

Registered number
12449632

Iona Environmental Infrastructure Holdco Limited

Report and Financial Statements

31 March 2023

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Iona Environmental Infrastructure Holdco Limited
Report and accounts
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Iona Environmental Infrastructure Holdco Limited
Company information

Directors

Philip Davies
Nicholas Ross
Colm Walls

Auditors

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Bankers

HSBC Bank plc
St. Clement Danes
194 The Strand
London
WC2R 1DX

Banco de Sabadell, S.A.
Level 37 Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

AIB Group (UK) Plc
St Helen's
1 Undershaft
London
EC3A 8AB

Registered office

123 Pall Mall
London
England
SW1Y 5EA

Registered number

12449632

Iona Environmental Infrastructure Holdco Limited

Directors' report

The directors present their report and financial statements of Iona Environmental Infrastructure Holdco Limited ("the company") for the year ended 31 March 2023.

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required to be contained in the directors' report. It has done so in respect of financial risk management policies.

Principal activities

The company's principal activity during the year was that of an investment holding company. The directors do not anticipate any material change in the company's activity going forward.

Results and dividends

The loss for the year after taxation amounted to £8,075,019 (2022: £5,628,669). No dividends were recommended or paid during the year.

Greenhouse gas emissions, energy consumption and energy efficiency

There are no disclosures provided regarding greenhouse gas emissions, energy consumption or energy efficiency action as the Company is exempt from the disclosure requirements as it has consumed less than 40,000 kWh of energy in the United Kingdom during the year ended 31 March 2023.

Directors

The following persons served as directors during the year:

Philip Davies
Nicholas Ross
Colm Walls

Directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Iona Environmental Infrastructure Holdco Limited
Directors' report

Disclosure of information to auditors


Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

RSM UK Audit LLP have indicated their willingness to continue in office.

This report was approved by the board on 29 June 2023 and signed on its behalf.



Colm Walls
Director

Iona Environmental Infrastructure Holdco Limited

Strategic report

Business review

The company was established to facilitate the acquisition of bank debt for its ultimate beneficial owner, Iona Environmental Infrastructure LP (the "fund"). On 28 May 2020 the fund transferred its investments in equity and subordinated debt in renewable infrastructure projects to the company. The company was then able to obtain a c. £60m debt facility from 2 banks, AIB and Sabadell. Of this facility, £40m was drawn, and used to make a distribution to the fund's investors in the year ended 31 March 2021.

The company ended the year with investments valued at £78.15m (2022: £85.61m) - see note 7 for details. Valuation movements in the current year were driven by interest receipts in the year, and changes in the value of estimated future cashflows from individual assets. The valuations of underlying assets are subject to financial risk as detailed below and in note 14.

The company ended the year with net liabilities of £4,069,344 (2022: net assets of £4,005,675). The move to a net liability position has been driven by valuation movements on the company's underlying investments, while its liabilities are held at amortised cost. This change is not, therefore, indicative of a going concern or liquidity issue. The net asset position may fluctuate over time, due to the difference between interest income and interest expense, and changes in valuations of the company's investments and derivative financial instruments. The Board monitors this fluctuation, however the development and strategic direction of the company is not expected to change for at least 12 months following the date of publication of this report.

ESG

The fund is managed by Iona Capital Ltd, whose mission statement is, "by investing in sustainable businesses, help accelerate the transition to a low carbon global economy." By enabling a distribution to the fund's investors, the board believes that the company is operating in line with the Iona Capital Ltd's mission statement.

Principal risks and uncertainties

Market risk

Market risk is the potential for changes in the value of an entity's investments due to changes in the performance of underlying assets. The underlying assets are susceptible to price risk which arises from uncertainties about the future, which include volatile economic, political and environmental conditions (including the conflict in Ukraine) which impact gas and electricity export prices and feedstock prices. The entity's market risk is regularly reviewed by the investment manager.

Liquidity risk

The company's debt facility is subject to meeting its covenants with the banks, of which the main covenant is based on a multiple of debt service cost. The company's liquidity risk is therefore assessed regularly through review of its balance sheet and the balance sheets and cash flow forecasts of its investments.

