

Registration number: 06020817

Infrastructure Investments (Roads) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023

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Infrastructure Investments (Roads) Limited

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Infrastructure Investments (Roads) Limited

Company Information as at date of Directors' Report

Directors E T Hunt
 H Price

Company secretary E Mendes

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

Auditor KPMG LLP
 Chartered Accountants
 15 Canada Square
 London
 E14 5GL

Infrastructure Investments (Roads) Limited

Strategic Report for the Year Ended 31 March 2023

The Directors have prepared and present their strategic report for Infrastructure Investments (Roads) Limited (the "Company") for the year ended 31 March 2023.

Principal activity

The principal activity of the Company is that of an investment holding company. The Directors expect the Company to continue this activity in the foreseeable future. The results for the year and financial position of the Company are as shown in the attached financial statements.

Review of business and future developments

The Company has prepared financial statements for the year to 31 March 2023. The comparative period covers the year from 1 April 2021 to 31 March 2022. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"), issued by the Financial Reporting Council ("FRC").

As the Company treats its equity investments as a homogenous investment portfolio, all equity investments are measured at fair value through profit and loss. As at 31 March 2023 the fair value of investments was £12,225,100 (2022: £11,516,378).

The Company made a profit before taxation of £658,088 in the year ended 31 March 2023 compared with a profit before taxation of £854,159 in the year ended 31 March 2022.

Going concern

The Company had net current assets of £214,130 as at 31 March 2023 (31 March 2022: £255,144) and generated a profit for the year of £667,708 (2022: £862,627).

The Directors have assessed going concern by considering areas of financial risk, including the continuing impact upon the economy of geopolitical tensions, and by reviewing cash flow forecasts covering a period of at least 12 months from the date of approving these financial statements. They also considered the Company's financial resources, including investments in a project asset. The project operates a long-term contract with a public sector customer. The financing for this project is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Risk management

Risk is managed on a group basis. The Group is defined as being the HICL Infrastructure PLC portfolio of companies and assets. 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. Further detail is included within HICL Infrastructure PLC's March 2023 Annual Report (available at www.hicl.com).

The Directors consider the risk management framework to be appropriate for a company of its size and complexity.

Infrastructure Investments (Roads) Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Financial risk management

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

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to repay outstanding amounts as they fall due. Credit risk arises principally from amounts owed to the Company from the companies it has interest in.

Appropriate credit checks are required to be made on all counterparties to the Company. The Company only deposits money with appropriately rated counterparties.

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.

Inflation risk

The infrastructure project companies in which the Company invests are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of mismatch between income and costs due to movements in inflation indexes. The Company's overall cash flows vary with inflation, although they are not fully correlated as not all flows are indexed. The effects of inflation changes do not always immediately flow through to the Company's cash flows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. As RPI is to be aligned with CPI from 2030, RPI linked project companies have been aligned to CPI from this date.

Key performance indicators

The key performance indicator for the Company is the net assets attributable to shareholders, which at 31 March 2023 were measured at £12,042,432 (2022: £11,374,724).

Approved by the Board on 20 December 2023 and signed on its behalf by:

Helen Price

H Price
Director

Level 7
One Bartholomew Close
Barts Square
London
EC1A 7BL

Infrastructure Investments (Roads) Limited

Directors' Report for the Year Ended 31 March 2023

The Directors present their report and the financial statements for the year ended 31 March 2023.

Directors of the Company

The directors who held office during the year ended 31 March 2023 were as follows:

E T Hunt

D J Jarman (resigned 28 March 2023)

H Price

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.

Streamlined Energy and Carbon Reporting ("SECR")

The Company does not meet the SECR requirements to disclose its energy and carbon information.

Results and dividends

The Company's profit for the year under review is as detailed in the profit and loss account shown on Page 11 of these accounts.

No dividends were paid on Ordinary shares in respect of the year ended 31 March 2023 (2022: £575,000).

Political contributions

The Company made no political donations or incurred any political expenditure during the year ended 31 March 2023 (2022: £nil).

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 Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2 and 3.

