HICL INFRASTRUCTURE

Annual Report & Consolidated Financial Statements

for the year ended 31 March 2012

HICL Infrastructure Company Limited

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HICL INFRASTRUCTURE

Highlights

for the year ended 31 March 2012 (on an Investment basis unless noted otherwise[1])

HICL INFRASTRUCTURE

- **Portfolio performance and cash generation remain strong despite economic headwinds**
- **Directors' Valuation of the portfolio at 31 March 2012 of £902.0m, up from £673.1m at 31 March 2011, a 34% increase**
- **Raised £325.9m (before expenses) through a C Share issue of £250.0m in March 2012 and tap issues in aggregate of 65.9m shares (£75.9m) in the year**
- **33 new investments and 5 incremental stakes acquired, with a combined investment value of £236.6m**
- **Additional £88.6m of investments since year end with pipeline of further investment opportunities under consideration**
- **Net asset value ("NAV") per Ordinary Share at 31 March 2012 of 117.0p (2011: 110.4p) on a consolidated IFRS basis and 116.3p (2011: 113.1p) on an Investment basis**
- **NAV per Ordinary Share post distribution of 112.8p at 31 March 2012 compared to 109.7p at 31 March 2011, a 2.8% increase**
- **Profit before tax of £62.0m (2011: £45.2m)**
- **Second interim distribution of 3.5p for the year to 31 March 2012 declared, with a scrip dividend alternative, giving total distributions of 6.85p for the year, an increase of 2.2%**

[1] In order to provide shareholders with further information regarding the Group's net asset value, coupled with greater transparency in the Company's capacity for investment and ability to make distributions, as in previous periods, the results have been restated in proforma tables with all investments accounted for on an Investment basis

Results on an Investment Basis		
for the year to	31 March 2012	31 March 2011
Profit before tax (Revenue)	**£33.2m**	£24.3m
Profit before tax (Capital)	**£28.8m**	£20.9m
Profit before tax	**£62.0m**	£45.2m
Earnings per share	**9.8p**	8.9p
Second interim dividend per share	**3.50p**	3.425p
Total dividend per share in year	**6.85p**	6.7p

Net Asset Values		
	Investment Basis	Consolidated IFRS Basis
Net Asset Value (NAV) per share at listing	98.4p	98.4p
Net Asset Value (NAV) per Ordinary Share at 31 March 2012	116.3p	117.0p
Second interim dividend per Ordinary Share (declared 12 April 2012)	3.5p	3.5p
NAV per Ordinary Share at 31 March 2012 after deducting the second interim dividend	112.8p	113.5p
NAV per Share at 31 March 2011 after deducting the second interim dividend	109.7p	107.0p
NAV per C Share at 31 March 2012	98.7p	98.7p

Results on a Consolidated IFRS Basis		
for the year to	31 March 2012	31 March 2011
Profit before tax (Revenue)	**£20.9m**	£19.6m
Profit before tax (Capital)	**£63.3m**	£18.7m
Profit before tax	**£84.2m**	£38.3m
Earnings per share	**13.1p**	9.0p
Second interim dividend per share	**3.5p**	3.425p
Total dividend per share in year	**6.85p**	6.7p

Information on HICL Infrastructure Company Limited

HICL Infrastructure Company Limited ("HICL" or the "Company" or, together with its 100% owned holding company subsidiaries, the "Group") was the first investment company listed on the London Stock Exchange set up to invest in infrastructure projects. It was launched in March 2006 as HSBC Infrastructure Company Limited, and raised £250m with which it purchased an initial portfolio (the "Initial Portfolio") of interests in 15 PFI/PPP projects. The Company changed its name to HICL Infrastructure Company Limited in 2011.

In May 2008, December 2009, December 2010 and March 2012 the Company raised further equity capital by the issue of C Share issues which subsequently converted into Ordinary Shares. As at 22 May 2012, it has a Portfolio of 72 investments in infrastructure projects in the UK, Canada, Holland and Ireland.

The Company has achieved a progressive distribution policy since launch and is targeting a distribution of 7.0p per share for the year to 31 March 2013. The long-term target Internal Rate of Return ("IRR") is around 7% (as stated in the February 2012 C Share prospectus based on the predicted C Share conversion ratio).

At launch in March 2006, 250,000,000 Ordinary Shares were issued. With conversion of C Shares, together with shares issued as a result of tap issues and scrip dividend, the total Ordinary Shares in issue at 22 May 2012 was 883,472,215.

The Investment Adviser to the Company is InfraRed Capital Partners Limited, which is authorised and regulated by the Financial Services Authority. Total headcount of the InfraRed group is over 80 and the infrastructure team now comprises 38 staff in offices in London, Paris and New York. Eleven are dedicated to advising the Group and a further five allocate a large part of their time to supporting the Group and its investments.

Since launch, the Company has paid the following dividends:

period to 31 March 2007	year to 31 March 2008	year to 31 March 2009	year to 31 March 2010	year to 31 March 2011	year to 31 March 2012
total of 6.1p	total of 6.25p	total of 6.4p	total of 6.55p	total of 6.7p	total of 6.85p[1]

[1] Second interim to be paid end of June 2012

Information on HICL Infrastructure Company Limited

Company Summary	
Investment Adviser ("IA") and Operator	InfraRed Capital Partners Ltd which is a wholly owned subsidiary of InfraRed Partners LLP, which is owned 80.1% by senior management and 19.9% by a subsidiary of HSBC Holdings plc
Company Secretary and Administrator	Dexion Capital (Guernsey) Ltd
Shareholders' funds	£778.1m on an IFRS basis (£773.7m on an Investment basis) as at 31 March 2012, plus £246.8m in relation to the C Shares
Market capitalisation	£1.1bn as at 31 March 2012 (including the C Shares)
Investment Adviser and Operator Fees	▸ 1.1%[1] per annum of the Adjusted Gross Asset Value[2] of the investments up to £750m, 1.0% per annum up to £1.5bn, 0.9% per annum thereafter ▸ 1.0% of the value of new acquisitions[3] ▸ £0.1m p.a. investment advisory fee ▸ No performance fee ▸ All fees from underlying Project Companies paid to the Group (and not to the IA)
ISA, PEP and SIPP status	The Ordinary Shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market and they are permissible assets for SIPPs
Investment policy	The Company's investment policy is set out on pages 13 and 14 and can also be found on the Company's website
Website	**www.hicl.com**

Notes:

[1] For assets in construction or ramp-up the rate is 1.5%.

[2] Adjusted Gross Asset Value means fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations.

[3] Does not apply to acquisitions sourced from the InfraRed Capital Partners Group, or entities managed by it.

Chairman's Statement

On behalf of the Board, I am pleased to report another very successful and busy year for the Company. The Company has continued to meet its stated objectives and has delivered a total return (based on share price) for shareholders of 8.0% in the year. Whilst uncertainty remains over the economic and financial prospects for the global economy, the Company's portfolio of assets continues to perform well which, in turn, enables us to provide investors with an attractive and growing distribution.

The Group has been successful during the year in making 33 new investments and five incremental acquisitions for a total of £236.6m.

Financial Results and Performance

Financial Results

As in previous periods, the Company has prepared pro-forma accounts on an Investment basis (treating all 70 holdings as investments). Profit before tax on an Investment basis was £62.0m (2011: £45.2m) and earnings per share on an Investment basis were 9.8p (2011: 8.9p per share). This increase was driven by contributions from new investments, actual inflation exceeding the 2.75% valuation assumption and valuation uplifts from projects coming out of construction. Cash received from the portfolio by way of distributions, capital repayments and fees was £51.2m (2011: £45.6m). After Group costs, net cash inflows of £41.0m adequately covered the distributions paid in the year. The growth in cash generated was in line with our projections, benefitting from acquisitions in the current and the prior year.

On a consolidated IFRS basis, the profit before tax was £84.2m (2011: £38.3m). Profit before tax has increased materially due to gains on finance receivables arising from a 1.0% reduction in UK long term gilt rates which has only partially been offset by adverse mark-to-market movements on interest rate swaps.

The Company has raised a total of £325.9m (before expenses) in the year: £75.9m through tap issues and £250.0m through the successful C Share capital raising in March 2012 which was oversubscribed.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) amounted to £11.1m in the year, comprising their 1.1% per annum management fee (1.5% per annum for assets in construction), the 1.0% fee on the acquisitions made and an advisory fee of £0.1m. The Investment Adviser does not receive any fees from, nor are there any contracts with, the investment project companies in the portfolio. For example, directors' fees from these companies are for the benefit of the Group. Had these fees been paid to the Investment Adviser, they would have amounted in aggregate to £2.2m, equivalent to an additional fee of 0.28% on assets under management. We believe our approach ensures alignment of interests between stakeholders and conforms to our policy of transparency.

The total expense ratio ("TER") for the Group on an Investment basis was 1.34% (being the Group's £10.4m of operational expenses excluding acquisition costs as a percentage of the Group's £773.7m net assets on an Investment basis). This compares with 1.20% for the year to 31 March 2011, the increase arising from changes in the growth profile of net assets.

The Association of Investment Companies ("AIC") is now recommending reporting an Ongoing Charges Percentage instead of a TER. As at 31 March 2012, using the AIC methodology, the Company's Ongoing Charges Percentage was 1.36% (there is no performance fee payable to any service provider).

More details of the financial results are set out below.

Portfolio Performance

The Group's portfolio continues to perform well, and as at 31 March 2012 consisted of 70 PFI/PPP/P3 projects. The Kemble Water junior loan was repaid in full in April 2011.

The Group currently has two projects under construction. On the M80 Motorway DBFO, construction is substantially complete with traffic now using the road, and we expect final construction completion this summer. On the Birmingham Hospitals project acquired since the year end, construction will also be finished this summer.

The Investment Adviser's asset management team continues its work across the Group's portfolio of assets, maintaining dialogue with our public sector clients and partners to find new efficiencies and savings. Guidance published by HM Treasury has prompted a constructive response from public sector clients.

Valuation

As in previous periods, the Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 31 March 2012. This valuation is based on a discounted cashflow analysis of the future expected equity and loan note cashflows accruing to the Group from each investment. This valuation uses key assumptions which are derived from a review of recent comparable market transactions in order to arrive at a fair market value.

The Directors have satisfied themselves as to the methodology used, the economic assumptions adopted, and the discount rates applied. The Directors have again taken independent third party advice on the valuation carried out by the Investment Adviser.

The Directors have approved the valuation of £902.0m for the portfolio of 70 investments as at 31 March 2012. There were no outstanding investment commitments at 31 March 2012.

