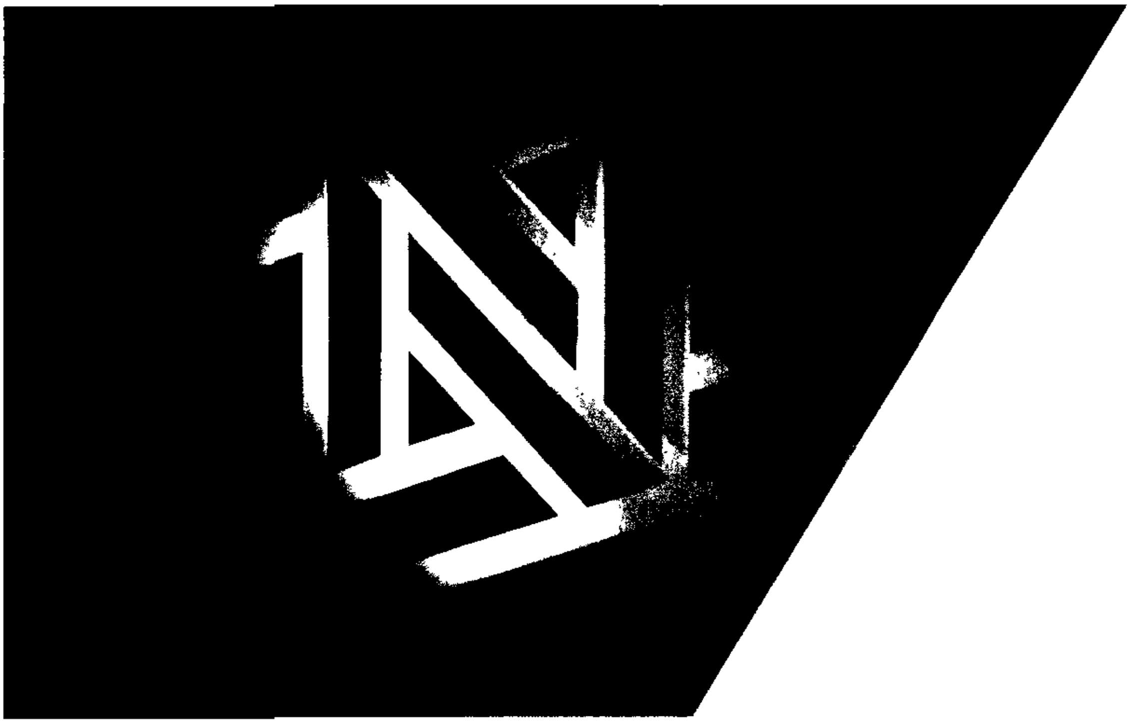
Registration number: 7506806

InfraRed Principal Book (GP) Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2017



www.ircp.com

InfraRed Principal Book (GP) Limited

Contents

InfraRed Principal Book (GP) Limited

Company Information

Directors	C P Gill W M F von Guionneau C J Huxtable T G Thorp
Company secretary	E Mendes
Registered office	12 Charles II Street London SW1Y 4QU
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ
Auditor	KPMG LLP 15 Canada Square London E14 5GL

InfraRed Principal Book (GP) Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements of InfraRed Principal Book (GP) Limited ("the Company") for the year ended 31 December 2017.

Principal activity
The principal activity of the Company is to act as general partner of InfraRed Principal Book Limited Partnership ("the Fund") and it is responsible for the management and control of the business and affairs of the Fund as well as certain other management activities provided for in the respective Limited Partnership Agreement of the Fund.

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

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

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

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

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

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

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

Whilst the Company's functional currency is Euros, the Company also receives income in US dollars. This foreign exchange risk is minimised through setting the management fees payable to the Investment Manager in US dollars for that proportion of priority share received in US dollars.

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

The Company monitors its cash flow requirements daily and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. By virtue of receiving the majority of management fees in advance, the Company is inherently liquid.

Credit risk
Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to pay outstanding amounts as they fall due.

Credit risk for the Company primarily arises from its own working capital in liquid deposits.

With regards to working capital in liquid deposits, the Company only deposits money with appropriately rated banks or in liquidity funds or short term bonds.

Future developments
No change in the Company's activities is anticipated.

Dividends
The directors have declared dividends of €nil (2016: €189,786) in respect of the year ended 31 December 2017 of which €nil was paid during the year (2016: €189,786). Dividends are reflected in the financial statements in the period in which they are declared.

