquidity and certain aspects of Company legislation, recognizing the nature of the Company's activities and its legal form.

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.

#### *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.

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 and regulations.

#### **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 that report 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 that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

## **InfraRed Capital Partners Limited**

### **Independent Auditor's Report to the Members of InfraRed Capital Partners 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 page 6, 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](http://www.frc.org.uk/auditorsresponsibilities).

## **InfraRed Capital Partners Limited**

### **Independent Auditor's Report to the Members of InfraRed Capital Partners Limited (continued)**

#### **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

Date:..... 27 April 2022

## InfraRed Capital Partners Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	79,360,805	79,221,372
Operating expenses		(65,200,354)	(64,096,561)
Gain of sale of real estate business	4	<u>13,142,283</u>	<u>-</u>
Operating profit	5	27,302,734	15,124,811
Other interest receivable and similar income	7	59,953	63,041
Interest payable and similar expenses	8	<u>-</u>	<u>(172,961)</u>
Profit before tax		27,362,687	15,014,891
Taxation	10	<u>(5,013,190)</u>	<u>(2,930,388)</u>
Profit for the financial year		22,349,497	12,084,503
Change in unrealised gain/(loss) on cash flow hedges		(721,901)	502,519
Deferred tax		<u>133,311</u>	<u>(95,478)</u>
<b>Total comprehensive income for the financial year</b>		<u><u>21,760,907</u></u>	<u><u>12,491,544</u></u>

The above results were derived from continuing operations.

The notes on pages 18 to 28 form an integral part of these financial statements.

**InfraRed Capital Partners Limited****(Registration number: 3364976)****Statement of Financial Position as at 31 December 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	11	4,150,634	4,779,525
<b>Current assets</b>			
Debtors	12	22,047,119	18,495,634
Cash at bank and in hand		<u>8,649,997</u>	<u>10,845,209</u>
		30,697,116	29,340,843
<b>Creditors: Amounts falling due within one year</b>	13	<u>(13,065,620)</u>	<u>(15,783,895)</u>
<b>Net current assets</b>		<u>17,631,496</u>	<u>13,556,948</u>
<b>Net assets</b>		<u>21,782,130</u>	<u>18,336,473</u>
<b>Capital and reserves</b>			
Called up share capital	14	3,500,000	3,500,000
Hedging reserve account		48,142	636,732
Profit and loss account		<u>18,233,988</u>	<u>14,199,741</u>
Total equity		<u>21,782,130</u>	<u>18,336,473</u>

26th April 2022

Approved and authorised by the Board on ..... and signed on its behalf by:



.....  
C P Gill  
Director

The notes on pages 18 to 28 form an integral part of these financial statements.

## InfraRed Capital Partners Limited

### Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Hedging reserve account £	Profit and loss account £	Total £
At 1 January 2020	3,500,000	229,691	12,515,238	16,244,929
Profit for the year	-	-	12,084,503	12,084,503
Change in fair value of derivatives used for hedging purposes	-	502,519	-	502,519
Deferred tax	-	(95,478)	-	(95,478)
Dividends	-	-	(10,400,000)	(10,400,000)
At 31 December 2020	<u>3,500,000</u>	<u>636,732</u>	<u>14,199,741</u>	<u>18,336,473</u>

	Share capital £	Hedging reserve account £	Profit and loss account £	Total £
At 1 January 2021	3,500,000	636,732	14,199,741	18,336,473
Profit for the year	-	-	22,349,497	22,349,497
Change in fair value of derivatives used for hedging purposes	-	(721,901)	-	(721,901)
Deferred tax	-	133,311	-	133,311
Dividends	-	-	(18,315,250)	(18,315,250)
At 31 December 2021	<u>3,500,000</u>	<u>48,142</u>	<u>18,233,988</u>	<u>21,782,130</u>

The notes on pages 18 to 28 form an integral part of these financial statements.

