

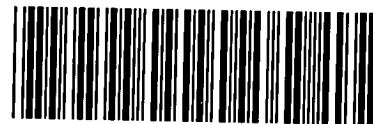
Registration number: 10408947

# Infrastructure Investments (Colorado) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2019

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Registered Number: 10408947

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## **Strategic Report for the Year Ended 31 March 2019**

The strategic report has been prepared for Infrastructure Investments (Colorado) Limited (the "Company").

The Directors present their strategic report for the year ended 31 March 2019.

### **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 2019. The comparative period covers the year from 1 April 2017 to 31 March 2018. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council ("FRC").

As the Company treats its equity investments as a homogenous investment portfolio, all investments are measured at fair value through profit and loss. As at 31 March 2019 the fair value of investments was \$220,646,434 (2018: \$189,835,515).

The Company made a profit before taxation of \$27,863,654 for the year ended 31 March 2019 compared with a profit before taxation of \$20,355,983 for the year ended 31 March 2018.

### **Going concern**

The Company's cash flow forecast for the next 12 months from the date of signing indicates the Company will have sufficient cash assets to be able to settle its liabilities as and when they fall due. Notwithstanding net current liabilities of \$4,881,574 as at 31 March 2019 (2018: \$2,494,289), 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.

### **Risk management**

Risk is managed on a group basis. 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 the risk management framework to be appropriate for a company of its size and complexity.

## **Strategic Report for the Year Ended 31 March 2019 (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.

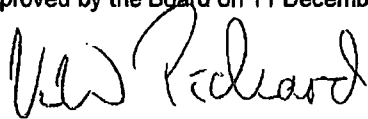
#### *Liquidity risk*

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.

### **Key performance indicators**

The key performance indicator for the Company is the net assets attributable to shareholders, as detailed on the Statement of Financial Position.

Approved by the Board on 11 December 2019 and signed on its behalf by:



K W Pickard  
Director

12 Charles II Street  
London  
SW1Y 4QU

## **Directors' Report for the Year Ended 31 March 2019**

The Directors present their report and the financial statements for the year ended 31 March 2019.

### **Directors of the Company**

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

K W Pickard

H E C Seekings

C L Pitcher

A C Roper (resigned 30 June 2018)

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.

### **Results and dividends**

The Company's profit for the year under review is as detailed in the income statement shown in these accounts.

No dividends were paid on Ordinary shares in respect of the year ended 31 March 2019 (2018: £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.

### **Auditor**

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

Approved by the Board on 11 December 2019 and signed on its behalf by:



K W Pickard  
Director

12 Charles II Street  
London  
SW1Y 4QU

## **Statement of Directors' Responsibilities**

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 (Colorado) Limited**

### **Opinion**

We have audited the financial statements of Infrastructure Investments (Colorado) Limited (the 'Company') for the year ended 31 March 2019, which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Brexit other matter paragraph**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Independent Auditor's Report to the Members of Infrastructure Investments (Colorado) Limited (continued)**

### **Going concern**

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

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

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

### **Strategic report and Directors' report**

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

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

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

### **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 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.



## **Independent Auditor's Report to the Members of Infrastructure Investments (Colorado) Limited (continued)**

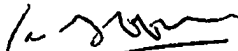
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **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.



**Ian Griffiths (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

11 December 2019

**Profit and Loss Account and Other Comprehensive Income for the Year Ended  
31 March 2019**

	Note	2019 \$	2018 \$
Gain on investments	7	<u>30,810,919</u>	<u>23,435,515</u>
<b>Operating profit</b>		<b>30,810,919</b>	<b>23,435,515</b>
Interest receivable and similar income		-	8
Foreign exchange (loss)/gain		(35,221)	-
Interest payable and similar charges	2	<u>(2,912,044)</u>	<u>(3,079,540)</u>
<b>Profit before tax</b>		<b>27,863,654</b>	<b>20,355,983</b>
Taxation	6	<u>508,753</u>	<u>585,111</u>
<b>Profit for the financial year</b>		<b><u>28,372,407</u></b>	<b><u>20,941,094</u></b>

The above results were derived from continuing operations.