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

C P Gill

W M F von Guionneau

C J Huxtable

T G Thorp

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

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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

InfraRed Principal Book (GP) Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Approved by the Board on 17 May 2018 and signed on its behalf by:

....
C P Gill
Director

Registered Office
12 Charles II Street
London
SW1Y 4QU

InfraRed Principal Book (GP) Limited

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

InfraRed Principal Book (GP) Limited

Independent Auditor's Report to the Members of InfraRed Principal Book (GP) Limited

Opinion
We have audited the financial statements of InfraRed Principal Book (GP) Limited ("the Company") for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Going concern
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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

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

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

Independent Auditor's Report to the Members of InfraRed Principal Book (GP) Limited (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

InfraRed Principal Book (GP) Limited

Independent Auditor's Report to the Members of InfraRed Principal Book (GP) Limited (continued)

....
Bill Holland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

17 May 2018

InfraRed Principal Book (GP) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 €	2016 €
Turnover	3	1,193,467	1,868,504
Operating expenses		(1,181,533)	(1,850,073)
Operating profit		11,934	18,431
Interest payable and similar expenses	5	(43,357)	(15,544)
(Loss)/profit before tax		(31,423)	2,887
Taxation	7	1,417,317	188,066
Profit for the financial year		1,385,894	190,953
Total comprehensive income for the financial year		1,385,894	190,953

The above results were derived from continuing operations.

The notes on pages 12 to 16 form an integral part of these financial statements.

InfraRed Principal Book (GP) Limited

(Registration number: 7506806)
Statement of Financial Position as at 31 December 2017

	Note	2017 €	2016 €
Current assets			
Debtors	8	161	373,771
Cash at bank and in hand		1,852,230	1,510,043
		1,852,391	1,883,814
Creditors: Amounts falling due within one year	9	(275,543)	-
Total assets less current liabilities		1,576,848	1,883,814
Provisions for liabilities	10	-	(1,692,860)
Net assets		1,576,848	190,954
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account		1,576,847	190,953
Total equity		1,576,848	190,954

Approved and authorised by the Board on 17 May 2018 and signed on its behalf by:

....

C P Gill

Director

The notes on pages 12 to 16 form an integral part of these financial statements.

InfraRed Principal Book (GP) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital €	Profit and loss account €	Total €
At 1 January 2016	1	189,786	189,787
Profit for the year	-	190,953	190,953
Dividends	-	(189,786)	(189,786)
At 31 December 2016	1	190,953	190,954

	Share capital €	Profit and loss account €	Total €
At 1 January 2017	1	190,953	190,954
Profit for the year	-	1,385,894	1,385,894
At 31 December 2017	1	1,576,847	1,576,848

The notes on pages 12 to 16 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
12 Charles II Street
London
SW1Y 4QU

These financial statements were authorised for issue by the Board on 17 May 2018.

2 Accounting policies

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

Statement of compliance
These financial statements were prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Basis of preparation
These financial statements have been prepared using the historical cost convention. These financial statements are presented in Euros, the Company's functional currency.

Turnover
Turnover is recognised to the extent that the Company obtains the right to consideration. Turnover comprises priority profit share and is recorded on an accruals basis as it falls due.

Operating expenses
Operating expenses principally consists of management fees. The Company has appointed InfraRed Capital Partners Limited ("the Investment Manager") to act as operator and investment manager to the Fund. The Company pays a fee to the Investment Manager in respect of these services which is calculated in accordance with the investment management agreement between the Company and the Investment Manager on an accruals basis.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

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

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.

Judgements
When preparing the financial statements, it is the directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent. There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

Dividends
Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Cash flow statement
The Company is a wholly-owned subsidiary of InfraRed Capital Partners (Management) LLP and is included in the consolidated financial statements of InfraRed Capital Partners (Management) LLP. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102.1.12.

InfraRed Principal Book (GP) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Turnover

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

	2017	2016
	€	€
General Partner priority profit share	1,193,467	1,868,504

4 Information regarding directors and employees

Directors are not remunerated by the Company. The directors are all partners of InfraRed Capital Partners (Management) LLP, the ultimate controlling party and are remunerated through profit shares from InfraRed Capital Partners (Management) LLP.

The number of persons employed by the Company during the year was nil (2016: nil).