The valuation of £902.0m compares as £673.1m as at 31 March 2011, £719.3m as at 30 September 2011, and £889.7m as at 31 December 2011 (reported in the Company's IMS of 10 February 2012). An analysis of the increase in the valuation is detailed in the Investment Adviser's Report.

On an Investment basis the NAV per share was 116.3p at 31 March 2012 (2011: 113.1p). The Investment basis NAV per share after the second interim distribution at 31 March 2012 was 112.8p; an increase of 2.8% over the comparable figure at 31 March 2011 being attributable to a robust performance from the portfolio coupled with incremental earnings from new investments, as described in more detail in the Investment Adviser's Report.

The resulting NAV per share on an IFRS basis at 31 March 2012 was 117.0p (2011: 110.4p).

Acquisitions

The Group has made 33 new investments and five incremental acquisitions during the year for a total consideration of £236.6m. Through the portfolio acquisition of 26 operational PPP projects in December 2011, the Group acquired its first two PPP investments in Ireland. Further details are set out in the Investment Adviser's report.

Since the period end the Group has acquired two new investments and a further incremental stake. These are the 19.5% interest in the Connect PFI project, a 30% interest in the Birmingham Hospitals project, and a 14% additional stake in the Colchester Garrison project. These are in line with our expectations at the time of the C Share in March 2012 and the total consideration was £88.6m. This leaves around £19m from the C Share capital raising still to be invested (after which the Group's £150m debt facility will be employed).

Distributions

On 12 April 2012 the Board declared a second interim distribution of 3.5p per share for the year to 31 March 2012 (2011: 3.425p). This brings the total distributions declared for the year to 6.85p representing a 2.2% growth on the prior year.

A circular has been sent to shareholders offering them the opportunity to participate in the Company's scrip dividend scheme. Shareholders need to decide by 12 June if they wish to take up the scrip dividend offer in part or in full. The distribution (or scrip dividend) will be paid to those shareholders on the register as at 20 April 2012, and will be settled at the end of June. As previously announced, Ordinary Shares resulting from the C Share conversion on 26 April are not entitled to this second interim distribution or the scrip dividend alternative.

At the Annual General Meeting ("AGM") in July 2011, shareholders gave the Board the power to offer a scrip dividend alternative and this power runs until the next AGM on 25 July 2012. Based on the level of take-up and feedback from shareholders, it is the Board's intention to seek a renewal of this power at the forthcoming AGM.

Risks and Uncertainties

Over the last 12 months, there have been a number of developments in the UK which affect infrastructure procurement. The Board views such developments as broadly positive given the UK Government's recognition that the use of private sector capital and expertise is essential in delivering the UK's future infrastructure needs.

The combination of the HM Treasury PFI guidance issued in July 2011, the 2011 Infrastructure Plan and statements made by ministers in seeking new investors acknowledge the importance the UK Government attaches to creating a secure and stable environment where clients, contractors and funders are clear on their respective contractual obligations and returns. The ongoing public sector consultation on how the current PFI model can be improved and enhanced is likely to conclude in the autumn and the findings will be used to determine the new procurement model.

Whilst the Group is not involved in bidding for new projects, the 2011 Infrastructure Plan and its proposed use of private-sector capital will continue to generate projects and investment opportunities in the secondary market. It is too early to say whether, and how, the investment and risk parameters might change from those we have seen to date, and if they would be suitable for the Group.

Each of the Group's PPP/PFI/P3 projects within the portfolio has matching long term funding in place. There is therefore no refinancing risk in this regard. Projects have exposures to banks in the form of interest rate swaps and deposit accounts. We continue to monitor and manage these exposures where appropriate.

The projects in the portfolio rely on partners who contract to provide services. There is a good spread of service partners, which has increased with the new acquisitions made in the year. There are no material performance or credit issues to report. The Investment Adviser monitors project performance, and if issues arise, takes action to minimise any impact. As you would expect for a portfolio of this size, we have a number of investments where there are ongoing construction matters or operational issues to be resolved, and the Investment Adviser's team is actively engaged on these, to facilitate timely and acceptable outcomes. Our investments in Holland and Ireland have not been impacted by the Eurozone crisis and we keep this under careful review.

Corporate Governance

In May 2010, the Financial Reporting Council issued a new edition of the UK Corporate Governance Code, and in October 2010, the Association of Investment Companies (the "AIC") published its updated AIC Code of Corporate Governance. This AIC code has been endorsed by the Financial Reporting Council and the Company has chosen to report governance against the updated AIC Code.

On 30 September 2011 the Guernsey Financial Services Commission (the 'Commission') issued the Finance Sector Code of Corporate Governance. This Code comprises Principles and Guidance, and provides a formal expression of good corporate practice against which shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey's finance sector. As the Company reports against the AIC Code of Corporate Governance, it is also deemed to meet this Code.

As part of good corporate governance, all four directors offered themselves for re-election at the AGM held in July 2011 and were duly re-elected. It is proposed to continue with this process of seeking annual re-election, which is more regular than the Company's Articles require.

The Board declared on 12 April 2012 a second interim distribution of 3.5p per share for the year to 31 March 2012 (2011: 3.425p). This brings the total distributions declared to 6.85p for the year to 31 March 2012 representing a 2.2% growth on the prior year.

Corporate Governance (continued)

The Board decided in November 2011 to commission a third party to assist in reviewing both the Board's effectiveness and the level of fees paid to each director for duties performed on behalf of the Company. Trust Associates were retained by the Company for this purpose. Their reports have concluded that the Board is appropriately equipped, fully engaged and adequately advised to make the necessary decisions to run the Company. The remuneration of Directors has been benchmarked and recommendations made for the coming year which the Board proposes to adopt, substantially as presented, subject to approval of shareholders at the forthcoming AGM in July.

As part of good governance, we have engaged with the Investment Adviser to review their fees and the services that they provide, particularly in the context of the continuing growth of the Group. The Board has recognised that the Investment Adviser now provides the Company with a broader range of services than at launch and that such provision has been met from within the existing fee structure. The Board is also satisfied that the fee structure remains transparent, straightforward and highly competitive for the asset class. Nonetheless, we are pleased to have reached agreement with the Investment Adviser, in the role as Operator of the partnership, to introduce a further step down in the fee taper when assets under management exceed £1.5bn. The fee will then drop to 0.9% per annum (from the 1.0% per annum applicable to assets above £750m) and we will amend the relevant documentation so that this change to the fee structure is in place with effect from 1 July 2012.

Corporate Social Responsibility

Public Procurement

As noted above, the last year has seen a number of initiatives in relation to UK infrastructure procurement. These include several Government Select Committee reports and also reports by the National Audit Office. The current consultation being led by HM Treasury aims to deliver the next generation infrastructure procurement model.

As we have previously commented, the UK's PFI model has been adopted by a number of countries around the world who have made modifications to suit their own particular requirements. Such countries procure new infrastructure with political and public support.

The Investment Adviser is tasked with building and maintaining good open relationships with all counterparties to the Group's contractual relationships. For clients, we are engaged in seeking efficiencies and in facilitating variations, which may include the provision of additional services or assets.

Investor Communications

Given that the Company has over 4,000 shareholders and a market cap in excess of £1bn, the Board is keen to maintain and develop its engagement with shareholders. Regular and detailed feedback from investors is received via the Investment Adviser and the broker. The Directors have also made themselves available to major shareholders, collectively and on a one-on-one basis, for discussion of key issues and expectations around Company performance.

The Board regularly reviews the level and quality of the information which the Company publishes both on the Company website and in reports and presentations. Our intention is to remain at the forefront of disclosure and transparency for our asset class, which continues to grow in scale and relevance to investors.

ESG

The Company operates within the Environmental, Social and Governance Policies that have been developed and documented for the Group. During the year, the Investment Adviser became a subscriber to the UN Policies for Responsible Investment and as a consequence, we are working within this framework to update our policies for the relevant best practice.

Outlook

The Group continues to look for further acquisitions in the UK and overseas consistent with its publicly stated policy for new investments.

The successful C Share issue and the new Group debt facilities provide adequate capacity to make further investments. This remains our aim whilst retaining our prudent position on the risk spectrum.

There is a steady flow of new investment opportunities to consider but we will not compromise our strict investment criteria and processes. The Investment Adviser has seen and declined a number of PPP/PFI/P3 opportunities as being either too small, inappropriately structured or being beset with operational issues.

We also remain cautious when considering new investments overseas given the sovereign risk, and whether the return is attractive on a risk adjusted basis. In the UK, where the majority of our assets are located, we accept the need to help our public sector clients find efficiency savings, but within established contractual structures.

Looking ahead, we remain confident that our investment portfolio is of sufficient quality to perform resiliently. Cash flows are generally predictable and, whilst it is acknowledged that the valuation of the portfolio is in part correlated to the rates that apply to long dated government debt, we are not anticipating significant fluctuations as a consequence.

We are maintaining our target of a distribution of 7.0p per share for the year ending 31 March 2013 and the Board intends to give guidance on likely distributions for subsequent years and a total return target with the Company's interim results in November.

We have made £88.6m of new investments since the year end and, have around £19m of C Share proceeds left to invest, and are confident of investing this in the near future.