Infrastructure Investments (Roads) Limited

Directors' Report for the Year Ended 31 March 2023 (continued)

Auditor

The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 20 December 2023 and signed on its behalf by:

Helen Price

H Price
Director

Level 7
One Bartholomew Close
Barts Square
London
EC1A 7BL

Infrastructure Investments (Roads) Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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.

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) Limited

Opinion

We have audited the financial statements of Infrastructure Investments (Roads) Limited (the 'Company') for the year ended 31 March 2023, which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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.

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:

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) Limited (continued)

- Enquiring of the directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering the valuation of Investments and the basis of calculation apportioned for the Company.
- Reviewing the board minutes of meetings of the Directors.

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 possible pressures to meet investment valuation targets and our overall knowledge of the control environment, we perform procedures to address the risk that the Company may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition as there is no revenue during the year.

We performed the following procedures to address the risk of management override of controls:

- Identifying Journal entries (and other adjustments) to test based on risk criteria and comparing the identified entries to supporting documentation.

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.

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 and 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.

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.

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) Limited (continued)

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

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

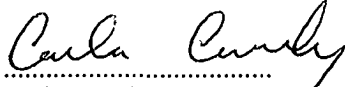
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

Independent Auditor's Report to the Members of Infrastructure Investments (Roads) 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.



Carla Cassidy (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

Date: 20 December 2023

Infrastructure Investments (Roads) Limited

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Dividend income		-	536,000
Gain on investments	9	<u>708,722</u>	<u>362,728</u>
Operating profit		<u>708,722</u>	<u>898,728</u>
Interest receivable and similar income	3	312,872	318,937
Interest payable and similar charges	4	<u>(363,506)</u>	<u>(363,506)</u>
		<u>(50,634)</u>	<u>(44,569)</u>
Profit before tax		658,088	854,159
Taxation	7	<u>9,620</u>	<u>8,468</u>
Profit for the financial year		<u><u>667,708</u></u>	<u><u>862,627</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income for the year other than the results above.

The notes on pages 15 to 30 form an integral part of these financial statements.

Investments (Roads) Limited

Telephone number: 06020817)
Statement of Financial Position as at 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Financial assets at fair value through profit and loss	9	12,225,100	11,516,378
Investments in loanstock	10	<u>2,453,899</u>	<u>2,453,899</u>
		<u>14,678,999</u>	<u>13,970,277</u>
Current assets			
Debtors	11	545,644	229,978
Cash at bank and in hand		<u>31,950</u>	<u>25,166</u>
		577,594	255,144
Creditors: Amounts falling due within one year	12	<u>(363,464)</u>	<u>-</u>
Net current assets		<u>214,130</u>	<u>255,144</u>
Total assets less current liabilities		14,893,129	14,225,421
Creditors: Amounts falling due after more than one year	12	<u>(2,850,697)</u>	<u>(2,850,697)</u>
Net assets		<u>12,042,432</u>	<u>11,374,724</u>
Equity			
Called up share capital	14	100	100
Share premium	14	503,265	503,265
Retained reserves		<u>11,539,067</u>	<u>10,871,359</u>
Total equity		<u>12,042,432</u>	<u>11,374,724</u>

Approved and authorised by the Board on 20 December 2023 and signed on its behalf by:

Helen Price

H Price
Director

Infrastructure Investments (Roads) Limited**Statement of Changes in Equity for the Year Ended 31 March 2023**

	Share capital £	Share premium £	Retained reserves £	Total £
At 1 April 2022	100	503,265	10,871,359	11,374,724
Profit for the year	-	-	667,708	667,708
At 31 March 2023	<u>100</u>	<u>503,265</u>	<u>11,539,067</u>	<u>12,042,432</u>

	Share capital £	Share premium £	Retained reserves £	Total £
At 1 April 2021	100	503,265	10,583,732	11,087,097
Profit for the year	-	-	862,627	862,627
Dividends paid	-	-	(575,000)	(575,000)
At 31 March 2022	<u>100</u>	<u>503,265</u>	<u>10,871,359</u>	<u>11,374,724</u>

The notes on pages 15 to 30 form an integral part of these financial statements.