Credit risk

The company's debtors consist of interest receivable from its investments. The company regularly reviews the balance sheets of its investments, and therefore there is visibility over debt recovery.

Other risk

The company's other principal risks include legal, political, policy & regulatory, concentration, interest rate and operational risk. The company operates under the policies and procedures of Iona Capital Ltd, which has detailed policies and procedures surrounding these risks.

Going concern

The company's activities, together with the factors likely to affect its future development, its financial position and its financial risks are described above. After reviewing the balance sheet and cash flow forecasts, covenant compliance and projections (including the ongoing impact of the conflict in Ukraine), the directors have a reasonable expectation that the company has adequate resources, due to the forecast cash distributions from its investments, to continue in operational existence for the foreseeable future, which is a period of at least twelve months from the date of approval of these financial statements. The company has met all bank covenants during the period and is forecasted to meet its liabilities (including bank loan repayments) as they fall due and meet financial covenants on the bank loan for a period of at least twelve months following the date of approval of these financial statements. As noted above, the net liability position has been driven by valuation movements on the company's underlying investments, while its liabilities are held at amortised cost. The parent company have confirmed that they will not recall the loan note to the company, or the capitalised interest for a period of at least 12 months from the date of approval of these financial statements, therefore there are no indications of a going concern or liquidity issue. Accordingly, the directors continue to adopt the going concern basis in preparing financial statements. See note 1 on page 13 for further information.

Key performance indicators ("KPIs")

The key KPI for the company is cash generation after debt service costs. Cash used after debt service was £55,000 (2022: cash generated £55,000). The company's directors monitor this on a regular basis to ensure covenant compliance on the bank loan. While cash was used in the year, cashflow forecasts indicate that the company has adequate resources to continue to meet covenants and continue in operational existence for the foreseeable future, as noted above.

Section 172 statement

The board of directors of Iona Environmental Infrastructure Holdco Limited consider, both individually and together, that they have acted in a way that would most likely promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken throughout the period ended 31 March 2023. The company's purpose is to hold investments and maintain a debt facility for its ultimate beneficial owner. To achieve this, the board has engaged with its key stakeholders and has considered and monitored the company's principal risks (see above).

By order of the board of directors



Colm Walls
Director
123 Pall Mall
London
SW1Y 5EA

Iona Environmental Infrastructure Holdco Limited
Independent auditor's report
to the members of Iona Environmental Infrastructure Holdco Limited

Opinion

We have audited the financial statements of Iona Environmental Infrastructure Holdco Limited (the 'company') for the year ended 31 March 2023 which comprise the Income statement, Statement of financial position, Statement of changes in equity, Statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Iona Environmental Infrastructure Holdco Limited
Independent auditor's report
to the members of Iona Environmental Infrastructure Holdco Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;

Iona Environmental Infrastructure Holdco Limited
Independent auditor's report
to the members of Iona Environmental Infrastructure Holdco Limited

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The audit engagement team identified the risk of management override of controls and carrying value of investments as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating their rationale, in addition to challenging judgments and estimates applied in estimating the carrying value of investments.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.

Benjamin Marriner

Benjamin Marriner (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

29 June 2023

Iona Environmental Infrastructure Holdco Limited
Income statement
for the year ended 31 March 2023

	Notes	2023 £	2022 £
Interest income	4	11,652,568	10,701,839
Dividend income		206,400	374,400
Net loss on revaluation of investments	7	<u>(15,768,067)</u>	<u>(12,327,924)</u>
		(3,909,099)	(1,251,685)
Administrative expenses		(96,200)	(81,530)
Operating loss	2	<u>(4,005,299)</u>	<u>(1,333,215)</u>
Interest payable	5	(6,888,956)	(6,467,809)
Fair value gain on derivative financial instruments	12	2,819,236	2,172,355
Loss on ordinary activities before taxation		<u>(8,075,019)</u>	<u>(5,628,669)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		<u><u>(8,075,019)</u></u>	<u><u>(5,628,669)</u></u>

All results in the income statement are from continuing operations.