Graham Picken
Chairman

22 May 2012

The Group's Investment Portfolio

As at 23 May 2012

Education		Health		Law & Order	Transport	Accommodation
Barking & Dagenham Schools	Boldon School	Barnet Hospital	Birmingham Hospitals	Dorset Fire & Rescue	A249 Road	Colchester Garrison
Bradford Schools	Cork School of Music	Bishop Auckland Hospital	Blackburn Hospital	Dorset Police	A92 Road	Health & Safety Headquarters
Conwy Schools	Croydon School	Brentwood Community Hospital	Central Middlesex Hospital	D & C Firearms Training Centre	Connect PFI	Home Office
Darlington Schools	Defence 6th Form College	Doncaster Mental Health Hospital	Ealing Care Homes	Exeter Crown Courts	Dutch High Speed Rail Link	Newcastle Libraries
Derby Schools	Doncaster Schools	Glasgow Hospital	Lewisham Hospital	GMPA Police Stations	Kicking Horse Canyon P3	Oldham Library
Ealing Schools	Fife Schools	Newton Abbott Hospital	Nuffield Hospital	Medway Police	M80 Motorway DBFO	**Utilities**
Haverstock School	Helicopter Training Facility	Oxford Churchill Oncology	Oxford John Radcliffe Hospital	MPA Firearms Training Facility	NW Anthony Henday P3	Kemble Water Junior Loan
Health & Safety Labs	Irish Grouped Schools	Pinderfields & Pontefract Hospitals	Queen Alexandra Hospital	MPA SEL Police Stations		
Highland Schools PPP	Manchester School	Romford Hospital	Sheffield Hospital	Sussex Custodial Centre		
Kent Schools	Newport Schools	Stoke Mandeville Hospital	West Middlesex Hospital	Swindon Police		
North Tyneside Schools	Norwich Schools	Willesden Hospital		Tyne & Wear Fire Stations		
Oldham Schools	Renfrewshire Schools					
Rhondda Schools	Sheffield Schools					
South Ayrshire Schools	Wooldale Centre for Learning					

Key

- Portfolio at 31 March 2011
- Additional stake acquired
- Acquired since 31 March 2011
- Acquired since 31 March 2012
- Repaid in April 2011

Investment Policy

Investment Objective

The Company seeks to provide investors with long-term distributions, at levels that are sustainable, and to preserve the capital value of its investment portfolio over the long-term with potential for capital growth. The Company targets a progressive distribution policy and growth of its annual distributions to 7p per Ordinary Share by March 2013. The Company is targeting an IRR of 7 to 8 per cent. On the original issue price of its Ordinary Shares in March 2006, to be achieved over the long-term via active management, including the acquisition by the Group (being the Company and its wholly-owned subsidiaries) of further investments to complement the Current Portfolio and by the prudent use of gearing.

Investment Criteria

The Group's Investment Policy is to ensure a diversified portfolio which has a number of similarly sized investments and is not dominated by any single investment. The Group will seek to acquire Infrastructure Equity with similar risk/reward characteristics to the Current Portfolio, which may include (but is not limited to):

- public sector, government-backed or regulated revenues;
- concessions which are predominantly "availability" based (i.e. the payments from the concession do not generally depend on the level of use of the project asset); and/or
- companies in the regulated utilities sector.

The Group will also seek to enhance returns for Shareholders by acquiring more diverse infrastructure investments. The Directors currently intend that the Group may invest in aggregate up to 35 per cent. of its total assets (at the time the relevant investment is made) in:

- Project Companies which have not yet completed the construction phases of their concessions but where prospective yield characteristics and associated risks are deemed appropriate to the investment objectives of the Company. This may include investment in companies which are in the process of bidding for concessions, to the extent that such companies form part of a more mature portfolio of investments which the Group considers it appropriate to acquire; and/or
- Project Companies with "demand" based concessions where the Investment Adviser considers that demand and stability of revenues are not yet established, and/or Project Companies which do not have public sector sponsored/awarded or government-backed concessions

and to a lesser extent (but counting towards the same aggregate 35 per cent., and again at the time the relevant investment is made) in:

- other funds that make infrastructure investments and/or
- financial instruments and securities issued by companies that make infrastructure investments, or whose activities are similar or comparable to infrastructure investments.

Geographic Focus

The Directors believe that attractive opportunities for the Group to enhance returns for investors are likely to arise outside as well as within the UK (where the majority of the projects in the Current Portfolio are based). The Group may therefore make investments in the European Union, Norway, Switzerland, the Americas and selected territories in Asia and Australasia. The Group may also make investments in other markets should suitable opportunities arise.

The Group will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where it considers that contract structures and enforceability are reliable, where (to the extent applicable) public sector obligations carry a satisfactory credit rating and where financial markets are relatively mature.

Single Investment Limit and Diversity of Clients and Suppliers

When any new acquisition is made, the Company will ensure that the investment acquired does not have an acquisition value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired) greater than 20 per cent. of the total gross assets of the Company immediately post acquisition.

The total gross assets will be calculated based on the last published gross investment valuation of the portfolio plus acquisitions made since the date of such valuation at their cost of acquisition.

The purpose of this limit is to ensure the portfolio has a number of investments and is not dominated by any single investment.

In selecting new investments to acquire, the Investment Adviser will seek to ensure that the portfolio of investments has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on either a single client or a single contractor.

Other Investment Restrictions

The Company is subject to certain investment restrictions pursuant to the UKLA Listing Rules. These are as follows:

(a) The Company's primary objective is investing and managing the assets with a view to spreading or otherwise managing investment risk. The Company must, at all times, invest and manage its assets in a way which is in accordance with the Investment Policy;

(b) The Company will not conduct a trading activity which is significant in the context of the Group as a whole. The Company will not cross-finance businesses forming part of the Group's investment portfolio; and

(c) No more than 10 per cent., in aggregate, of the Company's assets will be invested in other listed closed-ended investment funds.

The Listing Rules may be amended or replaced over time. To the extent that the above investment restrictions are no longer imposed under the Listing Rules those investment restrictions shall not apply to the Company.

Gearing

The Group intends to make prudent use of leverage to finance the acquisition of investments, to enhance returns to investors and to finance outstanding subscription obligations.

Under the Articles, the Group's outstanding borrowings, excluding intra-group borrowings and the debts of underlying investee companies but including any financial guarantees to support subscription obligations, are limited to 50 per cent. of the Adjusted Gross Asset Value (meaning the fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations) of its investments and cash balances at any time.

The Group may borrow in currencies other than pounds sterling as part of its currency hedging strategy.

Amendments

Any material amendments to the Investment Policy will require the approval of Shareholders.

Market Developments

As reported last year, the flow of new UK PFI/PPP projects coming to market has slowed down, whilst new procurement methods are being considered and developed. In its last update (November 2011), HM Treasury reported that there were 49 projects still being procured using the PFI/PPP method of procurement.

As the Group does not generally participate or invest in the public procurement phase of new PFI/PPP projects, it has not directly been affected by this reduced rate of procurement in the UK. Until a new successor procurement model is developed, it is too early to say whether future UK projects procured using private sector capital will have acceptable risk/return profiles to make them attractive potential investments for the Group.

Planned changes in procurement have not affected the secondary market for PFI/PPP/P3 assets which continues to be active, and in the year there has been a good flow of assets onto the market with both single assets and portfolios being marketed by contractors, operators and financial institutions.

Pricing during the year in the secondary market for these types of assets has been stable as increased demand from investors has broadly matched the increased supply of assets for sale.

The overseas PFI/PPP/P3 market continues to grow as an increasing number of countries are utilising PPP to procure public infrastructure, recognising the advantages of risk transfer to the private sector and the ability to match the payment for the infrastructure over the life of the project as the benefits of the infrastructure are realised.

We are slowly seeing more sale processes involving overseas assets, and during the year we reviewed PFI/PPP/P3 investment opportunities in the UK, France, Ireland, Canada and Australia. We do not expect a material change in the overseas portion of the Group's portfolio as the UK secondary market still remains the best source for the majority of suitable opportunities.

Uncertainty over the tariff regimes for certain renewable energy schemes means we have not actively considered any renewable energy investment opportunities during the year. The continued fiscal challenges in the Eurozone have led us to be selective in which geographies we will look at for new investments.

Current Investment Priorities

Our investment priorities remain unchanged.

For new investments our focus remains operational PFI/PPP/P3 concessions, although we will consider projects still under construction.

Of possible secondary interest, but only selectively, are:

- Operational renewable energy projects such as wind farms, solar parks or hydro-electric schemes, where there are suitable contractual structures in place which enable the Group to secure long term income streams, comparable in nature to those in PFI/PPP/P3 projects.
- Regulated utilities, albeit most investment opportunities in this sector are too large for the Group.
- Debt funding of infrastructure projects, where attractively priced and appropriately structured.

In addition to the UK, which remains our core market, we will continue to evaluate new assets in countries with a developed pipeline of opportunities and a stable fiscal position when these opportunities arise. Canada, Australia and countries in northern Europe broadly satisfy our requirements.

Portfolio Update

Current Performance

The Group's strategy is unchanged: to maximise value from the Group's portfolio by active asset management. The Group's portfolio continues to perform as expected with good cash generation. The difficult economic environment has not impacted significantly on performance other than to bring a renewed emphasis on working with our public sector clients to seek cost efficiencies.

Providing the operational services on each of our projects to contractual requirements is the foundation of our business. From successful service delivery we can build and maintain strong relationships with our clients to work in partnership with our supply chain.

Portfolio Update (continued)

Current Performance (continued)

We believe these relationships, fostered by our asset management team assist all stakeholders in identifying and developing cost efficiencies and savings, which is an area of increasing importance for our public clients, who have been tasked with finding savings in their own budgets.

In July 2011, HM Treasury published new guidance on how to facilitate and achieve cost savings from existing PFI projects in the UK. This was based on the findings of pilot studies carried out earlier in the year, one of which was Romford Hospital, a project in which the Group has an investment. Members of the Investment Adviser were involved in the Romford pilot together with another pilot run by the Ministry of Defence.

This experience, together with the published guidance, has enabled the Investment Adviser's asset management team to facilitate cost saving debates and efficiency workshops with our clients and contractors on a number of projects in the year. These have proved fruitful in identifying various areas where substantial savings can be made. Initiatives worked on to date cover a broad range of opportunities, including revising service scope and standards, asset utilisation, increased outsourcing, improved energy management, space reconfiguration and third party revenue. We expect these initiatives to continue this year and we will take an active role in facilitating and assisting those clients who wish to benefit from the ideas and solutions in which we have participated to date.

Acquisitions in the year have increased the Group's portfolio to 70 PFI/PPP/P3 investments as at 31 March 2012. Since the year end, the Group has acquired an additional 14% stake in the Colchester Garrison project, a 30% stake in the Birmingham Hospitals project, and a 19.5% stake in the Connect PFI project. Therefore the Group currently has 72 PFI/PPP/P3 investments of which two remain in construction, namely the M80 DBFO Road and the newly acquired Birmingham Hospitals project. On the M80, the road is open to traffic and the majority of the contractual income is being paid by the client; however there are a small number of remaining construction matters and defects that are being dealt with. We expect both projects to finish construction this summer.

During the year, the Bradford Schools BSF project, Pinderfields and Pontefract Hospitals, and the North West Anthony Henday Road successfully achieved final construction completions and are now operational.