Infrastructure Investments (Roads) Limited**Statement of Cash Flows for the Year Ended 31 March 2023**

	2023 £	2022 £
Cash flows from operating activities		
Profit for the year	667,708	862,627
Adjustments to cash flows		
Gain on investments	(708,722)	(362,728)
Interest receivable and similar income	(312,872)	(318,937)
Interest payable and similar charges	363,506	363,506
Dividend income	-	(536,000)
Income tax credit	(9,620)	(8,468)
Net cash flow from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest received	-	318,967
Principal repayments received	-	47,568
Dividend income from financial assets	-	536,000
Group Relief received	<u>6,826</u>	<u>-</u>
Net cash flows from investing activities	<u>6,826</u>	<u>902,535</u>
Cash flows from financing activities		
Interest paid on loan notes	-	(363,506)
Bank charges	(42)	-
Dividends paid	<u>-</u>	<u>(575,000)</u>
Net cash flows from financing activities	<u>(42)</u>	<u>(938,506)</u>
Net increase/(decrease) in cash and cash equivalents	6,784	(35,971)
Cash and cash equivalents at 1 April	<u>25,166</u>	<u>61,137</u>
Cash and cash equivalents at 31 March	<u><u>31,950</u></u>	<u><u>25,166</u></u>

The notes on pages 15 to 30 form an integral part of these financial statements.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

1.1 Key accounting policies

General information

Infrastructure Investments (Roads) Limited is a private company incorporated, domiciled and registered in the UK. The registered number is 06020817 and the registered address is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

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 were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

The financial statements are prepared using the historical cost basis, except for financial instruments classified at fair value through profit or loss which are stated at their fair values.

The functional and presentational currency of these financial statements is sterling.

The preparation of these financial statements requires the Directors to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or the period of the revision and future periods if the revision affects both current and future periods. Note 1.2 Critical accounting judgements, estimates and assumptions, shows which have been applied in the preparation of these financial statements.

The Company is exempt by virtue of FRS 102 section 9.9 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.

Investments in joint ventures are held as part of the investment portfolio and are therefore measured at fair value with changes in fair value recognised in profit or loss.

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Going concern

The Company had net current assets of £214,130 as at 31 March 2023 (31 March 2022: £255,144) and generated a profit for the year of £667,708 (2022: £862,627).

The Directors have assessed going concern by considering areas of financial risk, including the continuing impact upon the economy of geopolitical tensions, and by reviewing cash flow forecasts covering a period of at least 12 months from the date of approving these financial statements. They also considered the Company's financial resources, including investments in a project asset. The project operates a long-term contract with a public sector customer. The financing for this project is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the re-translation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss account.

Financial assets and liabilities

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investment in loanstock

The Company invests in subordinated debt loanstock which is measured and held at amortised cost. This is assessed against fair value at HICL Infrastructure PLC level if impairment is needed.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investment at fair value through profit or loss

Investment at fair value through profit or loss are measured initially at fair value with changes recognised in profit and loss. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less.

Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit and loss account.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Investment income

Dividend income is recognised when the Company's entitlement to receive payment is established. Gains/(losses) on investments comprise the change in fair value of the investments held.

Interest receivable and interest payable

Interest income and interest payable is recognised in the profit and loss account as it accrues on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated on acquisition or origination date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis. From time to time, the Directors may choose to issue bonus shares or perform a capital reduction in order to create distributable reserves.

Income tax

The tax credit represents the sum of the tax currently receivable.

Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1.2 Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 1.1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Investments at fair value through profit or loss

Investments at fair value through profit or loss are valued by discounting future cash flows from investments in equity (dividends and equity redemptions) to the Company at an appropriate discount rate. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks associated with the nature of the underlying asset and geographic location of the underlying investment, and the evidence of recent transactions.

All equity investments are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six-monthly basis every September and March for all investments. For the valuation of the underlying infrastructure investments, the Directors have also obtained an independent opinion from a third-party expert with experience in valuing these types of investments, supporting the reasonableness of the valuation.