## InfraRed Capital Partners Limited

### Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Profit for the year		22,349,497	12,084,503
Depreciation	5	1,152,175	1,127,270
Finance income	7	(42,256)	(63,041)
Income tax expense	10	5,013,190	2,930,388
Increase in trade debtors	12	(2,863,992)	(250,464)
Decrease in trade creditors	13	(710,313)	(1,503,540)
Decrease in provisions		-	(500,000)
Profit on sale of real estate business		<u>(13,142,283)</u>	<u>-</u>
Cash (used in)/generated from operating activities		11,756,018	13,825,116
Income taxes paid		<u>(7,024,464)</u>	<u>(2,236,995)</u>
Net cash (used in)/generated from operations		<u>4,731,554</u>	<u>11,588,121</u>
<b>Cash flows from investing activities</b>			
Net proceeds from sale of real estate business		11,869,514	-
Interest received	7	42,256	63,041
Acquisitions of tangible assets	11	<u>(523,286)</u>	<u>(4,517,802)</u>
Net cash flows used in investing activities		<u>11,388,484</u>	<u>(4,454,761)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(18,315,250)</u>	<u>(10,400,000)</u>
Net cash flows used in financing activities		<u>(18,315,250)</u>	<u>(10,400,000)</u>
Net decrease in cash and cash equivalents		(2,195,212)	(3,266,640)
Cash and cash equivalents at 1 January		<u>10,845,209</u>	<u>14,111,849</u>
Cash and cash equivalents at 31 December		<u>8,649,997</u>	<u>10,845,209</u>

The notes on pages 18 to 28 form an integral part of these financial statements.

## **InfraRed Capital Partners Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

The Company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

Level 7  
One Bartholomew Close  
Barts Square  
London  
EC1A 7BL

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Statement of compliance**

These financial statements have been prepared in compliance with United Kingdom accounting standards, including FRS 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006.

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

These financial statements are presented in Pounds Sterling, the Company's functional currency.

The Company is exempt from the requirement to prepare Group accounts by virtue of section 400 of the Companies Act 2006. The financial statements present information about the Company on an individual basis only.

##### **Going concern**

The Company is the investment manager and investment adviser to a number of investment funds, investment companies and mandates, which invest in infrastructure projects.

The directors perform an annual going concern review that considers the Company's ability to meet its financial obligations as they fall due, and to meet its regulatory capital and liquidity requirements at all times, for a period of at least twelve months after the date that the financial statements are signed. Following the review, the directors are satisfied that the Company is able to manage its financial obligations successfully despite the current uncertain economic outlook.

Due to the ongoing effects of the global COVID-19 pandemic, management performed a review of the operational and financial resilience of the business to support the going concern assessment. The following factors were considered:

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

- Stress tests on base-case financial projections including a significant loss of fund management fees by 50% and associated impact on the expense base;
- Regulatory capital requirements for the Company based on reduced revenue. Under both scenarios, the Company is able to maintain sufficient regulatory capital.

Based on the above assessment, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover comprises fund management and advisory and acquisition fees and is recorded on an accruals basis as fees and entitlements fall due.

#### Operating expenses

Operating expenses principally consists of fees charged from other group entities for the provision of intermediary, asset management or advisory services. These services include, but are not limited to the services provided by staff who manage the Company's investment mandates and the associated costs of supporting those operations. The fees charged to the Company are calculated on an agreed formula which represents the fair value of the services provided to the Company.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the costs directly attributable to bringing the assets into use as intended.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Office furniture, fittings and equipment	5 years straight line
IT equipment	3 years straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **InfraRed Capital Partners Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Derivatives / Hedge accounting**

Derivative financial instruments constitute forward foreign exchange contracts used as a hedge against the variability of future management fees received when converted from their denominated currency to pounds sterling. The instruments are held at fair value. The Company applies the accounting treatment for cash flow hedges described in FRS 102, whereby it takes the change in fair value of the effective portion of the hedge to reserves via other comprehensive income and any ineffective portion directly to profit or loss. The effective portion is then reclassified to profit or loss when the management fees which are being hedged are received.

##### **Investments**

The Company classifies investments in entities it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost less impairment.