Contract Variations

Our asset management team continues to seek value enhancements across the portfolio, an important component of which is project variations. Project variations are requests from the client to amend the scope of services delivered, be it delivery of a capital project or an additional or amended service for which the project earns incremental revenue. In the year we have worked on a number of variations, which have included:

- At Central Middlesex Hospital, significant savings were achieved for the project and the NHS Trust through an innovative financing initiative. An interest rate basis swap was introduced on the project which has the effect of reducing senior debt interest costs on the project by about 0.4% per annum over a five year period. The cost savings arising from this are being shared 50:50 with the NHS Trust, the project's client.
- On the Home Office cost savings were achieved for the client by increasing the scope of the facilities management services. The mail and messenger service was outsourced from the client to the project company, which in turn subcontracted this service to ETDE, a Bouygues subsidiary and facilities manager on the project.
- On South East London Police Stations savings are being made through various energy saving initiatives. Solar panels have been fitted at Lewisham police station alongside installation of energy efficient lighting. This variation was funded by the Metropolitan Police Authority, the project's client.
- On the Helicopter Training Facility there continue to be a number of variations on the simulators to update them in line with changes to live aircraft. In addition there is a variation to provide extended hours of training for flight crews for the Olympics. These variations are funded by the MOD.
- On Barnet Hospital we are developing at the client's request a variation to expand the women's and children's facilities. These works will involve major and significant reconfiguration of the PFI hospital internal and external spaces including the construction of a new 2 storey building for a maternity unit.

HICL INFRASTRUCTURE

Acquisitions

As noted in the Chairman's Statement, the Group made 33 new investments and five incremental acquisitions in the year for an aggregate consideration of £236.6m.

- In May 2011, the Group announced the acquisition of three school PFI projects for a consideration of £17.2m. The interests acquired were 75% in each of Norwich and Oldham Schools and a 37.5% interest in Sheffield Schools.
- Also in May 2011, the Group acquired a 75% interest in the Brentwood Community Hospital project for £4.6m.
- In June 2011, the Group acquired a 100% interest in the South Ayrshire Schools PPP project for £15.8m, including the operation of three new primary schools, two new secondary schools, and a new performing arts complex at an existing secondary school.
- Also in June 2011, the Group acquired a 50% interest in the Pinderfields and Pontefract Hospitals PFI project together with three incremental stakes in existing investments for a total consideration of £32.8m. The three incremental stakes were in the Oxford John Radcliffe Hospital and the Queen Alexandra Hospital, together with a small stake in the Helicopter Training Facility.
- In November 2011, the Group acquired a 75% interest in the Sheffield Hospital PFI project, a 32 year concession to design, build, finance and maintain a 168 bed after-care facility at the Northern General Hospital in Sheffield.
- Also in November 2011, the Group completed the acquisition of a further equity and loan note interest in the Blackburn Hospital PFI project, taking its total equity and loan note interests in the project to 100%.
- In December 2011, the Group completed the acquisition of investments in 26 PFI/PPP projects from two infrastructure funds managed by Barclays Infrastructure Management Limited, for a total gross consideration of £143.4m. The portfolio comprised ten schools projects, eight health projects, five fire and police projects, two road projects and a library project. Apart from two projects located in the Republic of Ireland all projects are based in the UK.
- In February 2012, the Group completed the acquisition of an incremental equity and loan note interest in the Dorset Fire and Rescue Project, taking its total equity and loan note interests in the project to 67%.

Since 31 March 2012, the Group has announced three further acquisitions:

- On 8 May 2012, the Group announced that it had completed the incremental acquisition of a 14% stake in the Colchester Garrison project from a subsidiary of WS Atkins plc for £15 million. This takes the Group's interest to 56%.
- The Group has recently completed the acquisition of a 19.5% interest in the Connect PFI project for £39.0m from another fund managed by the Investment Adviser. This "related party" transaction was approved by shareholders at the EGM held on 23 March 2012.
- On 21 May 2012 the Group announced it had completed the acquisition of a 30% interest in the Birmingham Hospitals project for £34.6m from RBS.

In the year to 31 March 2012, contractual investment obligations of £46.7m were made to the M80 Motorway DBFO, The Helicopter Training Facility project and North West Anthony Henday Road.

Realisations

As previously reported, the £30.0m Kemble Water Junior Loan was repaid at par in April 2011.

Valuation of the Portfolio

We are responsible for carrying out the fair market valuation of the Group's investments which is presented to the Directors for their approval and adoption. The valuation is carried out on a six monthly basis as at 31 March and 30 September each year.

The Directors receive an independent third party report and opinion on these valuations.

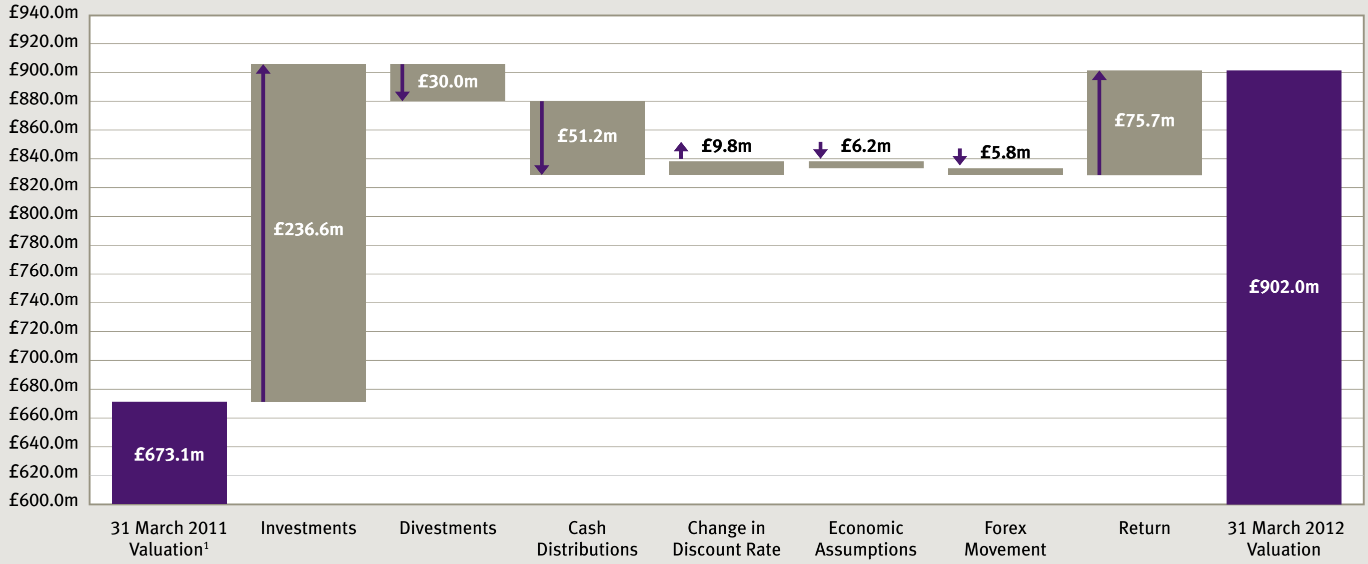
For non-market traded investments (being all the investments in the current portfolio), the valuation principles used are based on a discounted cash flow methodology, and adjusted in accordance with the European Venture Capital Associations' valuation guidelines where appropriate to comply with IAS 39, given the special nature of infrastructure investments. Where an investment is traded, such was the case for the Kemble Water Junior Loan, a market quote is used.

This is the same method used at the time of launch and each subsequent six month reporting period (further details can be found in the Company's latest C Share prospectus, available from the Company's website).

Valuation of the Portfolio (continued)

The Directors' Valuation of the portfolio as at 31 March 2012 was £902.0m, with no outstanding investment obligations. This valuation compares to £673.1m as at 31 March 2011 (up 34%) and £250.4m at the time of launch (a reconciliation between the valuation at 31 March 2011 and that shown in the financial statements is given in Note 1 to the unaudited consolidated proforma financial statements, the principal difference being the £47.0m of equity commitments outstanding on three projects which have all now been satisfied).

Valuation Movement in year from 31 March 2011 to 31 March 2012



[1] To reconcile to the IFRS investments at fair value as at 31 March 2011, the elimination of subsidaries of £200.1m and £47.0m of future investment commitments must be calculated.

A breakdown in the growth in the Directors' Valuation in the year is tabled below.

Valuation Movement during the year to 31 March 2012	£m
Valuation at 31 March 2011	**673.1**
Investments	236.6
Divestment	(30.0)
Cash receipts from investments	(51.2)
Change in discount rate	9.8
Economic assumptions	(6.2)
Forex movement on non-UK investments	(5.8)
Return	75.7
Valuation at 31 March 2012	**902.0**

Netting out acquisitions in the year of £236.6m, the divestment of £30.0m (Kemble Water Junior Loan redeemed at par) and investment receipts of £51.2m, the growth over the rebased value of £828.5m was 8.9%. This increase is a product of the £75.7m Return from the portfolio which was driven by actual inflation in the year being greater than the 2.75% valuation assumption, contributions from new investments and the £9.8m uplift from reductions in discount rates primarily on projects finishing construction and becoming operational.

Fair value for each investment is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts, and an appropriate discount rate. We exercise our judgment in assessing the expected future cash flows from each investment based on the detailed concession life financial models produced by each Project Company.

Discount Rates

The discount rates used for valuing each PFI/PPP/P3 investment are based on the appropriate risk free rate (derived from the relevant government bond or gilt) and a risk premium. The risk premium takes into account risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by project phase, and market participants appetite for these risks.

The discount rates used for valuing the projects in the portfolio are below.

We use our judgement in arriving at the appropriate discount rate. This is based on our knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable of our markets and publicly available information on relevant transactions.

An analysis of the movements in the weighted average risk free rate and risk premium for the PFI/PPP/P3 assets (excluding the Kemble Water Junior Loan) is shown below:

PFI/PPP/P3 Portfolio	31 March 2012	31 March 2011	Movement
Risk free rate	3.2%	4.2%	(1.0)%
Risk premium	5.4%	4.5%	0.9%
Discount Rate	**8.6%**	**8.7%**	**(0.1)%**

Government bonds have continued to be volatile over the year driven by a combination of fiscal concerns and the effects of quantative easing. This has not translated into volatile pricing of PFI/PPP/P3 assets as the market has tried to look through this near term volatility. As outlined in the Market Developments section above, the increased flow of PFI/PPP/P3 assets for sale has been broadly matched by increased demand for the assets with little impact on pricing or the discount rates used to value these assets.