Iona Environmental Infrastructure Holdco Limited
Statement of financial position
as at 31 March 2023

	Notes	2023 £	2022 £
Non current assets			
Investments	7	78,149,935	85,605,489
Derivative financial instruments	12	6,067,857	3,248,621
		<u>84,217,792</u>	<u>88,854,110</u>
Current assets			
Debtors	8	2,238,447	2,071,696
Cash at bank and in hand		57,500	112,500
		<u>2,295,947</u>	<u>2,184,196</u>
Creditors: amounts falling due within one year	9	(2,231,701)	(2,126,231)
Net current assets		<u>64,246</u>	<u>57,965</u>
Total assets less current liabilities		<u>84,282,038</u>	<u>88,912,075</u>
Creditors: amounts falling due after more than one year	10	(88,351,382)	(84,906,400)
Net (liabilities)/assets		<u>(4,069,344)</u>	<u>4,005,675</u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Share premium		2,993,675	2,993,675
Other reserve		4,354,469	4,354,469
Profit and loss account		(11,418,488)	(3,343,469)
Total equity		<u>(4,069,344)</u>	<u>4,005,675</u>

The financial statements on pages 9 to 21 were approved by the board of directors and authorised for issue on 29 June 2023 and are signed on its behalf by:



Colm Walls
Director

Iona Environmental Infrastructure Holdco Limited
Statement of changes in equity
for the year ended 31 March 2023

	Share capital	Share premium	Other reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 April 2022	1,000	2,993,675	4,354,469	(3,343,469)	4,005,675
Loss for the financial year	-	-	-	(8,075,019)	(8,075,019)
At 31 March 2023	<u>1,000</u>	<u>2,993,675</u>	<u>4,354,469</u>	<u>(11,418,488)</u>	<u>(4,069,344)</u>
At 1 April 2021	1,000	2,993,675	4,354,469	2,285,200	9,634,344
Loss for the financial year	-	-	-	(5,628,669)	(5,628,669)
At 31 March 2022	<u>1,000</u>	<u>2,993,675</u>	<u>4,354,469</u>	<u>(3,343,469)</u>	<u>4,005,675</u>

Share capital

Nominal value of shares issued.

Share premium

Minimum premium value of shares issued arising as a result of applying the group reconstruction relief in accordance with section 611 of the Companies Act 2006 to the initial transfer of assets in the refinancing transaction detailed in note 7.

Other reserve

Fair value of shares issued in excess of the share premium above arising as a result of applying the group reconstruction relief in accordance with section 611 of the Companies Act 2006 to the initial transfer of assets in the refinancing transaction detailed in note 7.

Profit and loss account

Retained earnings.

Iona Environmental Infrastructure Holdco Limited
Statement of cash flows
for the year ended 31 March 2023

	Notes	2023 £	2022 £
Operating activities			
Loss for the financial year		(8,075,019)	(5,628,669)
Adjustments for:			
Net loss on revaluation of investments		15,768,067	12,327,924
Interest receivable		(11,652,568)	(10,701,839)
Interest payable		6,888,956	6,467,809
Fair value gain on derivative financial instruments		(2,819,236)	(2,172,355)
Decrease/(increase) in debtors		559	(559)
(Decrease)/increase in creditors		(4,250)	26,750
		<u>106,509</u>	<u>319,061</u>
Interest received from investee companies		3,658,283	3,442,646
Interest paid on senior debt facility		(1,119,233)	(1,246,845)
Interest paid on parent company loan note		(1,356,441)	(1,450,050)
		<u>1,289,118</u>	<u>1,064,812</u>
Cash generated by operating activities			
Investing activities			
Payments to acquire investments		(1,290,000)	(837,000)
Proceeds from repayments of investments		804,462	1,514,236
		<u>(485,538)</u>	<u>677,236</u>
Cash (used in)/generated by investing activities			
Financing activities			
Proceeds from parent company loan note		1,290,000	837,000
Repayment of senior debt facility		(2,148,580)	(2,524,048)
		<u>(858,580)</u>	<u>(1,687,048)</u>
Cash used in financing activities			
Net cash (used)/generated			
Cash generated by operating activities		1,289,118	1,064,812
Cash (used in)/generated by investing activities		(485,538)	677,236
Cash used in financing activities		(858,580)	(1,687,048)
		<u>(55,000)</u>	<u>55,000</u>
Net cash (used)/generated			
Cash and cash equivalents at beginning of period		112,500	57,500
Cash and cash equivalents at end of period		<u>57,500</u>	<u>112,500</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>57,500</u>	<u>112,500</u>