##### **Tax**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. 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 period end.

Management periodically evaluates 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 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 period end and that are expected to apply to the reversal of the timing difference.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to profit or loss.

## **InfraRed Capital Partners Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Cash and cash equivalents**

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

##### **Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and 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.

##### **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.

##### **Operating leases**

Payments under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Incentives received to enter into an operating lease are credited to profit or loss, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to profit or loss over the period to the first review date on which the rent is adjusted to market rates.

##### **Judgements**

When preparing the financial statements, it is the directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent. There are no 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 is applied, which involve a high degree of judgement and estimation.

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Advisory fees	100,000	100,000
Fund management fees	<u>79,260,805</u>	<u>79,121,372</u>
	<u>79,360,805</u>	<u>79,221,372</u>

#### 4 Gain on sale of real estate business

	2021	2020
	£	£
Gain on sale of real estate business	<u>13,142,283</u>	<u>-</u>
Contingent consideration		

In addition to the cash consideration included in the gain on the sale of the real estate business above the Company is entitled to receive contingent consideration. The maximum amount of contingent consideration is £7 million which is only payable upon the real estate business reaching certain fund-raising targets by 7 December 2022. Below a certain level the company will receive no additional consideration. Until investors have made commitments to the relevant fund, the amount cannot be reliably calculated and therefore has not been recognised in the financial statements.

#### 5 Operating profit

Arrived at after charging:

	2021	2020
	£	£
Depreciation expense	1,152,175	1,127,270
Operating lease expense	<u>1,438,671</u>	<u>2,107,956</u>

#### 6 Information regarding directors and employees

Directors are not remunerated by the Company. Directors are all partners of Charles II Realisation LLP, which is 20% owner of InfraRed Partners LLP, an intermediate holding company from which Charles II Realisation LLP receives profit allocations to fund remuneration of Partners of Charles II Realisation LLP.

The average number of persons employed by the Company during the year was 2 (2020: 2).

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 6 Information regarding directors and employees (continued)

The aggregate payroll costs were as follows:

	2021 £	2020 £
Wages and salaries	492,614	411,696
Social security costs	<u>17,638</u>	<u>21,107</u>
	<u>510,252</u>	<u>432,803</u>

#### 7 Other interest receivable and similar income

	2021 £	2020 £
Interest income on bank deposits	42,256	63,041
Foreign exchange gains	<u>17,697</u>	<u>-</u>
	<u>59,953</u>	<u>63,041</u>

Foreign exchange gains primarily relate to foreign exchange losses on intercompany balances.

#### 8 Interest payable and similar expenses

	2021 £	2020 £
Foreign exchange losses	<u>-</u>	<u>172,961</u>

Foreign exchange losses primarily relate to foreign exchange losses on intercompany balances.

#### 9 Auditor's remuneration

The auditor's remuneration for statutory audit services of this Company for the year was £8,150 (2020: £7,750) and relates solely to amounts paid to KPMG LLP. The auditor's remuneration for statutory audit services paid by the Company on behalf of other group entities of £61,950 (2020: £89,750). The auditor's remuneration for CASS audit services for the year was £11,800 (2020: £11,250).

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 10 Taxation

Tax charged in the statement of comprehensive income:

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	6,279,178	2,900,802
Adjustments in respect of prior periods	-	3,066
	<u>6,279,178</u>	<u>2,903,868</u>
Foreign tax	10,099	8,934
Total current income tax	<u>6,289,277</u>	<u>2,912,802</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(1,207,780)	17,586
Effect of changes in tax rates	(68,307)	-
Total deferred taxation	<u>(1,276,087)</u>	<u>17,586</u>
Tax expense in the income statement	<u>5,013,190</u>	<u>2,930,388</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>27,362,687</u>	<u>15,014,891</u>
Corporation tax at standard rate	5,198,911	2,852,829
<b>Effects of:</b>		
Income not taxable for tax purposes	(157,559)	(156,515)
Amounts not deductible for tax purposes	30,047	222,074
Changes in tax rates	(68,307)	-
Adjustment from a prior period	-	3,066
Overseas corporation tax	10,098	8,934
Total tax charge	<u>5,013,190</u>	<u>2,930,388</u>

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 10 Taxation (continued)

##### 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 substantively enacted on 24 May 2021 and the 25% rate has been applied, where applicable, to deferred tax balances at the balance sheet date.