An analysis of the movements in the weighted average discount rates analysed between operational and construction phase PFI/PPP/P3 projects is shown below:

Discount Rate	31 March 2012	31 March 2011	Movement
Operational phase	8.6%	8.6%	0.0%
Construction phase	9.0%	9.3%	(0.3)%
PFI/PPP/P3 Portfolio	**8.6%**	**8.7%**	**(0.1)%**

Period Ending	PFI/PPP/P3 Portfolio		Whole Portfolio (including Kemble Water Junior Loan)	
	Range	Weighted average	Range	Weighted average
31 March 2011	8.4% to 10.0%	8.7%	7.8% to 10.0%	8.7%
30 September 2011	8.4% to 9.4%	8.7%		
31 March 2012	**8.2% to 11.0%**	**8.6%**		

Discount Rates (continued)

Country		31 March 2012		31 March 2011 Discount Rate	Movement
	Risk free rate	Risk premium	Discount rate		
UK	3.3%	5.3%	8.6%	8.6%	0.0%
Canada	2.6%	5.6%	8.2%	8.8%	(0.6)%
Holland	2.7%	6.1%	8.8%	8.9%	(0.1)%
Ireland	6.9%	4.1%	11.0%	n/a	n/a
PFI/PPP/P3 Portfolio	**3.2%**	**5.4%**	**8.6%**	**8.7%**	**(0.1)%**

The discount rate to reflect market pricing for an operational asset has been judged as 8.6% – unchanged from the prior year. The average discount rate applied to value construction assets has reduced by 0.3% reflecting the lower risks in fewer assets still in construction as compared to the previous year.

An analysis of the weighted average discount rates for the PFI/PPP/P3 portfolio analysed by territory is shown above.

The risk premiums and discount rates applied to value the Canadian and Dutch assets are higher than those used for the UK PFI portfolio because they include a premium for the foreign exchange risk, the less mature PFI/PPP/P3 market and the nature of the underlying assets which include a rail asset.

Valuation Assumptions

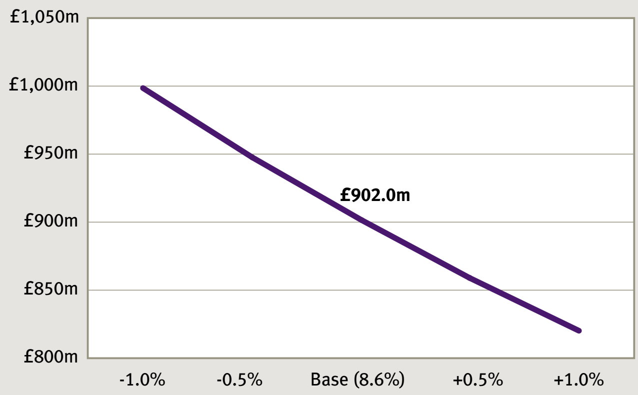
Discount Rate Sensitivity

The discount rates used to derive the Directors' valuation is a key judgement, based on the knowledge of the Investment Adviser and the third party advice the Board receives on the valuation. As in previous years, the Company prepares certain valuation sensitivities including changing the weighted average discount rate. A change to the weighted average rate of 8.6% by plus or minus 0.5% has the following effect on the valuation.

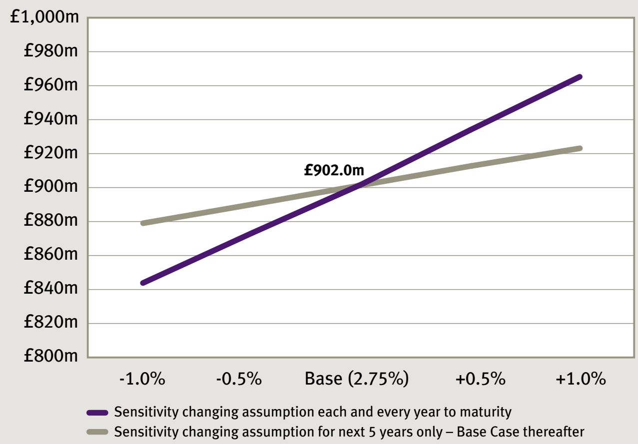
Discount Rate	-0.5% change	Base 8.6%	+0.5% change
Directors' valuation	+£46.2m	£902.0m	-£42.6m
Implied change in NAV per Ordinary Share[1]	+5.2p/share		-4.8p/share

[1] NAV per share based on 883.5m Ordinary Shares post the April 2012 C Share conversion and total net assets at 31 March 2012 on an investment basis of £1,020.5m (being the sum of the net assets attributable to the Ordinary Shares and the C Shares at 31 March 2012).

Discount Rate Sensitivity



Inflation Rate Sensitivity



Inflation Rate Sensitivity

The PFI projects in the portfolio have contractual income streams with public sector clients, which are rebased every year for inflation. UK projects tend to use either RPI (Retail Price Index) or RPIx (RPI excluding mortgage payments), and revenues are either partially or totally indexed (depending on the contract and the nature of the project's financing). Facilities management sub-contracts have similar indexation arrangements.

The portfolio valuation assumes UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as for the prior year. The March 2012 forecasts for RPI out to December 2013 range from 1.4% to 4.0% from 25 independent forecasters as compiled by HM Treasury, with an average forecast of 2.7%.

Inflation Assumption (UK)	-0.5% change	Base 2.75% pa	+0.5% pa change
Directors' valuation	-£28.6m	£902.0m	+£31.1m
Implied change in NAV per Ordinary Share[1]	-3.2p/share		+3.5p/share

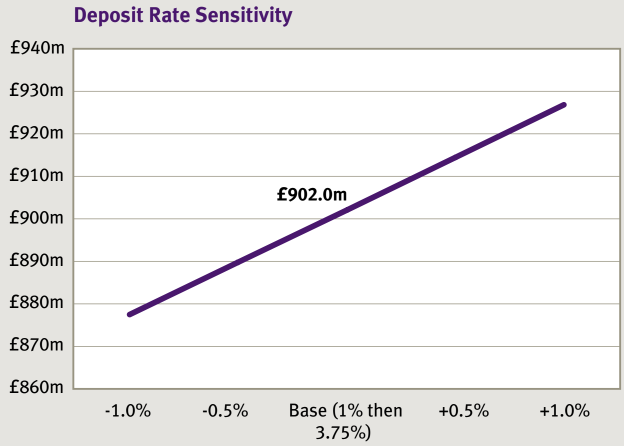
[1] NAV per share based on 883.5m Ordinary Shares post the April 2012 C Share conversion and total net assets at 31 March 2012 on an investment basis of £1,020.5m (being the sum of the net assets attributable to the Ordinary Shares and the C Shares at 31 March 2012).

Changing the assumption for future inflation by a 1.0% pa increase (ie from 2.75% pa to 3.75% pa for the UK investments) has the effect of increasing the forecast return from the portfolio from 8.6% (being the weighted average discount rate) to 9.3%.

Deposit Rate Sensitivity

Each of the project's interest costs are at fixed rates either through fixed rate bonds, index-linked bonds or bank debt which is hedged with an interest rate swap. A project's sensitivity to interest rates relates to the cash deposits which the projects is required to maintain as part of its senior debt funding. For example most projects would have a debt service reserve account in which 6 months of debt service payments are held.

As at 31 March 2012 cash deposits for the portfolio were earning interest at a rate of 0.9% per annum on average. There is a consensus that UK base rates will remain low for an extended period, with a current median forecast for UK base rates in December 2013 of 0.5%.



The portfolio valuation assumes UK deposit interest rates are 1% to March 2015 and 3.75% thereafter. This is lower than applied in the March 2011 valuation which assumed 1% deposit interest rates to March 2013 and 4.0% thereafter. These changes have reduced the portfolio valuation by approximately £13.2m and are included within the £6.2m aggregate reduction in portfolio value attributable to changes in Economic Assumptions.

Cash Deposit Rate	-0.5% change	Base 1.0% pa, then 3.75% pa	+0.5% pa change
Directors' valuation	-£12.3m	£902.0m	+£12.4m
Implied change in NAV per Ordinary Share[1]	-1.4p/share		+1.4p/share

[1] NAV per share based on 883.5m Ordinary Shares post the April 2012 C Share conversion and total net assets at 31 March 2012 on an investment basis of £1,020.5m (being the sum of the net assets attributable to the Ordinary Shares and the C Shares at 31 March 2012).

Tax Rates

The profits of each UK PFI project company are subject to UK corporation tax. In the March Budget the Coalition Government announced that corporation tax would reduce from 26% to 24% from April 2012 with an aspiration to reduce corporation tax further to 22% in 1% annual increments.

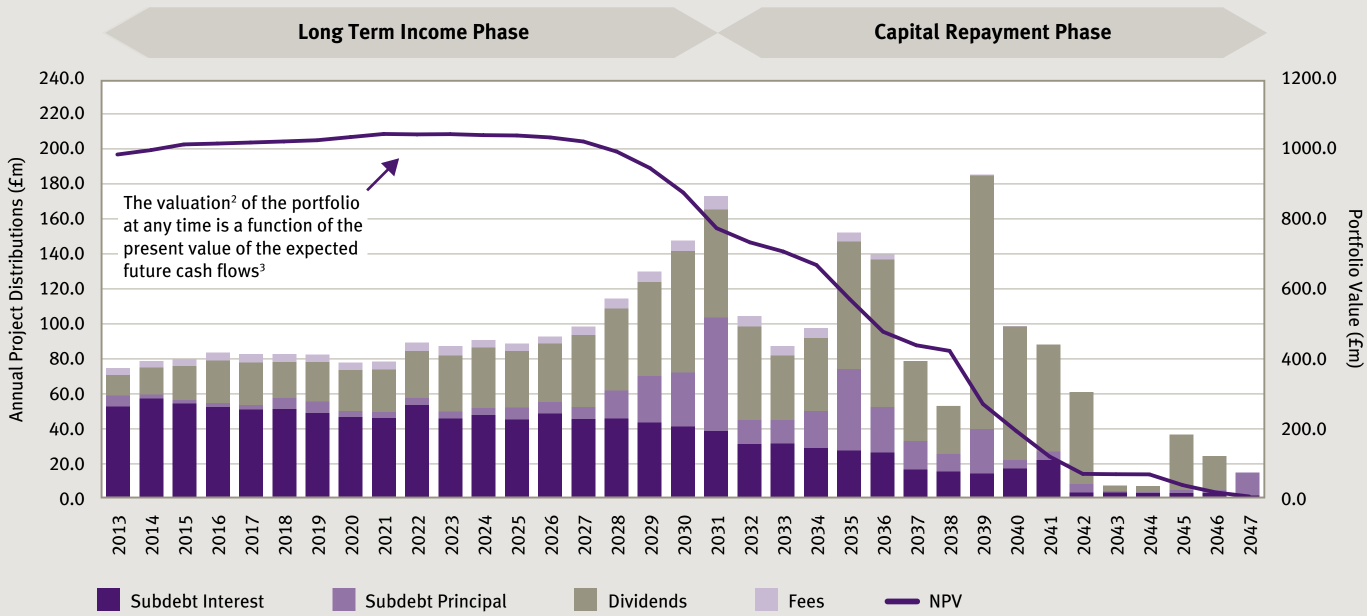
The UK corporation tax assumption for the portfolio valuation is 24%, which has reduced by 2% from 26% at March 2011, to reflect the current rate of UK corporation tax. This change has increased the portfolio valuation by approximately £7.0m and is included within the £6.2m aggregate change in portfolio value attributable to changes in Economic Assumptions.