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

1 Summary of significant accounting policies

General information

Iona Environmental Infrastructure Holdco Limited ("the company") is a private company limited by shares, and is registered and incorporated in England. The address of the company's registered office and principal place of business is disclosed on page 1. The company's principal activities are disclosed in the Directors' report on page 2.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value, and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £ except where otherwise indicated.

Non-consolidation

The company is exempt from the requirements to prepare consolidated financial statements as all of its investments are held exclusively with a view to subsequent resale and are measured at fair value. Consequently, the financial statements present information about the company as an individual entity and not about its group.

Reconstruction relief

The company has applied the reconstruction relief provisions in accordance with section 611 of the Companies Act 2006 to the refinance transaction detailed in Note 7. The amount recognised in share premium is limited to £2,993,675 with £4,354,469 recognised in other reserve.

Going concern

The directors have considered the net liability position, and assessed the forecast cashflows of the company and its investments in order to assess its ability to meet its covenants under the terms of the refinance transaction, and the likelihood of the requirement for an equity cure from its ultimate parent, Iona Environmental Infrastructure LP. The parent company have confirmed that they will not recall the loan note to the company, or the capitalised interest for a period of at least 12 months from the date of approval of these financial statements. The directors considered it reasonable that sufficient cash distributions from investments will be made to enable the company to meet its liabilities (including bank loan repayments) as they fall due and have therefore concluded that the company has sufficient resources to meet its obligations for a period of at least 12 months from the date of approval of these financial statements.

Investments

Investments are initially measured at cost. Subsequent to initial recognition, these investments are recorded at cost plus accrued interest, less impairment when the assets are under construction or development stage until they are fully operational and have received all their required operating licences. The directors may apply a discount to any valuation increase in the first three years of operation, which represents the increased risk to cash flows in the early stages. The discount applied to proposed write-ups is typically 75 per cent in year 1, 50 per cent in year 2 and 25 per cent in year 3 - providing the performance of the asset is satisfactory. Once the assets' operations are in a steady state they are valued in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines.

In estimating fair value, the directors have discounted the expected future cash flows from the investee companies to calculate the net present value of these cash flows. The methodology takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates to ascertain fair value.

The discount rate used in the DCF calculation is assessed annually using industry experience, 3rd-party benchmarking and where appropriate, external experts. The discount rates used in the current financial year range from 7% to 10%. The term of the cash flows is modelled over up to 20 years, depending on the length of the renewable energy subsidies receivable by each asset. The directors adopt a conservative approach to terminal value for its assets, and this is assumed to be nil in the DCF calculations, given the uncertainty of the viability of the assets once the subsidies expire. The valuation does not include any provision for decommissioning at the end of the 20 year period. If the discount rate was reduced by 100 bps, the value of the investments would increase by £3.90m. If the discount rate was increased by 100 bps, the value would decrease by £3.96m.

Gains and losses arising from the sale of investments are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from the investments are also included in the profit and loss account.

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

Income

Income includes revenue earned from interest and dividends from investee companies. Interest income is recognised as it accrues. Paid interest income is that which has been invoiced and settled within the period. Accrued interest income remains outstanding at year end. Capitalised interest income has been capitalised into the investment value, and offset by a loss on revaluation of investments. Dividend income is recognised when the right to receive payment is established.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and parent company loan note are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivative financial instruments

The company has entered into financial instruments for the primary purpose of reducing exposure to fluctuations in interest rates. Derivative financial instruments, consisting of interest rate swap agreements, are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

Critical accounting estimates and areas of judgement

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. 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 judgements about the carrying value 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 estimates is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements and estimates.