5 Interest payable and similar expenses

	2017	2016
	€	€
Foreign exchange (gains) / losses	43,357	15,544

6 Auditor's remuneration

The auditor's remuneration for statutory audit services for the year was €3,621 (2016: €3,060), and was borne by a fellow group subsidiary and relates solely to amounts paid to KPMG LLP.

7 Taxation

Tax charged/(credited) in the income statement

	2017	2016
	€	€
Current taxation		
UK corporation tax	191,429	(373,646)
Adjustments in respect of prior years	84,114	(2,144)
	275,543	(375,790)
Deferred taxation		
Origination and reversal of timing differences	(1,713,852)	373,701
Effect of changes in tax rates	21,956	(188,095)
Adjustments in respect of prior years	(964)	2,118
Total deferred taxation	(1,692,860)	187,724
Tax credit in the income statement	(1,417,317)	(188,066)

7 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 €	2016 €
(Loss)/profit before tax	(31,423)	2,887
Corporation tax at standard rate	(6,048)	577
Effects of:		
Income not taxable for tax purposes	(1,524,721)	-
Amounts not deductible for tax purposes	8,346	(522)
Changes in tax rates	21,956	(188,095)
Adjustments in respect of prior years	83,150	(26)
Total tax credit	(1,417,317)	(188,066)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

8 Debtors

	2017 €	2016 €
Corporation tax receivable	-	373,646
Other debtors	161	125
	161	373,771

9 Creditors

	Note	2017 €	2016 €
Due within one year			
Other payables		84,114	-
Corporation tax	7	191,429	-
		275,543	-

InfraRed Principal Book (GP) Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

10 Deferred tax and other provisions

	Deferred tax €
At 1 January 2017	1,692,860
Adjustment in respect of previous periods	(964)
Current year movement	(1,713,852)
Effect of changes in tax rates	21,956
At 31 December 2017	-

11 Share capital

Allotted, called up and fully paid shares

	2017 No.	2017 €	2016 No.	2016 €
Ordinary share of €1 each	1	1	1	1

12 Related party transactions

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

13 Parent and ultimate parent undertaking

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

The ultimate parent undertaking of the Company is InfraRed Capital Partners (Management) LLP, which is the largest and only group which consolidates the results of the Company.

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

14 Subsequent events

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

Limited Partnership: Registered No. LP14373

INFRARED PRINCIPAL BOOK LIMITED PARTNERSHIP

General Partner's report and audited financial statements for the year ended 31 December 2017

INFRARED PRINCIPAL BOOK LIMITED PARTNERSHIP

CONTENTS

REPORT OF THE GENERAL PARTNER

Report of the General Partner

InfraRed Principal Book (GP) Limited (the "General Partner") presents its report and the audited financial statements of the InfraRed Principal Book Limited Partnership (the "Partnership") for the year ended 31 December 2017.

Limited Partnership

The Partnership is a Limited Partnership established and registered in England and Wales, under the Limited Partnerships Act 1907 on 30 March 2011.

Activities

The Principal activity of the Partnership is to act as a holding partnership for investments which are managed by the Investment Manager, InfraRed Capital Partners Limited.

The Partnership's business activity is to invest in real estate entities with the intention of maximising the return on those investments.

The General Partner, a limited company incorporated in England, is responsible for supervising the administration and record keeping of the Partnership's assets as well as certain other non-portfolio management activities provided for in the Limited Partnership Agreement (the "LPA").

The General Partner has appointed InfraRed Capital Partners Limited (the "Manager") to act as operator and investment manager of the Partnership.

The Partnership's financial risk management policies are detailed in note 11 of the financial statements.

Results

The results of the Partnership for the year ended 31 December 2017 are set out on page 5.

Disclosure of information to auditor

The directors of the General Partner, who held office at the date of approval of this report, confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditor is unaware; and each director of the General Partner has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

Auditor

KPMG LLP is deemed to be reappointed by the General Partner in accordance with the LPA.

REPORT OF THE GENERAL PARTNER (continued)

The General Partner's responsibilities statement

Under the Partnership Agreement, the General Partner is responsible for the preparation of financial statements for the year ending 31 December 2017 which are intended by them to give a true and fair view of the state of affairs of the partnership and of the profit or loss for that period. They have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

In preparing the financial statements, the General Partner has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assessed the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

The General Partner is 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 partnership and to prevent and detect fraud and other irregularities.