Future Cashflows

The chart below sets out the expected future cashflows to be received by the Group from the portfolio and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions.

The chart shows the steady long term nature of the cashflows from the portfolio, coupled with a stable portfolio valuation to 2029. From 2030, based on current forecasts, the portfolio will move into a repayment phase whereby cash receipts from the portfolio will be paid to the Company's shareholders as capital and the portfolio valuation reduces as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments, until in 2047 when the last concession ends.

Long Term Cashflows[1]



Source: Investment Adviser

[1] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met.

[2] Portfolio valuation assumes a Euro to Sterling exchange rate of 0.83, a Canadian Dollar to Sterling Exchange rate of 0.63 and a weighted average discount rate of 8.6% per cent. per annum. These assumptions and the valuation of the current portfolio may vary over time.

[3] The cashflows and the valuation are from the portfolio of 70 investments as at 31 March 2012 plus the Colchester incremental stake, the Connect acquisition and the Birmingham Hospitals acquisition (all in May 2012) and does not include other assets or liabilities of the Group, and assumes that during the period illustrated above, (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains.

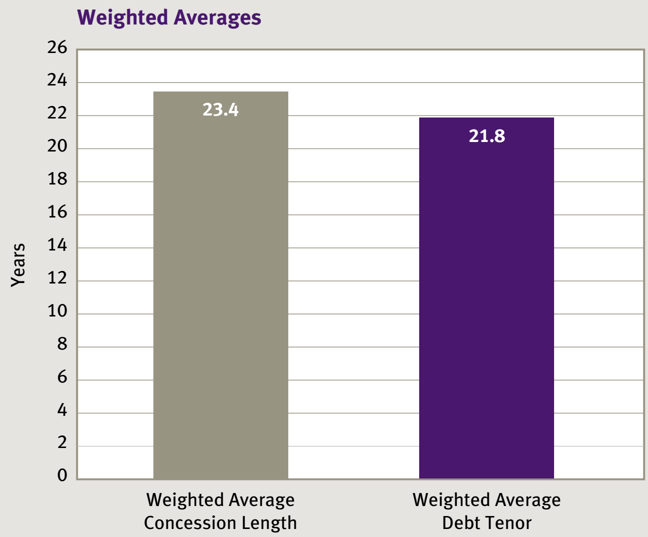
Financing

The Company raised £325.9m (before expenses) in the year from the £250m C Share issue in March 2012 and the issue of 65.9m Ordinary Shares by way of tap issues. The net proceeds from the share issues were used to fund new investments and to reduce the Group's debt. As at 31 March 2012, the Group had overall net cash of £129.4m (being £245.7m cash attributable to the C Shares and net debt of £116.3m attributable to the Ordinary Shares) and no outstanding future investment obligations.

The strategy is to use the Group's new £150m revolving debt facility, which was secured in February 2012 to replace the Group's previous facility to fund new acquisitions, and to provide letters of credit for future investment obligations.

The Board's policy is that the Company should not hold cash to any material extent above any outstanding equity commitments in respect of existing investments or to fund potential acquisitions which are likely to be secured in the near future.

The PFI/PPP/P3 projects in the portfolio all have long term debt in place which does not need refinancing to meet their business plan. The weighted average PFI/PPP/P3 project concession length remaining is 23.4 years at 31 March 2012 and the weighted average debt tenor is 21.8 years.



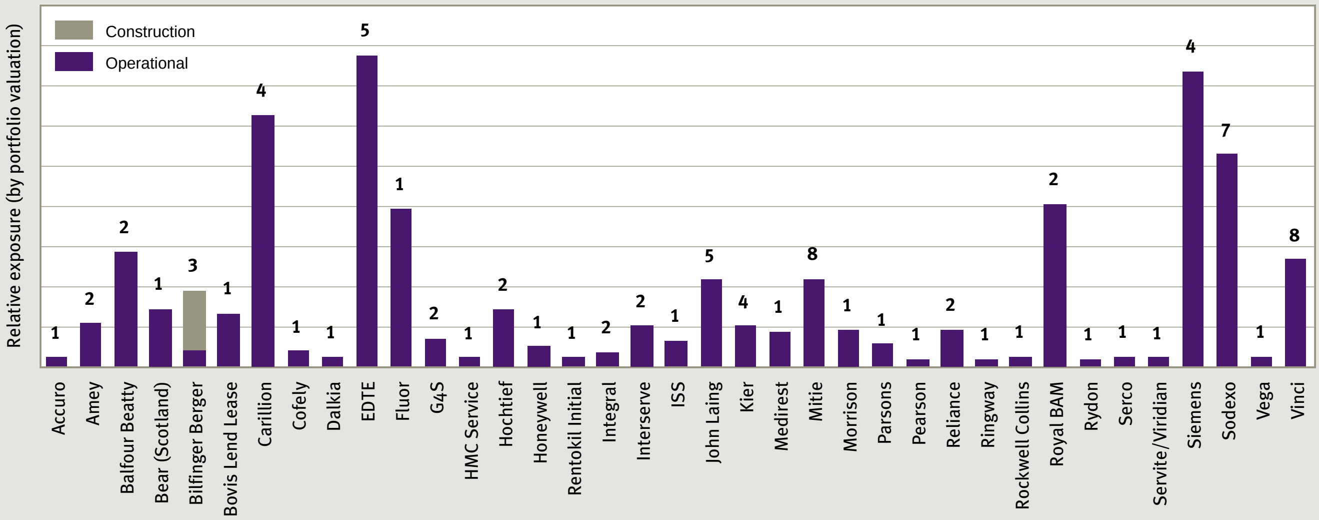
Counterparty Exposures

All the PFI/PPP/P3 clients are public sector bodies. Each project subcontracts the delivery of services to one or more experienced facilities managers such as Bouygues, Sodexo, Mitie and Carillion. The Group has a broad diversified range of facilities management companies, with the acquisitions in the year providing further diversification of the supply chain.

On a quarterly basis the portfolio's counterparty exposure to both the operational supply chain and the financial providers of bank deposit accounts and interest rate swaps is reviewed. Our risk and control function monitors financial creditworthiness while our asset management team monitors project performance for service issues which may indicate financial difficulties. The review processes have not identified any significant counterparty concerns for any of the portfolio's construction or facilities management contractors.

Counterparty Exposures (continued)

Spread of Facilities Management Contracts on the PFI/PPP/P3 Projects



Note to chart: Analysis of the various FM providers, shown by aggregate valuation of PFI/PPP/P3 projects involved in, with the figure above each bar being the number of projects involved in.

On some projects there is more than one service provider e.g. Dutch High Speed Rail where Royal BAM, Siemens and Fluor provide services; so that the sum of the bars is in excess of the Directors' valuation.

Financial Results

Accounting

At 31 March 2012, the Group had 20 investments which it was deemed to control by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the project entities. This has increased by nine in the year due to three of the incremental acquisitions and the purchase of six wholly-owned new investments, including five from the portfolio of investments in December 2011. Under International Financial Reporting Standards ("IFRS"), the results of these companies are required to be consolidated in the Group's financial statements on a line-by-line basis.

However, these investments form part of a portfolio of similar investments which are held for investment purposes and managed as a whole and there is no distinction made between those investments classified as subsidiaries and those which are not. Further, all debt owed by the Group's investments is non-recourse and the Group does not participate in their day-to-day management.

As in previous periods, in order to provide shareholders with further information regarding the Group's net asset value, coupled with greater transparency in the Company's capacity for investment and ability to make distributions, the results have been restated in proforma tables which follow the Financial Results. The proforma tables show all investments accounted for on an Investment basis, which are reconciled to the consolidated financial statements on a line by line basis. By deconsolidating the subsidiary investments, the performance of the business under consolidated IFRS basis may be compared with the results under the Investment basis.

Income and Costs

On an Investment basis, Profit before tax and valuation movements was £33.2m (2011: £24.3m), an increase due to contributions from acquisitions and reduced finance costs.

Fair value movements are a £28.8m profit (2011: £20.9m) which represents the increase in the portfolio valuation recognised in the income statement. The portfolio valuation benefited from positive contributions from acquisitions, actual inflation above the 2.75% valuation assumption and reductions in the discount rates applied to assets coming out of construction. Further detail on the valuation movement is given in the Investment Adviser's Report.

Earnings on an Investment basis were £61.9m, an increase of £16.8m compared to the prior year, with earnings per share of 9.8p up 0.9p or 10.1% as compared to 2011. The uplift in earnings reflects reductions in discount rates primarily on projects finishing construction and becoming operational coupled with contributions from acquisitions.

Summary Income Statement

£m	Year to 31 March 2012			Year to 31 March 2011		
	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
Total revenue income	48.1	201.7	249.8	37.4	150.5	187.9
Expenses & finance costs	(14.9)	(214.0)	(228.9)	(13.1)	(155.2)	(168.3)
Profit/(loss) before tax & valuation movements	**33.2**	**(12.3)**	**20.9**	**24.3**	**(4.7)**	**19.6**
Fair value movements	28.8	34.5	63.3	20.9	(2.2)	18.7
Tax and non-controlling interests	(0.1)	(1.3)	(1.4)	(0.1)	7.0	6.9
Earnings	**61.9**	**20.9**	**82.8**	**45.1**	**0.1**	**45.2**
Earnings per share	9.8p		13.1p	8.9p		9.0p

On a consolidated IFRS basis, the earnings per share were 13.1p (2011: 9.0p). The results on a consolidated IFRS basis show a more significant improvement than on an Investment basis due to increased gains on financial receivables. Gains on finance receivables have increased due to the 1.0% fall in UK long term gilt rates in the year compared to the 0.2% reduction in the prior year.