The Company has no other comprehensive income other than the results above.

The notes form part of these financial statements.

**(Registration number: 10408947)**  
**Statement of Financial Position as at 31 March 2019**

	Note	2019 \$	2018 \$
<b>Non-current assets</b>			
Financial assets at fair value through profit and loss	7	220,646,434	189,835,515
<b>Current assets</b>			
Debtors	8	2,093,864	585,111
Cash at bank and in hand		<u>1,714,875</u>	<u>140</u>
		3,808,739	585,251
<b>Creditors: Amounts falling due within one year</b>	9	<u>(8,741,540)</u>	<u>(3,079,540)</u>
<b>Net current liabilities</b>		<u>(4,932,801)</u>	<u>(2,494,289)</u>
<b>Total assets less current liabilities</b>		215,713,633	187,341,226
<b>Creditors: Amounts falling due after more than one year</b>	9	<u>(41,600,000)</u>	<u>(41,600,000)</u>
<b>Net assets</b>		<u>174,113,633</u>	<u>145,741,226</u>
<b>Equity</b>			
Called up share capital	10	124,800,132	124,800,132
Retained reserves		<u>49,313,501</u>	<u>20,941,094</u>
<b>Total equity</b>		<u>174,113,633</u>	<u>145,741,226</u>

Approved and authorised by the Board on 11 December 2019 and signed on its behalf by:



K W Pickard

Director

# **Statement of Changes in Equity for the Year Ended 31 March 2019**

	<b>Share capital and share premium \$</b>	<b>Retained reserves \$</b>	<b>Total \$</b>
At 1 April 2018	124,800,132	20,941,094	145,741,226
Profit for the year	-	28,372,407	28,372,407
At 31 March 2019	<u>124,800,132</u>	<u>49,313,501</u>	<u>174,113,633</u>

	<b>Share capital and share premium \$</b>	<b>Retained reserves \$</b>	<b>Total \$</b>
Profit for the year	-	20,941,094	20,941,094
Shares issued in the year	124,800,132	-	124,800,132
At 31 March 2018	<u>124,800,132</u>	<u>20,941,094</u>	<u>145,741,226</u>

# **Statement of Cash Flows for the Year Ended 31 March 2019**

	2019 \$	2018 \$
<b>Cash flows from operating activities</b>		
Profit for the year	28,372,407	20,941,094
Adjustments to cash flows		
Gain on investments	(30,810,919)	(23,435,515)
Interest receivable and similar income	-	(8)
Interest payable and similar charges	2,912,000	3,079,540
Income tax expense	(508,753)	(585,111)
Foreign exchange (gains) / losses	35,221	-
	(44)	-
Increase in debtors	(1,000,000)	-
Increase in creditors	2,750,000	-
Net cash flow from operating activities	1,749,956	-
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	132
Net increase in cash and cash equivalents	1,749,956	132
Cash and cash equivalents at 1 April	140	-
Effect of exchange rate fluctuations on cash held	(35,221)	8
Cash and cash equivalents at 31 March	1,714,875	140

## **Notes to the Financial Statements for the Year Ended 31 March 2019**

### **1 Accounting policies**

#### **1.1 Key accounting policies**

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

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

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

These financial statements 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 on the historical cost basis, modified to include certain items at fair value.

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 functional and presentational currency of these financial statements is sterling.

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

##### **Going concern**

The financial position of the Company, its liquidity position and borrowing facilities, as well as the Company's business activities and factors likely to affect its future development and position, are described in the Strategic Report on pages 2 to 3.

At 31 March 2019, the Company had a net current liability position of \$4,881,573.

The Company and its subsidiaries have a long-term contract with a government client for an infrastructure project. In addition, the subsidiaries' project-level financing is non-recourse to the Company. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Company's cash flows from its year-end and its forecast for the next 12 months from the date of issuing these financial statements indicates the Company will have sufficient cash assets to be able to settle its liabilities as and when they fall due.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **1 Accounting policies (continued)**

#### **Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised 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.

#### **Basic 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.

##### *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.

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 1 Accounting policies (continued)

#### *Investments in preference and ordinary shares*

Investments in equity instruments 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.

