

Company registration number: 10062197

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

**Directors' report and financial statements for the year ended
31 December 2022**



INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

CONTENTS

Officers and professional advisers	1
Directors' report	2
Independent auditor's report to the members of InfraRed Infrastructure III Investments Limited	5
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	C Pitcher (resigned 22 February 2023) S Kofman J Beeson (appointed 22 February 2023)
Company secretary	E Mendes
Company registration number	10062197
Registered office	Level 7, One Bartholomew Close Barts Square London EC1A 7BL
Banker	HSBC Bank Plc 8 Canada Square London E14 5HQ
Auditor	KPMG LLP 15 Canada Square London E14 5GL

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of InfraRed Infrastructure III Investments Limited (the "Company") for the year ended 31 December 2022.

Principal activities

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

Business review

The loss for the year after taxation is US\$24,322,871 (2021: loss US\$1,982).

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

Strategic report

The Company has taken advantage of the exemption provided under section 414B (b) of the Companies Act 2006 and has not produced a strategic report.

Risk management

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

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

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

Future developments

No change in the Company's activities is anticipated.

Dividends

The Directors have not declared a dividend in respect of the year ended 31 December 2022 (2021: US\$nil).

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

Russia / Ukraine war

On 24 February 2022 Russian forces invaded Ukraine. This invasion resulted in economic uncertainty, large increases in natural gas prices (and therefore power prices) and inflationary pressures. The secondary market for infrastructure assets has remained strong with available data points indicating the defensive qualities, including inflation linkage, of this sector. This may be seen as providing protection during this period of increased uncertainty.

Directors

The Directors who served during the year were as follows:

C Pitcher (resigned 22 February 2023)

S Kofman

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

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he 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.

Independent auditor

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

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

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

The Directors are responsible for preparing 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom 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;
- 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Jonathan Beeson

J Beeson
Director

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

August 2023
18-Aug-23 | 12:10:37 PM BST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

Opinion

We have audited the financial statements of InfraRed Infrastructure III Investments Limited (the "Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom 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 Director's conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE III INVESTMENTS 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 the Directors of whether they are aware of fraud and of the Company's high-level policies and procedures to prevent and detect fraud; and
- Reading board minutes.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment valuations. On this audit, we do not believe there is a fraud risk related to revenue recognition because there was no revenue for the year.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying and selecting certain journal entries made at the end of the reporting period and material post-closing entries for testing 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.

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

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

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

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 and certain aspects of company legislation recognising 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED (continued)

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

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 or regulation.

Directors' Report

The Directors are responsible for 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 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 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Kushan Tikkoo

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

18 August 2023

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2022

	Note	2022 US\$	2021 US\$
Operating expenses		<u>(2,417)</u>	<u>(2,120)</u>
Operating loss		(2,417)	(2,120)
FX loss on non-investments		(1,207,956)	-
Loss on impairment of investments	7	<u>(23,112,498)</u>	<u>-</u>
Loss before tax		(24,322,871)	(2,120)
Tax on loss	6	<u>-</u>	<u>138</u>
Loss for the financial year		<u>(24,322,871)</u>	<u>(1,982)</u>
Total comprehensive loss for the financial year		<u>(24,322,871)</u>	<u>(1,982)</u>

All activities derive from continuing operations.

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 December 2022

	Note	2022 US\$	2021 US\$
Non-current assets			
Investments	7	36,994,560	60,057,058
Current assets			
Debtors: amounts falling due within one year	8	4,301	3,894
Cash at bank and in hand		<u>480</u>	<u>480</u>
		4,781	4,374
Current liabilities			
Creditors: amounts falling due within one year	9	<u>(7,774)</u>	<u>(4,950)</u>
Net current liabilities		<u>(2,993)</u>	<u>(576)</u>
Net assets		<u>36,991,567</u>	<u>60,056,482</u>
Capital and reserves			
Called up share capital	10	59,615,704	58,357,748
Profit and loss account		<u>(22,624,137)</u>	<u>1,698,734</u>
Equity shareholder's funds		<u>36,991,567</u>	<u>60,056,482</u>

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2023 and were signed on its behalf by 18-Aug-23 | 12:10:37 PM BST

Jonathan Beeson

J Beeson
Director

Company Registration Number: 10062197

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY as at 31 December 2022

	Called up share capital US\$	Profit and loss account US\$	Total US\$
At 1 January 2021	58,322,748	1,700,716	60,023,464
Share capital issued	35,000	-	35,000
Loss for the year	-	(1,982)	(1,982)
At 31 December 2021	58,357,748	1,698,734	60,056,482
Share capital issued	1,257,956	-	1,257,956
Loss for the year	-	(24,322,871)	(24,322,871)
At 31 December 2022	59,615,704	(22,624,137)	36,991,567

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

1. GENERAL INFORMATION

InfraRed Infrastructure III Investments Limited was incorporated on 14 March 2016. The Company is a private limited company with company number 10062197.