Fair value of investments

Investments are accounted for at fair value and there are inherent uncertainties in any fair value estimation, particularly in relation to valuations determined using discounted cash flows of up to 20 years. Due to inherent uncertainties in any valuation technique, especially under volatile economic, political and environmental conditions (including the ongoing impact of the conflict in Ukraine), the eventual realised distributions from the investments could materially differ from the estimated fair value. The most critical estimate is considered to be the discount rate which is based on historical experience and industry custom. Sensitivity to the discount rate is disclosed in the investments accounting policy.

Classification of investments

The directors determined based on the criteria in FRS 102 para. 9.9 (b), that the all of the investee companies outlined in note 7 shall be excluded from consolidation and thus recognised at fair value. The classification of investee companies as being held exclusively with a view to subsequent resale is a key judgement.

2 Operating profit	2023	2022
	£	£
This is stated after charging:		
Auditors' remuneration for audit services	15,500	24,000
Auditors' remuneration for tax compliance and advisory services	22,200	5,500
	<hr/>	<hr/>
3 Staff costs		
The company had no employees during the year. Directors of the company, who are deemed to be key management personnel, are remunerated by a connected entity.		
4 Interest income	2023	2022
	£	£
Received from investee companies	2,304,177	1,373,423
Accrued	1,538,273	1,774,003
Capitalised	7,810,118	7,554,413
	<hr/>	<hr/>
	11,652,568	10,701,839
5 Interest payable	2023	2022
	£	£
Bank loan	1,119,233	1,246,845
Parent company loan note	5,709,624	5,150,363
Transaction costs	60,099	70,601
	<hr/>	<hr/>
	6,888,956	6,467,809

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

6 Taxation	2023	2022
	£	£
Analysis of charge in period		
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2023	2022
	£	£
Loss on ordinary activities before tax	(8,075,019)	(5,628,669)
Standard rate of corporation tax in the UK	19%	19%
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	(1,534,254)	(1,069,447)
Effects of:		
Expenses not deductible for tax purposes	2,995,933	2,342,306
Exempt dividend income	(39,216)	(71,136)
Loan relationship adjustment	407,289	(474,651)
Group loss relief	(1,829,752)	(727,072)
Current tax charge for period	-	-

7 Investments	2023	2022
Cost	£	£
Opening balance	85,605,489	90,892,429
Additions	1,290,000	837,000
Interest capitalised	7,826,975	7,718,220
Revaluations	(15,768,067)	(12,327,924)
Disposals/repayments	(804,462)	(1,514,236)
Closing balance	<u>78,149,935</u>	<u>85,605,489</u>

On 28 May 2020, the company's ultimate parent, Iona Environmental Infrastructure LP (the "fund") refinanced its investments in anaerobic digestion ("AD") assets. As part of the refinance, 11 AD assets in the fund's portfolio were transferred to the company, in order to facilitate a c£60m debt facility, as detailed in note 9.

The company holds 20% or more of the share capital of the following companies registered in England:

Company	Holding/share class	Footnote
Biogen Gwyriad Ltd	48% ordinary shares	1
Biogen Waen Ltd	45% ordinary shares	1
JFS Howla Hay Biogas Ltd	100% ordinary shares	2
JFS Home Farm Biogas Ltd	79% ordinary shares	2
JFS Westholme Farm Biogas Ltd	82% ordinary shares	2
JFS Washfold Farm Biogas Ltd	78% ordinary shares	2
Keithick Biogas Ltd	65% ordinary shares	3
JFS Wray House Biogas Ltd	86% ordinary shares	2
St Boswells Biogas Ltd	93% ordinary shares	3
Leeming Biogas Ltd	55% ordinary shares	3
Gravel Pit Biogas Ltd	92% ordinary shares	3

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
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The nature of business of all investee companies is the production of gas from AD which is injected into the grid or used to generate electricity.