The weighted average discount rate applied in the March 2023 valuation across the full HICL Infrastructure PLC was 7.2% (2022: 6.6%). The discount rate is considered to be the most significant assumption through which an increase or decrease would have a material impact on the fair value of the Investments at fair value through profit or loss.

The Directors have satisfied themselves as to the methodology used, the discount rate and other key assumptions applied, and the valuation.

2 Auditor's remuneration

The auditor's remuneration for the current financial year ended 31 March 2023 is £4,179 and has been borne by a group undertaking (2022: £3,869).

3 Interest receivable and similar income

	2023 £	2022 £
Interest receivable from investments	<u>312,872</u>	<u>318,937</u>

4 Interest payable and similar expenses

	2023 £	2022 £
Interest payable on loan from related parties	363,464	363,464
Bank charges	42	42
	<u>363,506</u>	<u>363,506</u>

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

5 Directors' remuneration

The Directors' services to the Company are incidental in the context of their wider role within the group and whilst they are remunerated by other companies in the group they do not receive any remuneration specifically in relation to their qualifying services to the Company. As such, there are no directors' emoluments for the year ended 31 March 2023 (2022: £nil).

6 Employees

The Company had no employees during the financial year ended 31 March 2023 (2022: nil).

7 Taxation

Tax credited in the income statement:

	2023 £	2022 £
Current taxation		
UK corporation tax	<u>(9,620)</u>	<u>(8,468)</u>

The tax on profit before tax for the year is lower (2022:lower) than the standard rate of corporation tax in the UK of 19% (2022:19%).

This differences are reconciled below:

	2023 £	2022 £
Profit before tax	<u>658,088</u>	<u>854,159</u>
Corporation tax at standard rate	125,037	162,290
Effect of gains exempt from taxation	<u>(134,657)</u>	<u>(170,758)</u>
Total tax credit	<u>(9,620)</u>	<u>(8,468)</u>

Factors affecting current and future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This will have a consequential effect on the Company's future tax charge.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

8. Financial risk management

Risk management

The objective of the Company's financial risk management is to manage and control the risk exposures of its investments. The review and management of financial risks are delegated to Infrastructure Investments LP, the appointed Operator of the Company's parent entity, Infrastructure Investments LP. The Operator has documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This note presents information about the Company's exposure to financial risks, its objectives, policies and processes for managing risk and the Company's management of its financial resources.

Interest rate risk

The Company invests in subordinated loanstock of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The Investments' cash flows are continually monitored and reforecasted both over the near future (five year time horizon) and the long-term (over whole period of projects' concessions) to analyse the cash flow returns from investment(s).

The Company has an indirect exposure to changes in interest rates through its investment in project companies, which are financed by senior debt. Senior debt financing of project companies is generally either through floating rate debt, fixed rate bonds or index linked bonds. Where senior debt is floating rate, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of Directors. Floating rate debt is hedged using fixed floating interest rate swaps.

Inflation risk

The Company's project companies are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of mismatch between income and costs due to movements in inflation indexes. The Company's overall cashflows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Company's cashflows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods.

Market risk

Returns from the Company's investments are affected by the price at which they are acquired. The value of these investments will be a function of the discounted value of their expected future cash flows, and as such will vary with, inter alia, movements in interest rates, market prices and the competition for such assets.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

Currency risk

The projects in which the Company invests, all conduct their business in the United Kingdom and pay loan interest, loan principal, dividends and fees in sterling.

Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's key direct counterparties are the project companies in which it makes investments. The Company's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecast are project Company cash flow models, which are regularly updated by project companies, for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. Many of the Company's investment and subsidiary entities generally receive revenue from government departments, and public sector or local authority clients. Therefore a significant portion of the Company's investments' revenue is with counterparties of good financial standing.

The Company is also reliant on the project's subcontractors continuing to perform its service delivery obligations such that revenues to the project are not disrupted. Management of this risk is undertaken by the Operator of Infrastructure Investments LP, being InfraRed Capital Partners Limited ("IRCP"). IRCP has been appointed as the Operator of the Company by the General Partner, Infrastructure Investments General Partner Limited, a sister subsidiary of IRCP. The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is on-going, and period end positions are reported to the General Partner.