C P Gill

Director
6th July 2018

Registered Office:
12 Charles II Street
London
SW1Y 4QU
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF INFRARED PRINCIPAL BOOK LIMITED PARTNERSHIP

Opinion

We have audited the financial statements of InfraRed Principal Book Limited Partnership for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Partners' Funds, the Statement of Cash Flows and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Partnership agreement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 2 March 2018. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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 twelve months from the date of approval of the non-statutory accounts. We have nothing to report in these respects.

Other information

The partners are responsible for the other information, which comprises the General Partners' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

General Partner's responsibilities

As explained more fully in their statement set out on page 2, the General Partner is responsible for the preparation of financial statements in accordance with the Partnership Agreement, that 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 partnership'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 partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF INFRARED PRINCIPAL BOOK LIMITED PARTNERSHIP *(continued)*

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

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

This report is made solely to the partners, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the partners those matters we have been engaged to state to them in this 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 partners, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG LLP

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

6 July 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	2017	2016
		€	€
Investment income	3	-	292,570
Impairment reversal on investments	6	1,254,072	625,794
Loss on sale of investments		(452,328)	-
Foreign exchange gain		1,004,606	1,178,240
Operating expenses	4	(55,934)	(84,607)
Profit for the year before financing cost and General *Partner's priority profit share*		1,750,416	2,011,997
Finance costs		(4,619)	(50)
Profit for the year before General Partner's priority profit share		1,745,797	2,011,947
General Partner's priority profit share		(1,187,526)	(1,871,642)
Profit for the year allocated to Partners' current accounts		558,271	140,305
Total comprehensive income for the year		558,271	140,305

All results shown in the Statement of Comprehensive Income are derived entirely from continuing operations.

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017 €	2016 €
Assets			
Non-current assets			
Investments	5	64,000	86,338,328
Loans receivable	6	34,147,614	37,935,656
		34,211,614	124,273,984
Current assets			
Trade and other receivables	7	49,162	78,212
Cash and cash equivalents	9	34,579	563,618
		83,741	641,830
Total assets		34,295,355	124,915,814
Liabilities			
Current liabilities			
Trade and other payables	8	(11,239)	(11,355)
Net current assets		72,502	630,475
Net assets attributable to partners		34,284,116	124,904,459
Representing			
Partners' capital accounts		6	6
Partners' loan accounts		50,092,418	141,271,032
Partners' current accounts		(15,808,308)	(16,366,579)
Partners' funds		34,284,116	124,904,459

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors of the General Partner on 6th July 2018 and signed on its behalf by:

C P Gill

Director

STATEMENT OF CHANGES IN PARTNERS' FUNDS
for the year ended 31 December 2017

	Partners' capital accounts	Partners' loan accounts	Partners' current accounts	Total
	€	€	€	€
At 1 January 2016	6	137,808,665	(16,506,884)	121,301,787
Partners' loan contribution (US$)	-	1,097,808	-	1,097,808
Partners' loan contribution (€)	-	2,651,280	-	2,651,280
Distributions		(286,721)		(286,721)
Total comprehensive income for the year	-	-	140,305	140,305
At 31 December 2016	6	141,271,032	(16,366,579)	124,904,459
Partners' loan contribution (US$)	-	307,824	-	307,824
Partners' loan contribution (€)	-	60,000	-	60,000
Partners' loan repaid (€)		(85,453,508)		(85,453,508)
Distributions	-	(3,852)	-	(3,852)
Total comprehensive income for the year	-	-	558,271	558,271
Foreign exchange movements on Partners' loan contributions	-	(6,089,078)	-	(6,089,078)
At 31 December 2017	6	50,092,418	(15,808,308)	34,284,116

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Note	2017	2016
		€	€
Cash flows from operating activities			
Profit for the year before General Partner's priority profit share		1,745,797	140,305
Adjustments for:			
Loss on sale of investments		452,328	-
Impairment reversal on investments		(1,254,072)	(625,794)
Foreign exchange gain		(1,004,606)	(1,138,480)
Finance costs		4,619	50
		(55,934)	(1,623,919)
Decrese in trade and other receivables	7	7,356	3,509
Increase / (decrease) in trade and other payables	8	335	(1,386,353)
Net cash used in operating activities		(48,243)	(3,006,763)
Cash flows from investing activities			
Additions to investments		(64,000)	-
Proceeds from disposal of investments		85,886,000	-
Addition to loan receivable	6	(21,115)	(291,640)
Net cash generated from / (used in) investing activities		85,800,885	(291,640)
Cash flows from financing activities			
Proceeds from partners' contributions		367,824	3,749,088
Repayments of partners' loan		(85,453,508)	-
Distributions		(3,852)	(286,721)
GPS paid		(1,187,526)	-
Finance costs paid		(4,619)	(50)
Net cash (used in)/generated from financing activities		(86,281,681)	3,462,317
Net (decrease)/increase in cash and cash equialents		(529,039)	163,915
Cash and cash equivalents at 1 January		563,618	399,704
Cash and cash equivalents at 31 December		34,579	563,618