Total income on a consolidated IFRS basis increased to £249.8m (2011: £187.9m) driven by contributions from the nine new subsidiaries. Profit before tax and valuation movements on a consolidated IFRS basis increased only marginally as inflation above 2.75% in the year increased finance costs on the index-linked financing on the Home Office and Queen Alexandra Hospital without comparable increases in gains on finance receivables.

Cost Analysis

£m	Year to 31 March 2012 Investment Basis	Year to 31 March 2011 Investment Basis
Interest income	0.3	0.1
Interest expense	(2.4)	(3.6)
Investment Adviser	(11.1)	(8.1)
Auditor – KPMG – for the Group	(0.2)	(0.2)
Directors fees & expenses	(0.2)	(0.1)
Other expenses	(1.3)	(1.2)
Expenses & finance costs	**(14.9)**	**(13.1)**

Interest was a net cost of £2.1m in the year (2011: £3.5m) reduced from the prior year due to lower levels of interest rate swaps during the year.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) totalled £11.1m (2011: £8.1m) in the year, comprising the 1.1% per annum management fee (1.0% for assets above £750m and 1.5% for assets in construction), the 1.0% fee on the acquisitions made from third parties, and the £0.1m per annum advisory fee. The increase is a combination of the 1.0% acquisition fee on a larger volume of acquisitions and the management fee on a growing portfolio value.

In the year, the Group incurred £0.4m of third party bid costs (mainly legal, technical and tax due diligence) on unsuccessful bids. The Investment Adviser earned £2.4m in fees relating to the 1.0% acquisition fee, for its work on the financial, commercial and structuring due diligence.

Neither the Investment Adviser nor any of its affiliates receives other fees from the Group or the Group's portfolio of investments. If the Investment Adviser had received the directors' fees and other fee income from the portfolio project companies, it would have been equivalent to an increase of approximately 20% in its annual fee.

Total Expense Ratio ('TER')

£m	Year to 31 March 2012 Investment Basis	Year to 31 March 2011 Investment Basis
Administrative expenses	12.8	9.6
Less operator acquisition investment fees	(2.4)	(1.5)
Total expenses	**10.4**	**8.1**
Net assets	**773.7**	**673.2**
TER	**1.34%**	**1.20%**

The TER for the Group has increased in the year from 1.20% to 1.34%. This is due to the effect of the Investment Adviser's fee being based on the value of the portfolio where the value of the portfolio has increased faster than the net assets, due to higher Group gearing, combined with an uneven growth in net assets in the prior year which flattered the prior year figure.

The AIC has recently published new guidance in relation to calculating Ongoing Charges which is defined as annualised ongoing charges (ie excluding acquisition costs and other non-recurring items) divided by average undiluted net asset value in the period. On this basis, the Ongoing Charges Percentage is 1.36% (2011 equivalent: 1.32%). This is higher than the TER stated above as there was considerable growth in the NAV in the year to 31 March 2012. As the Investment Adviser does not have a performance fee, in a year when there is no bidding activity and NAV is steady, both the TER and Ongoing Charges Percentage should be the same.

HICL INFRASTRUCTURE

Balance Sheet

Summary Balance Sheet

£m	Year to 31 March 2012			Year to 31 March 2011		
	Investment Basis	Consolidation Adjustments	IFRS Basis	Investment Basis	Consolidation Adjustments	IFRS Basis
Investments at fair value	**902.0**	**(377.7)**	**524.3**	**626.1**	**(200.1)**	**426.0**
Other non-current assets	-	2,224.3	2,224.3	-	957.9	957.9
Working capital	(12.0)	21.8	9.8	(5.3)	8.8	3.5
Net (borrowings)/cash	(116.3)	(1,357.0)	(1,473.3)	54.7	(587.5)	(532.8)
Other non-current liabilities	-	(498.6)	(498.6)	(2.3)	(185.4)	(187.7)
Non-controlling interests	-	(8.4)	(8.4)	-	(9.9)	(9.9)
Net assets* attributable to Ordinary Shares	**773.7**	**4.4**	**778.1**	**673.2**	**(16.2)**	**657.0**
NAV per Ordinary Share (before distribution)	116.3p		117.0p	113.1p		110.4p
Net assets attributable to C Shares	246.8	-	246.8	-	-	-
NAV per C Share	98.7p		98.7p			

*This is net assets attributable to the Group net of non-controlling interests.

On an Investment basis, Investments at fair value were £902.0m (2011: £626.1m). This is an increase from 31 March 2011 of £275.9m or 44.1%. There were no outstanding investment obligations as at 31 March 2012. Further detail on the movement in Investments at fair value is given in this Report under Valuation.

Following the acquisitions and tap issues in the year the Group had a net cash position at 31 March 2012 on an Investment basis of £129.4m (2011: net cash of £54.7m). An analysis of the movements in net cash is shown in the cashflow analysis below. In April, the C Share conversion occurred, with the C Share proceeds being used to repay the Group's borrowing and fund subsequent acquisitions made in May.

Other financial liabilities were £nil (2011: £2.3m) because the Group's interest rate swaps were cancelled as the Group moved into a net cash position on an Investment basis.

On an Investment basis, NAV per Ordinary Share was 116.3p before the 3.5p distribution (2011: 113.1p).

On a consolidated IFRS basis, net assets attributable to Ordinary Shares have increased to £778.1m (2011: £657.0m) reflecting £80.2m from the issue of shares (net of costs) in the year and £40.9m of retained profits. NAV per Ordinary Share was 117.0p (2011: 110.4p).

Cashflow Analysis

Summary Cash Flow				
	Year to 31 March 2012		Year to 31 March 2011	
£m	Investment Basis		Investment Basis	
Net cash at start of year		54.7		11.0
Cash from investments	51.2		45.6	
Operating & finance costs	(10.2)		(10.7)	
Net cash inflow before acquisitions/financing		**41.0**		**34.9**
Redemption of investment		30.0		-
Cost of new investments		(283.3)		(115.1)
Share capital raised net of costs		320.9		154.6
Forex movement on borrowings/hedging		2.9		(1.3)
Dividend for operational assets	(33.2)		(27.6)	
Dividend for construction assets	(3.6)		(1.8)	
Dividends paid		**(36.8)**		**(29.4)**
Net cash at end of year		129.4		54.7

On an Investment basis the Group's net cash at 31 March 2012 was £129.4m (31 March 2011: net cash of £54.7m).

Cash inflows from the portfolio were up 12% at £51.2m (2011: £45.6m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

Cost of investments of £283.3m (2011: £115.1m) represents the cash cost of the 33 new investments, 5 incremental acquisitions, £46.7m of loan note subscriptions (on M80 Motorway DBFO, the Helicopter Training Facility and the North West Anthony Henday Road) coupled with associated acquisition costs of £3.1m.

The £2.9m (2011: £1.3m) movement in forex and hedging arises from the re-profiling of the interest rate swaps and the timing of the forward Euro and Canadian Dollar sales. The forward sales are to hedge the Group's forex exposure on the Dutch High Speed Rail Link, two Irish assets and two Canadian assets.

The £250m C Share capital raising in March 2012 and placing of 65.9m Ordinary Shares via tap issues provided cash receipts in the year of £320.9m (2011: £154.6m).

Dividends paid increased £7.4m to £36.8m (2011: £29.4m) for the year (being the payment of 3.425p in June 2011 and the payment of 3.35p per share in December 2011). The dividends declared for the year to 31 March 2012 represents a total of 6.85p per share (2011: 6.70p).

Dividend cash cover was 1.23 times (2011: 1.26 times) which compares operational cash flow of £41.0m (2011: £34.9m) to dividends from operational assets. The dividend attributable to operational assets (90.3%) and construction assets (9.7%) was based on their respective share of the portfolio valuation during the year.

Gearing

The Group started the year with a committed £200m five year revolving facility from Bank of Scotland plc ('BoS') expiring in December 2012. This was successfully refinanced in February 2012 with a committed £150m revolving facility from the Royal Bank of Scotland and National Australia Bank. The facility is split into two tranches: a £50m tranche with an 18 month term and a £100m multi-currency tranche with a three year term.

The Group's debt facility is used to fund acquisitions and is on a recourse basis to the Group. The Company's Articles of Association limit the Group's recourse debt to 50% of Adjusted Gross Asset Value of its investments and cash balances. As at 31 March 2012, the Group's drawings under the BoS facility were £141.3m relating to investments made in the year and this balance was repaid in April from the proceeds of the C Share issue.

Following the successful C Share equity raising in March 2012, the Group is ungeared with net cash on an Investment basis as at 31 March 2012 of £129.4m (31 March 2011: £54.7m). Since 31 March 2012, the Group has utilised £88.6m to make two new investments and one incremental acquisition, with £23.3m to be utilised for the payment of the second interim dividend of 3.5p per share in June.

To manage interest rate risk the Group uses interest rate swaps to partially hedge the Group's debt facility. Following the reduction in gearing of the Group in March 2012 the interest rate hedges were cancelled to reflect the Group moving to a net cash position on an Investment basis.

On a consolidated IFRS basis, the Group had net debt of £1,473.3m at 31 March 2012 (31 March 2011: £532.8m). This increase in net debt over the year reflects the nine new subsidiaries arising from the various acquisitions in the year.

As previously reported, all the PFI projects have either long term bank borrowings with interest rate hedges, or bonds with fixed or indexed coupon payments. This ensures the Group's investments have minimal exposure to interest rate volatility or debt market appetite.

Foreign Exchange Risk

Foreign exchange risk from non-sterling assets has been managed on a balance sheet basis through the forward sale of Euros and Canadian Dollars and by debt drawings in Euros and Canadian Dollars under the Group's previous debt facility with Bank of Scotland. This has prevented the volatility in the Group's NAV from foreign exchange movements.

As previously flagged, the Group has adjusted its foreign currency hedging strategy since 31 March 2012 in part to reflect the increased costs of the new £150m debt facility. The change is to increase the hedging of investment income from overseas assets coupled with appropriate balance sheet hedging.