The Company is subject to credit risk on its loans, receivables, cash and deposits. The Company's cash and deposits are held with a variety of well-known banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. Fair value adjustments, or "loan impairments", are made when the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

The Company's maximum exposure to credit risk over financial assets is the carrying value of those assets in the balance sheet. The Company does not hold any collateral as security.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meet its liabilities when due. The Company ensures it maintains adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company's investments are predominantly funded by share capital and medium term debt funding.

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

The Company's investments have borrowings which rank senior to the Company's own investments into the companies. This senior debt is structured such that, under normal operating conditions, it will be repaid within the expected life of the projects. Debt raised by the investment companies from third parties is without recourse to the Company.

Financial risk management (continued)

Fair value estimation

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses the income approach, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

Classification of financial instruments

	2023 £	2022 £
Financial assets		
Designated at fair value through profit or loss:		
Investments	<u>12,225,100</u>	<u>11,516,378</u>
Financial assets at fair value	<u>12,225,100</u>	<u>11,516,378</u>
At amortised cost:		
Investments in loanstock	2,453,899	2,453,899
Cash and cash equivalents	31,950	25,166
Debtors	<u>545,644</u>	<u>229,978</u>
Financial assets at amortised cost	<u>3,031,493</u>	<u>2,709,043</u>
Financial liabilities		
At amortised cost:		
Loans and borrowings	<u>3,214,161</u>	<u>2,850,697</u>
Financial liabilities at amortised cost	<u>3,214,161</u>	<u>2,850,697</u>

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

9 Investments at fair value through profit and loss

	2023 £	2022 £
Brought forward	11,516,378	11,153,650
Gain on valuation	<u>708,722</u>	<u>362,728</u>
Carrying amount at period end	<u>12,225,100</u>	<u>11,516,378</u>
This is represented by:		
Greater than one year	<u>12,225,100</u>	<u>11,516,378</u>
Carrying amount at period end	<u>12,225,100</u>	<u>11,516,378</u>

Fair value hierarchy

The fair value hierarchy is defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All investments are categorised as level 3 under the Fair Value hierarchy and there have been no movements between levels in the year

The investments in this company are managed by the Investment Manager as part of the HICL Infrastructure PLC portfolio as a whole.

All equity investments are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six-monthly basis every September and March for all investments. For the valuation of the underlying infrastructure investments, the Directors have also obtained an independent opinion from a third-party expert with experience in valuing these types of investments, supporting the reasonableness of the valuation. The weighted average discount rate applied in the March 2023 valuation across the full HICL Infrastructure PLC portfolio as a whole was 7.2% (2022: 6.6%).

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

9 Investments at fair value through profit and loss (continued)

The following economic assumptions were used in the discounted cash flow valuations at 31 March 2023:

UK inflation rates (RPI and RPIx) *	5.0% year ending March 2024, 2.75% p.a. to March 2030, 2.0% p.a. thereafter
UK inflation rates CPIH **	4.25% year ending March 2024, 2.0% thereafter
UK deposit interest rates	3.25% p.a. to March 2025, 2.50% p.a. thereafter
UK corporation tax rate	25%
UK GDP growth	2.0% p.a.

At 31 March 2022:

UK inflation rates (RPI and RPIx)*	6% year ending March 2023, 3.50% year ending March 2024, 2.75% p.a. to 2030, 2.0% thereafter
UK inflation rates CPIH **	5.25% year ending March 2023, 2.75% year ending March 2024, 2.0% thereafter
UK deposit interest rates	0.75% p.a. to March 2025, 1.25% p.a. thereafter
UK corporation tax rate	19% to 2023, 25% thereafter
UK GDP growth rate	4.0% in 2022, 2.0% p.a. thereafter

*Retail Price Index and Retail Price Index excluding mortgage interest payments

** Consumer Prices Index including owner occupiers' housing costs

Infrastructure Investments (Roads) Limited**Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)****9 Investments at fair value through profit and loss (continued)**