The accounting policies and notes on pages 9 to 18 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Accounting Standards (IAS's) as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU').

b) Basis of preparation

The financial statements are prepared on a historical cost basis, as modified by the revaluation of investments at fair value, and are presented in Euro ("€", "EUR"), the Partnership's functional currency.

The preparation of financial statements in conformity with IFRSs requires the General Partner 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The key judgements, estimates and assumptions are the fair value of investments.

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

c) New accounting standards, amendments to existing accounting standards adopted during the year

The Partnership has adopted the following IFRSs in these financial statements with no material impact on the financial statements:

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to IFRSs – 2014-2017 Cycle
- Disclosure Initiative – Amendments to IAS 1
- Annual Improvements to IFRSs – 2012-2014 Cycle
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

d) New accounting standards, amendments to existing accounting standards not yet applied

The following IFRSs have been issued but have not been applied in these financial statements.

After adoption of IFRS 9 Financial Instruments (effective date 1 January 2018) assets currently classified as available for sale will be classified as fair value through profit and loss and changes in fair value will be recognised in profit and loss rather than other comprehensive income.

The adoption of the following standards are not expected to have a material effect on the financial statements:

- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)
- IFRS 16 Leases as a lessee (effective date 1 Jan 2019)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investment income

Investment income comprises dividend income and it is recognised in the Statement of Comprehensive Income when it is probable that the economic benefit associated with the transaction will flow through to the Partnership.

f) Expenses

All expenses are accounted for on an accruals basis. The Partnership's administration fees, finance costs and all other expenses are charged to the Statement of Comprehensive Income. Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

g) *Foreign currencies*

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated *at the rates prevailing on the Statement of Financial Position 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 gains and losses arising on translation are recognised in the Statement of Comprehensive Income for the year.

h) Financial instruments – assets and liabilities

Financial assets and liabilities are recognised when the Partnership becomes a party to the contractual terms of the investment. Unless otherwise indicated, the carrying amounts of the financial assets and liabilities are reasonable estimates of their fair value.

The Partnership classifies its financial instruments in the following categories, trade and other receivables, trade and other payables, loan receivables, available-for-sale investments, and *derivatives. The classification depends on the purpose for which the financial instruments were* acquired. The Partnership determines the classification of its financial instruments at initial recognition.

Trade and other receivables

Trade and other receivables are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost. If there is objective evidence that the recoverability of the receivable is at risk, appropriate allowance is made for estimating irrecoverable amounts which are recognised in the Statement of Comprehensive Income.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments – assets and liabilities (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses. The Partnership's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

Investments

Investments in shares held by the Partnership are classified as being available for sale. These investments are held at fair value, with valuation gains or losses being recognised in other comprehensive income, except for any impairment losses or their reversal, which are recognised in profit and loss.

Fair value

For financial instruments carried at fair value, IFRS 13 "Fair value measurement" requires an entity to classify fair value measurements into a fair value hierarchy, with the following levels, by reference to the observability and significance of the inputs used in making the measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

i) Priority profit share

In accordance with the LPA, the General Partner is entitled to a priority profit share (General Partner's Share which is charged as an expense to the Statement of Comprehensive Income as the liability falls due.

j) Distributions

After payment of or provision for costs, expenses and obligation of the Partnership (including, without limitation, any amounts payable), all income and capital of the Partnership will be allocated and subsequently distributed first to the General Partner until it has received sums equal to the Priority Profit Share for the current Accounting Period and thereafter to the Limited Partner pro rata to their respective Capital Contributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment

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 in the statement of comprehensive income. 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 Statement of Comprehensive Income.

l) Taxation

The Partnership, as a separate entity, is not subject to tax. Any tax liability arising on the activity of the Partnership will be borne by the individual investing Partners.

m) Cash and cash equivalents

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

2. USE OF ASSUMPTIONS AND ESTIMATES

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

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

Valuation of investments

Investments held at fair value are valued using the discounted cash flow method. Valuations of investments are particularly sensitive to the judgements made by the Investment Manager on discount rates and assumptions around the timing of cash flows, dividends and capital requirements.