Footnote	Address
1	Milton Parc, Milton Ernest, Bedfordshire, MK44 1YU
2	Marlborough House Westminster Place, Nether Poppleton, York, YO26 6RW
3	123 Pall Mall, London, England, SW1Y 5EA

8 Debtors	2023 £	2022 £
Interest receivable from investee companies	2,238,447	2,071,137
Other debtors	-	559
	<u>2,238,447</u>	<u>2,071,696</u>

9 Creditors: amounts falling due within one year	2023 £	2022 £
Bank loan	2,198,201	2,088,481
Accruals and deferred income	33,500	37,750
	<u>2,231,701</u>	<u>2,126,231</u>

In May 2020, the company arranged a £60m debt facility with two banks, AIB and Banco de Sabadell, of which £40m has been drawn. Interest on the facility is floating however, to economically hedge the variable rate, the company entered into interest rate swaps as outlined in note 12. On 31 March 2022, the floating rate was modified from LIBOR to SONIA.

Fixed interest of 2.83% per annum is payable on the debt facility with total interest of £1,119,233 (2022: £1,246,845) charged during the period. The gross outstanding loan as at 31 March 2023 is £34,138,464 (2022: £36,287,044) which is shown in notes 9 and 10 net of transaction fees of £954,901 (2022: £1,015,000). Principal repayments are payable in six-monthly instalments commencing on September 2020 until August 2034. The maturity profile is detailed in note 14.

The debt facility is secured by way of fixed and floating charge over the assets of the company.

10 Creditors: amounts falling due after one year	2023 £	2022 £
Bank loan	30,985,362	33,183,563
Parent company loan note	57,366,020	51,722,837
	<u>88,351,382</u>	<u>84,906,400</u>

As part of the refinance, a new entity, Iona Environmental Infrastructure Parentco Limited ("Parentco") was created and is the immediate parent of the company. The fund now has an interest in, and a loan note with Parentco and Parentco owns 100% of the shares and has a back to back loan note with the company. Interest of 10.5% per annum is payable on the loan note which totalled £57,366,020 (2022: £51,722,837) at year end. During the year, interest of £5,709,624 (2022: £5,150,363) was charged of which £4,353,183 (2022: £3,700,312) was capitalised. Principal together with any accrued and/or arrears of interest is repayable in four equal instalments, March 2035, September 2035, March 2036 and September 2036.

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

11 Share capital	Nominal value	2023 Number	2023 £	2022 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	1,000	<u>1,000</u>	<u>1,000</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

12 Derivative financial instruments	2023 £	2022 £
Fair value:		
Interest rate swaps	<u>6,067,857</u>	<u>3,248,621</u>

Interest rate swaps:

	Contracted interest rate		Notional principal amount	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	%	%	£	£
Greater than 5 years	0.58	0.58	34,138,463	36,287,044

The company has entered into floating to fixed interest rate swap to hedge the floating interest rate on the bank loan. On 31 March 2022, the floating rate was modified from LIBOR to SONIA.

The fair value of derivative financial instruments is based on discounted cashflows using observable market data.

The above table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at reporting date.

The interest rate swaps have been entered into with trading banks. The company's exposure to credit risk from these financial instruments is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned.

13 Related party transactions

As described in Note 7, the company was set up and a refinance transaction completed in which Iona Environmental Infrastructure Parentco Limited ("Parentco") transferred shares and loan notes in eleven SPVs in exchange for shares and loan note in the company. An additional £1,290,000 (2022: £837,000) was drawn during the year. During the year, interest of £5,709,624 (2022: £5,150,363) was charged, of which £4,353,183 (2022: £3,700,312) was capitalised into the loan balance. At the year end, £57,366,020 (2022: £51,722,837) was due to Parentco.

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

14 Financial risk management

The company is a highly selective investor and adheres to an investment strategy which is dictated by its ultimate parent, the fund. Each investment is subject to an individual risk assessment through an investment approval process. The fund's Investment Committee is part of the overall risk management framework.