The Company's investments include:

Company	Registered Address	Percentage of Shares Held *	
		Mar-23	Mar-22
Claymore Roads (Holdings) Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*
Sheppey Route (Holdings) Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*

Companies held via Claymore (Holdings) Roads Limited:

Company	Registered Address	Percentage of Shares Held *	
		Mar-23	Mar-22
Claymore Roads Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*

Companies held via Sheppey Route (Holdings) Limited:

Company	Registered Address	Percentage of Shares Held *	
		Mar-23	Mar-22
Sheppey Route Limited	Cannon Place 78 Cannon St, London, EC4N 6AF	50%*	50%*

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

9 Investments at fair value through profit and loss (continued)

* All investments listed above are ordinary shares.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

10 Investments in loanstock

	2023 £	2022 £
Brought forward	2,453,899	2,501,467
Loanstock repayments	<u>-</u>	<u>(47,568)</u>
Carrying amount at period end	<u>2,453,899</u>	<u>2,453,899</u>

The £2,453,899 relates to fixed rate unsecured loan notes held at 12.75% per annum due to mature in 2033.

11 Debtors

	2023 £	2022 £
Amounts owed by parent company	39,001	39,001
Group relief receivable	29,233	26,440
Accrued Interest Receivable	<u>477,410</u>	<u>164,537</u>
	<u>545,644</u>	<u>229,978</u>

12 Creditors

	2023 £	2022 £
Due within one year		
Accrued interest owed to related party	<u>363,464</u>	<u>-</u>
Due after one year		
Amounts due to related parties	<u>2,850,697</u>	<u>2,850,697</u>

Amounts due to related parties of £2,850,697 was issued in the year ended 31 March 2017 by a related party at a coupon of 12.75% per annum to mature in 2042.

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

13 Net debt

The below is an analysis of changes in net debt from the beginning to the end of the current reporting period:

	Borrowings due within one year	Borrowings due after one year	Subtotal	Cash and cash equivalents	Net debt
	£	£	£	£	£
Net debt analysis					
Balance at 1 April 2022	-	(2,850,697)	(2,850,697)	25,166	(2,825,531)
Cash flows	-	-	-	6,784	6,784
Other non-cash changes	(363,464)	-	(363,464)	-	(363,464)
Balance at 31 March 2023	(363,464)	(2,850,697)	(3,214,161)	31,950	(3,182,211)

14 Share capital and share premium

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
Ordinary Share of £1 each	100	100	100	100
Share premium	-	<u>503,265</u>	-	<u>503,265</u>
	<u>100</u>	<u>503,365</u>	<u>100</u>	<u>503,365</u>

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

Infrastructure Investments (Roads) Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

15 Related parties

The Operator of the Company is InfraRed Capital Partners Limited ("IRCP"). IRCP has been appointed as the Operator of the Company by the General Partner, Infrastructure Investments General Partner Limited, a sister subsidiary of IRCP. IRCP is responsible for the day-to-day operations of Infrastructure Investments (Roads) Limited.

IRCP is 80% owned by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life"). IRCP is a distinct business under SLC Management, the alternatives asset manager of Sun Life. The additional 20% may be acquired by Sun Life under a put and call framework agreed with the IRCP owners, exercisable after 2024 and 2025.

IRCP was appointed under an Investment Management Agreement, dated 4 March 2019, as Investment Manager to, and the AIFM of HICL Infrastructure PLC. The Investment Management Agreement may be terminated by either party to the agreement, being HICL Infrastructure PLC or IRCP, giving three years' written notice or if IRCP's appointment as Operator is terminated.

16 Parent and ultimate parent undertaking

The Company's immediate parent is Infrastructure Investments Portal Limited Partnership, incorporated in England and Wales.

The ultimate controlling party is HICL Infrastructure PLC, incorporated in England and Wales.

The financial statements of HICL Infrastructure PLC are available to the public and may be obtained from Companies House.

17 Post balance sheet events

There are no subsequent events for Infrastructure Investments (Roads) Limited.