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

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

2. ACCOUNTING POLICIES

a) Statement of compliance

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

There are no amendments issued but not yet effective which relate to FRS 102 (including Section 1A).

There has been no material impact following the adoption of the amendments on accounting policies for classification, recognition and measurement of items within the financial statements or on disclosures within these.

b) Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (FRS 102). These financial statements are presented in United States dollars ("US\$"), the Company's functional currency.

At the Statement of Financial Position date, the Company had two direct investments. InfraRed Infrastructure Colombia S.L., which indirectly invests into a Colombian infrastructure asset, and InfraRed Infrastructure III Coöperatie B.A. which indirectly invests into a New Zealand infrastructure asset.

On the Colombian asset, 40% of the asset achieved service commencement during 2020 and the remaining 60% is affected by a force majeure event due to environmental reasons. The force majeure event occurred as a result of water springs being discovered along the proposed sections 4 and 5 of the road and under Colombian law, the construction of the road was prohibited due to the water springs being found.

The Directors continue to work with the co-shareholders, the asset's management team and the Colombian Government to find a viable solution for the sections of the project affected by the force majeure event. In October 2020, the Company launched International Arbitration proceedings against the Client (the ANI) at the International Court for Dispute Resolution with the aim of bringing the Colombian Government to an agreeable settlement. Claims and counterclaims have been filed and the outcome of the arbitration was heard in December 2022. A follow up meeting was also held with the arbitrators in Q1 2023. The feedback received from the lawyers was that the hearing went well and that we continue to have a strong case. A preliminary award is expected to be determined in Q3 2023.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

2. ACCOUNTING POLICIES (continued)

b) Basis of preparation (continued)

Sections 1, 2 and 3 of the road are operational. Section 3 completed construction in 2023. The Project is generating revenues from these operational sections. The investment entity has a debt facility; however, this is non-recourse to the Company.

The construction of the asset based in New Zealand is now completed and the road was opened to traffic on 31 March 2022. Availability payments are now being paid, backdated from September 2021. Final construction completion is expected in Q3 2023.

At the Statement of Financial Position date, the Company has no obligation to invest further but may do so based on the Directors' assessment of the returns to the Company. Commitments are expected to be funded by equity injections received from the parent Fund (InfraRed Infrastructure Fund III).

At 31 December 2022, the Company had an excess of current liabilities over current assets of US\$2,992 (2021: net current liabilities US\$576). The Company is dependent for its working capital on funds provided to it by InfraRed Infrastructure III General Partner Limited (the "General Partner") (in its capacity as general partner of each of the limited partnerships constituting InfraRed Infrastructure Fund III). The General Partner has indicated its intention that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of amounts currently made available. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe it will not do so.

Therefore, the Directors consider the Company will have sufficient resources to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements and have consequently prepared the financial statements on a going concern basis.

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

c) Exemption from preparing consolidated financial statements

The Company is subject to the small companies regime and exempt from the requirement to prepare group financial statements by virtue of s399 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking and not about its group.

d) Turnover

Turnover represents loanstock interest and is recognised in the Statement of Comprehensive Income on an accruals basis, using the effective interest rate method, from the date the entitlement arises.

Revenue is recognised to the extent that it is virtually certain that the economic benefit will flow to the entity and can be reliably measured.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

2. ACCOUNTING POLICIES (continued)

e) Profit on sale of investments

Profit on the sale of investments is calculated as net proceeds less carrying value of investments and recognised in the Statement of Comprehensive Income on completion of the sale agreement.

f) Taxation

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

Current tax

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

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 year end and that are expected to apply to the reversal of the timing difference.

g) Investments

Equity investments in subsidiary undertakings and joint ventures are recognised initially at the transaction price and subsequently measured at cost less impairment.

h) Cash and cash equivalents

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

i) Current debtors and creditors

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

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

2. ACCOUNTING POLICIES (continued)

j) Share capital

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

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

3. USE OF ASSUMPTIONS AND ESTIMATES

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

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

Valuation of investments

The underlying Investment is valued using the discounted cash flow method. Valuations are particularly sensitive to the assumptions made by the Directors on discount rates and assumptions around the timing of cash flow. As the valuation is less than the cost of the investment, an impairment has been recognised.

4. AUDITOR'S REMUNERATION

The auditor's remuneration for the year was £6,550 (2021: £5,800) and has been borne by a Group undertaking.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

The number of persons employed by the Company during the year was nil (2021: nil).

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

6. TAX ON LOSS

	2022 US\$	2021 US\$
Current tax		
Adjustments in respect of prior years	-	(138)
Total current tax expense	-	(138)
Deferred tax		
Origination and reversal of temporary differences	(4,621,345)	(403)
Adjustments in respect of losses not recognised in the period	4,621,345	403
Total deferred tax	-	-
Tax on loss	-	(138)

The tax assessed for the year is more than that resulting from applying the standard rates of corporation tax applicable in the UK of 19% (2021: 19%). The differences are explained below.