Concentration risk

The company focusses on environmental infrastructure projects with reference to the "Bioenergy" sector. Although there is no set target allocation between technologies or feedstock streams, the company diversifies risk by having a balanced portfolio mix of investment size with no single investment greater than 15% of initial cash invested, and using various counterparties and feedstock suppliers.

Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the company to credit risk principally consist of investments, trade debtors, derivative financial instruments, and cash.

The credit quality of investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual investments. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Further detail can be found in the Price risk - market fluctuations disclosure in this Note and the sensitivity disclosure to changes in the valuation assumptions is provided in the investments accounting policy.

Cash is held on demand with trading banks with AA- credit rating.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in meeting contractual obligations associated with financial liabilities. The company manages liquidity risk by maintaining sufficient liquid funds to meet its commitments, based on historical and forecast cash flow requirements. The Investment Manager monitors the forecast cashflows of the company and its underlying investments to maintain sufficient head room to meet its financial covenants in relation to the bank loan.

All of the individual investments are forecast to have sufficient cash resources.

The company has a concentration of funding risk related to the bank debt, which may arise in the event that it is unable to meet the terms and conditions of the facility agreement. At 31 March 2023, the company complied with all covenants of the bank debt.

The following table sets out the undiscounted contractual maturity profile of liabilities as at the balance date. The company has unutilised facilities with its lenders at the balance date; however, as the company is not contractually obligated to meet the funding obligations related to these facilities, they are not included in the liquidity profile.

As at 31 March 2023

	within one year or on demand	Between one and two years	Between two and five years	After five years	Total
	£	£	£	£	£
Bank loan	(2,198,201)	(2,375,407)	(8,784,900)	(19,825,055)	(33,183,563)
Parent company loan note	-	-	-	(57,366,020)	(57,366,020)
	<u>(2,198,201)</u>	<u>(2,375,407)</u>	<u>(8,784,900)</u>	<u>(77,191,075)</u>	<u>(90,549,583)</u>

As at 31 March 2022

	within one year or on demand	Between one and two years	Between two and five years	After five years	Total
	£	£	£	£	£
Bank loan	(2,088,481)	(2,198,201)	(8,217,954)	(22,767,408)	(35,272,044)
Parent company loan note	-	-	-	(51,722,837)	(51,722,837)
	<u>(2,088,481)</u>	<u>(2,198,201)</u>	<u>(8,217,954)</u>	<u>(74,490,245)</u>	<u>(86,994,881)</u>

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and price risk.

The valuation of the company's investments is largely dependent on the operational performance of the companies. Market risk in respect of the investments arises primarily from gas and electricity export prices and feedstock prices.

Gas and electricity export prices

Energy markets have been in a period of unprecedented volatility and price increases over the last 12 months driven by (i) demand returning after COVID-19 and (ii) Russia's invasion of Ukraine & subsequent weaponisation of exported gas. Gas and electricity price risks are reduced by contracting for future gas and electricity prices via Power Purchase Agreements (PPA) or economic hedges. These agreements are all short term in nature (between 3 and 12 months) and the discounted cashflows include the contracted pricing for the period they are in place, after which wholesale market prices are utilised via third party pricing curves that reflect the Manager's assessment of future economic conditions.

Feedstock prices

Investments held at fair value are subject to market price risk in respect of feedstock. The fund considers each investment to have varying degrees of risk based on the type of feedstock it accepts as described below:

- **Commercial** - Commercial sites are exposed to higher market risk as a higher proportion of feedstock is non-contracted and is procured on a just in time basis. Additionally, availability is directly influenced by the levels of commercial activities of counterparties and demand from other industries and therefore at greater risk to external factors such as COVID-19 restrictions and the conflict in Ukraine. Risk is limited by contracting where possible.
- **Agricultural** - In the case of agricultural sites, risk is minimised by entering into long term contracts with local farmers however feedstock quality and quantity (and therefore price) is still subject to market factors such as weather, seasonality and demand from other sectors.
- **Local Authority** - Risk is minimised by entering into long term contracts with stable counterparties however, these sites have historically been exposed to fluctuations due to market factors, particularly COVID-19 restrictions in recent years.