#### 11 Tangible assets

	Office furniture and fittings £	IT equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2021	5,829,311	3,131,677	8,960,988
Additions	<u>15,532</u>	<u>507,754</u>	<u>523,286</u>
At 31 December 2021	<u>5,844,843</u>	<u>3,639,431</u>	<u>9,484,274</u>
<b>Depreciation</b>			
At 1 January 2021	2,085,348	2,096,115	4,181,463
Charge for the year	<u>521,625</u>	<u>630,552</u>	<u>1,152,177</u>
At 31 December 2021	<u>2,606,973</u>	<u>2,726,667</u>	<u>5,333,640</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>3,237,870</u>	<u>912,764</u>	<u>4,150,634</u>
At 31 December 2020	<u>3,743,963</u>	<u>1,035,562</u>	<u>4,779,525</u>

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 12 Debtors

	2021 £	2020 £
Trade debtors	25,000	24,908
Amounts owed by related parties	18,509,280	16,597,073
Deferred tax assets	1,465,568	56,170
Other debtors	560,014	26,453
Derivatives - foreign exchange forward contracts	64,182	786,087
Prepayments	1,423,075	1,004,943
	<u>22,047,119</u>	<u>18,495,634</u>

#### 13 Creditors

	2021 £	2020 £
<b>Due within one year</b>		
Amounts due to related parties	4,711,826	8,910,987
Corporation tax	2,170,037	2,905,230
Other payables	2,157,169	242,533
Accruals	4,026,588	3,725,145
	<u>13,065,620</u>	<u>15,783,895</u>

#### 14 Share capital

##### Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>

## InfraRed Capital Partners Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Derivatives - hedge accounting

The Company uses forward foreign exchange contracts in order to hedge against the variability of future income and expense denominated in currencies other than GBP. The Company places 12 month forward contracts on a rolling quarterly basis equal to an amount of the forecast income of the Company in the relevant foreign currency less any forecast expenses due in that currency.

The forward foreign exchange contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs and are classified as level 2. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR.

The fair value of forward foreign exchange contracts is disclosed in the debtors and creditors notes. During the year the Company recycled profits of £1,068,201 (2020: losses £345,481) to the profit or loss against management fees received.

#### 16 Obligations under leases and hire purchase contracts

At 31 December, the Company had commitments under non-cancellable operating leases as follows:

	2021 £	2020 £
Within one year	1,647,256	1,106,388
In more than one year, but not more than five years	6,510,188	6,510,188
After five years	11,935,345	13,562,892
Total	<u>20,092,789</u>	<u>21,179,468</u>

#### 17 Related party transactions

As a wholly owned subsidiary of InfraRed Partners LLP, the Company has taken advantage of the exemption granted by FRS 102.33.1A not to disclose related party transactions between it and other fellow wholly owned group companies.

Agincourt (1) LLP is a subsidiary of the Company under the companies Act by virtue of the LLP Deed. The Company is responsible for the management and control of the business and affairs of Agincourt (1) LLP.

## **InfraRed Capital Partners Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **18 Parent and ultimate parent undertaking**

The immediate parent undertaking of the Company is InfraRed Capital Partners (HoldCo) Limited.

The ultimate parent undertaking of the Company is Sun Life Financial Inc, with a registered address of 1 York Street, Toronto, Ontario, Canada, M5J 0B6, which is the largest group which consolidates the results of the Company.

The smallest group is InfraRed Partners LLP, with a registered address of Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL, which also consolidates the results of the Company.

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

#### **19 Subsequent events**

There were no events post the statement of financial position date requiring disclosure in these financial statements.