	2022 US\$	2021 US\$
Loss before taxation	(24,322,871)	(2,120)
Loss multiplied by standard rate	(4,621,345)	(403)
Effects of:		
- non-deductible expense	4,620,886	-
- deferred tax assets not recognised	459	-
- adjustments in respect of losses not recognised in the period	-	403
- adjustments in respect of prior periods	-	(138)
Total tax credit for the year	-	(138)

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 Statement of Financial Position date.

7. INVESTMENTS

Investment in subsidiary undertaking

	2022 US\$	2021 US\$
At 1 January	60,057,058	60,022,058
Additions	50,000	35,000
Impairment loss	(23,112,498)	-
At 31 December	36,994,560	60,057,058

Where necessary, adjustments have been made after assessing net realisable value of investments, reflecting underlying operational conditions.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

7. INVESTMENTS (continued)

The Company had equity interests in the following subsidiary undertaking as at 31 December:

Name of company and registered address	Class of shares held	Proportion of shares held by the Company	
		2022	2021
InfraRed Infrastructure Colombia S.L. <i>Calle Agustin de Foxa 25, 11 B, 28036 Madrid, Spain</i>	Ordinary EUR 100 shares	100%	100%
InfraRed Infrastructure III Coöperatie B.A. <i>Herengracht 466, Amsterdam, 1017 CA</i>	N/A	100%	100%

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 US\$	2021 US\$
Amounts due from Group undertakings	3,470	3,470
Other debtors	832	424
	<u>4,302</u>	<u>3,894</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 US\$	2021 US\$
Amounts due to Group undertakings	<u>7,774</u>	<u>4,950</u>

10. CALLED UP SHARE CAPITAL

	2022 US\$	2021 US\$
Allotted, called up and fully paid		
59,615,704 (2021: 58,357,748)		
ordinary shares of US\$ 1 each	<u>59,615,704</u>	<u>58,357,748</u>
	2022 US\$	2021 US\$
At 1 January	58,357,748	58,322,748
Ordinary shares issued	1,257,956	35,000
At 31 December	<u>59,615,704</u>	<u>58,357,748</u>

During the year, the Company issued 1,257,956 shares (2021: 35,000) at par value of US\$1 each. 1,207,956 of those issued were to rectify a redemption that occurred in 2020, which had resulted in a greater number of shares being redeemed as a result of movements in exchange rate.

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

11. RELATED PARTY TRANSACTIONS

The Company is a related party of all companies within the InfraRed Partners LLP ("InfraRed") group of companies by virtue of its immediate parent company being InfraRed Infrastructure III General Partner Limited (in its capacity as General Partner of each of the eight limited partnerships constituting the InfraRed Infrastructure Fund III), an InfraRed group company incorporated in the United Kingdom. The registered address of InfraRed Partners LLP ("InfraRed") is Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.

As at 31 December 2022, the Company owed InfraRed Infrastructure Fund III US\$7,774 (2021: US\$4,950) for expenses paid on behalf of the Company.

By virtue of its shareholding interests, the Company is a related party to the companies shown in note 7 to the financial statements. As at 31 December 2022, an amount of US\$3,470 (2021: US\$3,470) related to subscription of ordinary shares was due from InfraRed Infrastructure Colombia S.L.

12. ULTIMATE PARENT UNDERTAKING

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

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

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

13. SUBSEQUENT EVENTS

There were no subsequent events post the Statement of Financial Position date requiring disclosure in these financial statements.

14. FINANCIAL RISK MANAGEMENT

The Company is subject to a number of financial risks throughout its business.

a) 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. The Company's only significant credit risk exposure is to Group undertakings.

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

INFRARED INFRASTRUCTURE III INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2022

14. FINANCIAL RISK MANAGEMENT (continued)

b) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, will affect the Company's Statement of Comprehensive Income, or the value of its holdings of financial instruments. The objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

Foreign currency risk

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

A significant amount of the Company's income and a proportion of its expenses are denominated in currencies other than its functional currency, United States dollars i.e. Pounds Sterling (GBP) and Euros (EUR). This impacts the Company's exposure to non-US\$ income and expenses.

The Company monitors foreign currency balances closely in order to effectively manage foreign currency risk. The Company is not currently hedging its exposure to non-US\$ investments. The Company does not hedge surplus cash flows from investments as the timing and quantum of flows are not certain.

The Directors regularly review the foreign exchange hedging policy in the light of the nature and shape of the investment that are made in foreign currencies. The Company's policy is to hold minimum non-US\$ currency to cover operational needs and therefore converts foreign currency on receipt.

c) Liquidity risk

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