Operational performance risk

Operational performance risk is the risk that the value of the investment is impacted by technical issues or operator error. In the period between construction of the asset and achieving a steady state of operations the risk of technical issues or operator error is increased.

As noted above, the fair value of investments is estimated using discounted cash flow models and in estimating future cash flows the manager is required to make judgements and estimates regarding the time it will take to achieve 'steady state operations' and the quantum of net cash flows arising before and after 'steady state' is reached. Delays in the time it takes for the asset to achieve 'steady state operations' could materially affect the estimated fair values.

- **Technical issues** - relate to the performance of fixed asset equipment and is generally considered lower risk for well-established investments as the fixed asset equipment is fine-tuned and operating teams more experienced, where output is much more consistent.
- **Operator error** - relates to errors occurring from local management. The risk is considered low as all of the fund's investments are managed by professional service providers.

Four out of the 11 assets have had technical issues during the year which has impacted them achieving forecast results. These technical issues have been or are expected to be resolved in the normal course of business and the Manager is closely monitoring these assets to reduce the risk of impacts on the forecast future cashflows and the associated estimated fair values.

The remaining assets are all considered by the manager to be in steady state of operations and therefore low risk.

Other items in the financial statements can be affected by interest rate risk.

Iona Environmental Infrastructure Holdco Limited
Notes to the Accounts
for the year ended 31 March 2023

Interest rate risk

Interest on the loan note is fixed rate. The interest rate on the bank debt is floating however, to economically hedge the variable rate bank loans, the company entered into interest rate swaps (see note 12) to convert the floating rate interest liability into fixed interest cost, therefore the direct impact of a movement in interest rates is limited to the fair value of the interest rate swaps.

15 Analysis of changes in net debt

	2023	2022
	£	£
Net debt		
Bank loan	(33,183,563)	(35,272,044)
Parent company loan note	(57,366,020)	(51,722,837)
Derivative financial instruments	6,067,857	3,248,621
Cash	57,500	112,500
	<u>(84,424,226)</u>	<u>(83,633,760)</u>
Reconciliation of net cash flow to movement in net debt		
Net debt at beginning of period	(83,633,760)	(83,777,250)
Increase/(decrease) in cash	(55,000)	55,000
Net decrease/(increase) in bank loan	2,148,580	2,524,048
Net increase/(decrease) in transaction costs capitalised	(60,099)	(70,601)
Net decrease/(increase) in parent company loan note	(1,290,000)	(837,000)
Interest capitalised during the year	(4,353,183)	(3,700,312)
Fair value gain on derivative financial instruments	2,819,236	2,172,355
Net debt at end of period	<u>(84,424,226)</u>	<u>(83,633,760)</u>

16 Controlling party

In the opinion of the directors, the ultimate beneficial owner is Iona Environmental Infrastructure LP due to it being the sole shareholder of Iona Environmental Infrastructure Parentco Limited, the immediate controlling party of the company. The fund is a limited partnership incorporated in England, registered to 123 Pall Mall, London, SW1Y 5EA.

Iona Capital Ltd is the manager of the fund.

Iona Environmental Infrastructure Holdco Limited
Detailed profit and loss account
for the year ended 31 March 2023

This schedule does not form part of the statutory accounts

	2023	2022
	£	£
Income		
Interest income	11,652,568	10,701,839
Dividend income	206,400	374,400
Net loss on revaluation of investments	<u>(15,768,067)</u>	<u>(12,327,924)</u>
	<u>(3,909,099)</u>	<u>(1,251,685)</u>
 General administrative expenses:		
Bank charges	(521)	(380)
Sundry expenses	<u>(286)</u>	<u>-</u>
	<u>(807)</u>	<u>(380)</u>
 Legal and professional costs:		
Audit fees	(15,500)	(24,000)
Tax fees	(22,200)	(5,500)
Professional Fees	<u>(57,693)</u>	<u>(51,650)</u>
	<u>(95,393)</u>	<u>(81,150)</u>
 Total administrative expenses	<u>(96,200)</u>	<u>(81,530)</u>
 Operating loss	 (4,005,299)	 (1,333,215)