#### **Investment Income**

Dividends are recognised when the Company's right to receive payment has been established.

Gains on investments relates solely to the investments held at fair value.

#### **Interest receivable and interest payable**

Interest income 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.



## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **1 Accounting policies (continued)**

#### **Income tax**

The tax expense represents the sum of the tax currently payable and deferred tax.

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. The liability for current 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.

#### **Investments at fair value through profit or loss**

The 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.

The Company's ultimate parent (refer to Note 11 for further details) has carried out fair market valuations of the investments as at 31 March 2019. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year.

Discount rates applied range from 2.1% to 9.6% (weighted average of 7.2%) (2018: 4.1% to 9.8% (weighted average of 7.4%)). The discount rate is considered one of the most significant unobservable inputs 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 sensitivities of the valuation inputs are discussed in detail in the financial statements of the ultimate parent company, HICL, which are available from their website [www.hicl.com](http://www.hicl.com).

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

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **1 Accounting policies (continued)**

#### **1.3 Financial Instruments**

##### **Risk management**

The objective of the Company's financial risk management is to manage and control the risk exposures of its investment portfolio. The review and management of financial risks are delegated to InfraRed Capital Partners Limited, the appointed Operator of the Company's parent entity, Infrastructure Investments Limited Partnership. 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 portfolio's 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 investments.

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.

##### **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.

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **1 Accounting policies (continued)**

#### **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 their service delivery obligations such that revenues to projects are not disrupted. Management of this risk is undertaken by the Operator of Infrastructure Investments Limited Partnership. 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.

#### **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, banking facilities and reserve borrowing facilities 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.

**Notes to the Financial Statements for the Year Ended 31 March 2019  
(continued)**

**1 Accounting policies (continued)**

**Fair value estimation**

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

*Non-derivative financial instruments*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

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**

	2019 \$	2018 \$
<b>Financial assets</b>		
<b>Designated at fair value through profit or loss:</b>		
Investments	<u>220,646,434</u>	<u>189,835,515</u>
Financial assets at fair value	<u>220,646,434</u>	<u>189,835,515</u>
<b>At amortised cost:</b>		
Cash and cash equivalents	1,714,875	140
Debtors	<u>2,093,864</u>	<u>585,111</u>
Financial assets at amortised cost	<u>3,808,739</u>	<u>585,251</u>
<b>Financial liabilities</b>		
<b>At amortised cost:</b>		
Loans and borrowings	<u>50,341,540</u>	<u>44,679,540</u>
Financial liabilities at amortised cost	<u>50,341,540</u>	<u>44,679,540</u>

**Notes to the Financial Statements for the Year Ended 31 March 2019  
(continued)**

**2 Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Interest payable on loan from related parties	2,912,000	3,079,540
Bank charges	44	-
	<u>2,912,044</u>	<u>3,079,540</u>

**3 Directors' remuneration**

The Directors' emoluments are borne by a group undertaking. It is not practicable to allocate costs to the Company for the services performed by the Directors in relation to the Company.

**4 Auditors' remuneration**

The auditor's remuneration for the current financial year is estimated at £3,000 and has been borne by a group undertaking (2018: £3,000).

**5 Employees**

The Company had no employees during the financial year (2018: nil).

**6 Taxation**

Tax charged/(credited) in the income statement:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current taxation</b>		
UK Corporate tax - Current year	<u>(508,753)</u>	<u>(585,111)</u>

**Notes to the Financial Statements for the Year Ended 31 March 2019  
(continued)**

**6 Taxation (continued)**

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 \$	2018 \$
Profit before tax	<u>27,863,664</u>	<u>20,355,983</u>
Tax using the UK corporate rate of 19%	5,294,094	3,867,637
Effect of (gains)/losses exempt from taxation	(5,854,074)	(4,452,748)
Expense not tax deductible	<u>51,227</u>	<u>-</u>
Total tax credit	<u>(508,753)</u>	<u>(585,111)</u>

**Factors affecting future current and total tax charges**

UK corporation tax rate reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly.