3. INVESTMENT INCOME

	2017	2016
	€	€
Distributions received	-	292,570

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

4. OPERATING EXPENSES

Operating expenses include:

	2017	2016
	€	€
Operating expenses include:		
Fees payable for the audit	11,673	10,176

5. AVAILABLE FOR SALE INVESTMENTS

	2017	2016
	€	€
At 1 January	86,338,328	86,342,460
Additions	64,000	-
Impairments	-	(4,622)
Disposals	(86,338,328)	-
Exchange gain/(loss)	-	490
At 31 December	64,000	86,338,328

Net additions during the year were as follows:

	2017
	€
IRERE Property Investments (Luxembourg) SARL	
Share premium	64,000
	64,000

The fair value measurement of the Partnership's investments in IRERE Property Investments (Luxembourg) SARL (IPIL) of €64,000 (2016: €86.3 million).

On 17th July 2017 IRERE Property Investments (Luxembourg) SARL ("IPIL") sold all of its 50% shareholding in Lamada Olympia Village SA, which owned the shopping centre in Athens, Greece. The sale realised the proceeds of €86.3 million. IPIL owns no other investment.

The equity investment in Indochina Investments L.P. was impaired to zero in 2015. The impairment of €1.254m is based upon the fare value of the underlying real assets plus working capital less outstanding debt.

Investment held as available for sale investments at 31 December 2017 comprise:

Company	Ownership interest	Country of incorporation
IRERE Property Investments (Luxembourg) SARL	100% of ordinary share capital	Luxembourg
Indochina Investments L.P.	33.3% of ordinary share capital	United Kingdom

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

6. LOANS RECEIVABLE

	2017	2016
	€	€
At 1 January	37,935,656	35,879,742
Additons	21,115	291,640
Impairment reversal	1,254,072	625,794
Exchange (loss)/gain	(5,063,229)	1,138,480
At 31 December	34,147,614	37,935,656

Investment in loans comprise:

Company	Country
Indochina Investments L.P. (Feeder Fund)	UK

The Partnership has entered into a commitment with Indochina Investment L.P (Feeder Fund) for US$50,000,000 of which US$43,075,328 (2016: US$43,050,328) has been drawn down. This loan is non-interest bearing and is repayable at the termination of the Partnership. The loan is considered to a long-term investment.

At 31 December 2017 the impairment in investment was reversed by €1,254,072, leaving an impairment of €1,764,555 (2016: €3,018,627). The fair value measurement was based upon the fair value of property held by the underlying investments plus other net assets of the underlying companies.

The General Partner considers the carrying amounts of the loan receivable recognised in the financial statements approximate its fair value.

7. TRADE AND OTHER RECEIVABLES

	2017	2016
	€	€
Amounts due from group undertakings	-	60,150
VAT - Recoverable	1,662	562
Other receivables	47,500	17,500
	49,162	78,212

8. TRADE AND OTHER PAYABLE

	2017	2016
	€	€
Other payables	11,239	11,355

9. CASH AND CASH EQUIVALENTS

	2017	2016
	€	€
Cash at bank	34,579	563,618

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

10. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The following tables analyse the carrying amount of financial instruments by category as defined in IAS 39 "Financial instruments: recognition and measurement" and by heading in the statement of financial position.

At 31 December 2017	*Note*	Available *for sale*	Loans and *receivables*	Other financial *liabilities*	*Total*
		€	€	€	€
Financial assets					
Cash and cash equivalents	9	-	34,579	-	34,579
Trade and other receivables	7	-	49,162	-	49,162
Available for sale investments	5	64,000	-	-	64,000
Loans receivable	6	-	34,147,614	-	34,147,614
		64,000	34,231,355	-	34,295,355
Financial liabilities					
Trade and other payables	8	-	-	11,239	11,239