**7 Investments at fair value through profit and loss**

	2019 \$	2018 \$
Brought forward	189,835,515	166,400,000
(Loss)/gain on valuation	<u>30,810,919</u>	<u>23,435,515</u>
Carrying amount at period end	<u>220,646,434</u>	<u>189,835,515</u>
<b>This is represented by:</b>		
Greater than one year	<u>220,646,434</u>	<u>189,835,515</u>
Carrying amount at period end	<u>220,646,434</u>	<u>189,835,515</u>

The Company's ultimate parent (refer to Note 11 for further details) has carried out fair market valuations of the investments as at 31 March 2019. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied range from 2.1% to 9.6% (weighted average of 7.2%) (2018: 4.1% to 9.8% (weighted average of 7.4%)).

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **7 Investments at fair value through profit and loss (continued)**

The following economic assumptions were used in the discounted cash flow valuations at 31 March 2019:

UK Inflation rates	2.75%
UK deposit interest rates	1.0% to March 2021 and 2.0% thereafter
UK corporation tax rate	19% to 2020 and 17% thereafter

At 31 March 2018:

UK Inflation rates	2.75%
UK deposit interest rates	1.0% to March 2021 and 2.0% thereafter
UK corporation tax rate	19% to 2020 and 17% thereafter

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**7 Investments at fair value through profit and loss (continued)**

The Company's investments include:

Company	Registered Address	Percentage of Shared Held *		Year End	Capital & Reserves £'000	Profit & Loss £'000
		Mar-19	Mar-18			
Infrastructure Investments NWP (US) LLC	2711 Centerville Rd, Suite 400 Wilmington DE 19808	100%	100%	31/12/2018		
NWP Holdco LLC	701 Northwest Parkway, Broomfield, CO 80023	33.33%	33.33%	31/12/2018	5,431	(59)
Northwest Parkway LLC	701 Northwest Parkway, Broomfield, CO 80023	33.33%	33.33%	31/12/2018	5,431	(15)
GO-PASS Mobility LLC	701 Northwest Parkway, Broomfield, CO 80023	33.33%	33.33%	31/12/2018	-	5

\* All investments listed above are ordinary shares.

\*\* Denotes a direct shareholding.

\*\*\* In line with Companies Act requirements, no disclosure has been made where the Company's holdings in an undertaking's share capital is less than 50% or where capital & reserves and profit or loss amounts are not considered to be material.



**Notes to the Financial Statements for the Year Ended 31 March 2019  
(continued)**

**8 Debtors**

	2019 \$	2018 \$
Amounts owed by parent company	1,000,000	-
Group relief receivable	<u>1,093,864</u>	<u>585,111</u>
	<u>2,093,864</u>	<u>585,111</u>

**9 Creditors**

	2019 \$	2018 \$
<b>Due within one year</b>		
Amounts owed to related party	<u>8,741,540</u>	<u>3,079,540</u>
<b>Due after one year</b>		
Amounts owed to related party	<u>41,600,000</u>	<u>41,600,000</u>

Amounts due to related parties of £41,600,000 was issued in the year ended 31 March 2018 by a related party at a coupon of 7.00% per annum to mature in 2107.

**10 Share capital**

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

	2019 No.	2019 \$	2018 No.	2018 \$
Ordinary share of GBP 1 each at end of the period	<u>124,800,132</u>	<u>124,800,132</u>	<u>124,800,132</u>	<u>124,800,132</u>
102,300,100 GBP 1 Ordinary Shares equates to USD\$124,800,132.				

**11 Parent and ultimate parent undertaking**

The Company's immediate parent is Infrastructure Investments (Holdings) Limited, incorporated in England and Wales.

The ultimate controlling party at 31 March 2019 was HICL Infrastructure Company Limited, incorporated in Guernsey, Channel Islands. From 1 April 2019, this changed to HICL Infrastructure PLC, incorporated in the United Kingdom. Further detail on the transfer is contained in HICL Infrastructure Company Limited's Annual Report to 31 March 2019.

The financial statements of HICL Infrastructure PLC are available upon request from 12 Charles II Street, London SW1Y 4QU