At 31 December 2016	Note	Available for sale	Loans and receivables	Other financial liabilities	Total
		€	€	€	€
Financial assets					
Cash and cash equivalents	9	-	563,618	-	563,618
Trade and other receivables	7	-	78,212	-	78,212
Available for sale investments	5	86,338,328	-	-	86,338,328
Loans receivable	6	-	37,935,656	-	37,935,656
		86,338,328	38,577,486	-	124,915,814
Financial liabilities					
Trade and other payables	8	-	-	11,355	11,355

b) Fair value measurement

The Partnership's financial assets measured at fair value are required to be classified into a fair value hierarchy by reference to the observability and significance of the inputs used in making the measurement as prescribed by IFRS 13. "Fair value measurements", the Partnership's investments are classified as Level 3 as there are no observable inputs to the pricing of the investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

11. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Partnership's exposure to credit, market and liquidity risk arises in the normal course of its business. This note presents information about the exposure to each of the above risks and the Manager's objectives, policies and processes for measuring and managing these risks.

Risk management framework

The Partnership is part of the InfraRed Capital Partners (Management) LLP group ("the Group"). 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 General Partner is responsible for ensuring that the Partnership 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 General Partner considers its risk management framework is appropriate for a partnership of its size and complexity.

a) **Credit risk**

The credit risk relating to the purchase and sale of assets is principally managed through contractual protections in the relevant transaction agreement and due diligence on the counterparties. The credit risk relating to banks is managed through using banks with a credit rating of 'A' or above.

In relation to receivables from funds credit risk stems largely from insolvency caused by investor default. This underlying risk is mitigated by investors' contractual obligation to commit capital, the forfeiture provisions of limited partnership agreements and the variety and diversity of investors. It is further controlled by an assessment of credit-worthiness prior to accepting investors. The General Partner considers the likelihood that Limited Partners will fail to meet their commitments as they are called to be remote.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, and trade and other receivables at the reporting date as disclosed in note 7.

b) **Market risk**

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

The Partnership has no significant exposure to interest rate risk. Foreign exchange risk is managed through the use of forward foreign exchange contracts. Foreign exchange hedging is considered by the Manager on the purchase of each new investment, and is monitored on an on-going basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

11. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Partnership may be unable to meet its payment obligations as they fall due or can only do so at a significantly higher cost than in the normal course of business.

The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Partnership's reputation. The Partnership's principal sources of liquidity are: undrawn Limited Partners' commitments; third party bridging facilities (as permitted under the Partnership Deed); and income from its investments. The Manager monitors the Partnership's liquidity through regular cash flows forecasting, which includes forecasting the amounts of liquidity resources that are available to it.

The Manager assesses the financial strength of the Limited Partners on their admission to the Partnership and thereafter their credit standing is monitored regularly.

The following table indicates the periods in which the respective cash flows are expected to occur. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2017	Note	Carrying value	Contractual cash flows	Due within 12 months
		€	€	€
Trade and other payables	8	11,239	11,239	11,239
		11,239	11,239	11,239

At 31 December 2016	Note	Carrying value	Contractual cash flows	Due within 12 months
		€	€	€
Trade and other payables	8	11,355	11,355	11,355
		11,355	11,355	11,355

The Partnership is also exposed to liquidity risk on commitments due from Limited Partners. Under the terms of the Limited Partnership Agreement, any Partner in default is required to pay interest to the Partnership on the outstanding balance at a rate of EURIBOR plus 4% per annum. The General Partner considers the likelihood that Limited Partners will fail to meet their commitments as they are called to be remote.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

12. RELATED PARTY TRANSACTIONS

The Partnership is a related party of all companies within the InfraRed Capital Partners (Management) LLP ("InfraRed") group by virtue of its General Partner being InfraRed Principal Book (GP) Limited, an InfraRed group company incorporated in England and Wales.

Under the terms of the LPA, the General Partner is entitled to a priority profit share. The priority profit share is disclosed in the statement of comprehensive income for the years ended 31 December 2017 and 2016. At 31 December 2017, the Partnership has paid profit priority share to the General Partner of €1,187,526 (2016: €1,871,642).

Distributions of €3,852 were made to the partners for the year 2017 (2016: €286,721).

13. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of the Partnership is HSIL Investments Limited which is incorporated in England and Wales.

The ultimate parent undertaking of the Partnership is HSBC Holdings Plc, which is the largest and only group which consolidates the results of the Partnership.

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

14. SUBSEQUENT EVENTS

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

15. COMMITMENTS AND CONTINGENCIES

There are no contingent assets and liabilities at the statement of financial position date requiring disclosure in these financial statements.