Unaudited Consolidated Proforma Income Statement

for the year ended 31 March 2012

	Year ended 31 March 2012				
	Investment Basis				
	Revenue £million	Capital £million	Total £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million
Services revenue	-	-	-	149.9	149.9
Gains on finance receivables	-	-	-	177.8	177.8
Gains/(loss) on investments	48.1	24.0	72.1	(22.0)	50.1
Total income	**48.1**	**24.0**	**72.1**	**305.7**	**377.8**
Services costs	-	-	-	(130.0)	(130.0)
Administrative expenses	(12.8)	-	(12.8)	(4.6)	(17.4)
Profit before net finance costs and tax	**35.3**	**24.0**	**59.3**	**171.1**	**230.4**
Finance costs	(2.4)	-	(2.4)	(149.5)	(151.9)
Finance income	0.3	4.8	5.1	0.6	5.7
Profit before tax	**33.2**	**28.8**	**62.0**	**22.2**	**84.2**
Income tax (expense)/credit	(0.1)	-	(0.1)	0.7	0.6
Profit for the year	**33.1**	**28.8**	**61.9**	**22.9**	**84.8**
Attributable to:					
Equity holders of the parent	33.1	28.8	61.9	20.9	82.8
Non-controlling interests	-	-	-	2.0	2.0
	33.1	28.8	61.9	22.9	84.8
Earnings per share – basic and diluted (pence)	**5.2**	**4.6**	**9.8**	**3.3**	**13.1**

	Year ended 31 March 2011				
	Investment Basis				
	Revenue £million	Capital £million	Total £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million
Services revenue	-	-	-	121.2	121.2
Gains on finance receivables	-	-	-	47.2	47.2
Gains/(loss) on investments	37.4	18.8	56.2	(20.4)	35.8
Total income	**37.4**	**18.8**	**56.2**	**148.0**	**204.2**
Services costs	-	-	-	(105.8)	(105.8)
Administrative expenses	(9.6)	-	(9.6)	(2.2)	(11.8)
Profit before net finance costs and tax	**27.8**	**18.8**	**46.6**	**40.0**	**86.6**
Finance costs	(3.6)	-	(3.6)	(47.5)	(51.1)
Finance income	0.1	2.1	2.2	0.6	2.8
Profit/(loss) before tax	**24.3**	**20.9**	**45.2**	**(6.9)**	**38.3**
Income tax (expense)/credit	(0.1)	-	(0.1)	8.4	8.3
Profit for the year	**24.2**	**20.9**	**45.1**	**1.5**	**46.6**
Attributable to:					
Equity holders of the parent	24.2	20.9	45.1	0.1	45.2
Non-controlling interests	-	-	-	1.4	1.4
	24.2	20.9	45.1	1.5	46.6
Earnings per share – basic and diluted (pence)	**4.8**	**4.1**	**8.9**	**0.1**	**9.0**

Unaudited Consolidated Proforma Balance Sheet

as at 31 March 2012

	31 March 2012			31 March 2011		
	Investment Basis £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million	Investment Basis £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million
Non-current assets						
Investments at fair value through profit or loss (Note 1)	902.0	(377.7)	524.3	596.4	(200.1)	396.3
Finance receivables at fair value through profit or loss	-	1,739.4	1,739.4	-	761.6	761.6
Intangible assets	-	375.2	375.2	-	162.0	162.0
Deferred tax assets	-	109.7	109.7	-	34.3	34.3
Total non-current assets	**902.0**	**1,846.6**	**2,748.6**	**596.4**	**757.8**	**1,354.2**
Current assets						
Investments at fair value through profit or loss (Note 1)	-	-	-	29.7	-	29.7
Trade and other receivables	1.8	27.4	29.2	1.0	14.7	15.7
Finance receivables at fair value through profit or loss	-	31.2	31.2	-	17.5	17.5
Cash and cash equivalents	267.9	105.8	373.7	54.7	60.2	114.9
Total current assets	**269.7**	**164.4**	**434.1**	**85.4**	**92.4**	**177.8**
Total assets	**1,171.7**	**2,011.0**	**3,182.7**	**681.8**	**850.2**	**1,532.0**
Current liabilities						
Trade and other payables	(12.5)	(35.6)	(48.1)	(6.0)	(22.9)	(28.9)
Current tax payable	(0.2)	(1.2)	(1.4)	(0.3)	(0.5)	(0.8)
Loans and borrowings	(138.5)	(52.9)	(191.4)	-	(31.4)	(31.4)
Total current liabilities	**(151.2)**	**(89.7)**	**(240.9)**	**(6.3)**	**(54.8)**	**(61.1)**
Non-current liabilities						
Loans and borrowings	-	(1,409.9)	(1,409.9)	-	(616.3)	(616.3)
Other financial liabilities (fair value of derivatives)	-	(259.9)	(259.9)	(2.3)	(80.5)	(82.8)
Deferred tax liabilities	-	(238.7)	(238.7)	-	(104.9)	(104.9)
Total non-current liabilities	**-**	**(1,908.5)**	**(1,908.5)**	**(2.3)**	**(801.7)**	**(804.0)**
Total liabilities	**(151.2)**	**(1,998.2)**	**(2,149.4)**	**(8.6)**	**(856.5)**	**(865.1)**
Net assets/(liabilities)	**1,020.5**	**12.8**	**1,033.3**	**673.2**	**(6.3)**	**666.9**
Equity						
Shareholders' equity	1,020.5	4.4	1,024.9	673.2	(16.2)	657.0
Non-controlling interests	-	8.4	8.4	-	9.9	9.9
Total equity	**1,020.5**	**12.8**	**1,033.3**	**673.2**	**(6.3)**	**666.9**
Net assets per Ordinary Share (pence)	**116.3**	**0.7**	**117.0**	**113.1**	**(2.7)**	**110.4**
Net assets per C Share (pence)	**98.7**	**-**	**98.7**	**-**	**-**	**-**

Unaudited Consolidated Proforma Cash Flow

for the year ended 31 March 2012

	Year ended 31 March 2012			Year ended 31 March 2011		
	Investment Basis £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million	Investment Basis £million	Consolidation Adjustments £million	Consolidated IFRS Basis £million
Cash flows from operating activities						
Profit/(loss) before tax	62.0	22.2	84.2	45.2	(6.9)	38.3
Adjustments for:						
(Gains)/loss on investments	(72.1)	22.0	(50.1)	(56.2)	22.2	(34.0)
Gains on finance receivables	-	(177.8)	(177.8)	-	(44.5)	(44.5)
Interest payable & similar charges	2.4	80.0	82.4	3.6	42.0	45.6
Changes in fair value of derivatives	(4.8)	69.5	64.7	(2.1)	(0.3)	(2.4)
Operator acquisition investment fees	2.4	-	2.4	1.5	-	1.5
Interest income	(0.3)	(0.6)	(0.9)	(0.1)	(0.3)	(0.4)
Amortisation of intangible assets	-	13.5	13.5	-	8.6	8.6
Operating cash flow before changes in working capital	(10.4)	28.8	18.4	(8.1)	20.8	12.7
Changes in working capital:						
Decrease/(Increase) in receivables	0.9	2.2	3.1	(0.9)	(13.5)	(14.4)
Increase/(Decrease) in payables	0.5	-	0.5	(0.4)	5.8	5.4
Cash flow (used in)/from operations	(9.0)	31.0	22.0	(9.4)	13.1	3.7
Interest received on bank deposits and finance receivables	0.3	0.6	0.9	0.1	0.3	0.4
Cash received from finance receivables	-	99.9	99.9	-	58.8	58.8
Interest paid	(3.5)	(81.6)	(85.1)	(5.3)	(28.0)	(33.3)
Corporation tax received/(paid)	0.5	(0.7)	(0.2)	-	(0.9)	(0.9)
Interest received on investments	32.9	(14.2)	18.7	30.5	(5.3)	25.2
Dividends received	15.1	(5.4)	9.7	12.8	(2.7)	10.1
Fees and other operating income	2.2	(0.9)	1.3	2.2	(0.7)	1.5
Loanstock and equity repayments received	31.0	-	31.0	0.1	-	0.1
Net cash from operating activities	**69.5**	**28.7**	**98.2**	**31.0**	**34.6**	**65.6**
Cash flows from investing activities						
Purchases of investments	(283.3)	66.4	(216.9)	(115.1)	-	(115.1)
Acquisition of subsidiaries net of cash acquired	-	(15.9)	(15.9)	-	-	-
Net cash (used in)/from investing activities	**(283.3)**	**50.5**	**(232.8)**	**(115.1)**	**-**	**(115.1)**
Cash flows from financing activities						
Proceeds from issue of share capital	320.9	-	320.9	154.6	-	154.6
Proceeds from issue of loans and borrowings	183.2	-	183.2	77.1	-	77.1
Repayment of loans and borrowings	(44.5)	(30.2)	(74.7)	(80.2)	(24.3)	(104.5)
Distributions paid to Company shareholders	(36.8)	-	(36.8)	(29.4)	-	(29.4)
Distributions paid to non-controlling interests	-	(3.4)	(3.4)	-	(4.4)	(4.4)
Net cash from/(used in) financing activities	**422.8**	**(33.6)**	**389.2**	**122.1**	**(28.7)**	**93.4**
Net increase in cash and cash equivalents	**209.0**	**45.6**	**254.6**	**38.0**	**5.9**	**43.9**
Cash and cash equivalents at beginning of year	54.7	60.2	114.9	12.8	54.3	67.1
Exchange gains on cash	4.2	-	4.2	3.9	-	3.9
Cash and cash equivalents at end of year	**267.9**	**105.8**	**373.7**	**54.7**	**60.2**	**114.9**

1. Investments

The valuation of the Group's portfolio at 31 March 2012 reconciles to the consolidated balance sheet as follows:

	31 March 2012 £million	31 March 2011 £million
Portfolio valuation	902.0	673.1
Less: undrawn investment commitments	-	(47.0)
Portfolio valuation on an investment basis	902.0	626.1
Less: equity and loanstock investments in operating subsidiaries eliminated on consolidation	**(377.7)**	**(200.1)**
Investments per audited consolidated balance sheet on an IFRS basis	524.3	426.0
Portfolio valuation on an investment basis is represented by:		
Less than one year	-	29.7
Greater than one year	902.0	596.4
Carrying amount at year end	**902.0**	**626.1**
Investments per audited consolidated balance sheet on an IFRS basis is represented by:		
Less than one year	-	29.7
Greater than one year	524.3	396.3
Carrying amount at year end	**524.3**	**426.0**

Analysis of the Group's Portfolio

As at 31 March 2012, the Group had 70 investments, details of which are set out in the table below.

	Group Holdings		
Project	Equity	Subdebt	Mezzanine Debt
Ten largest investments			
Blackburn Hospital	100.0%	100.0%	
Colchester Garrison	42.0%	42.0%	
Dutch High Speed Rail Link	43.0%	43.0%	
Home Office	100.0%	100.0%	
M80 DBFO Road	49.9%	50.0%	
North West Anthony Henday Road	50.0%	50.0%	
Pinderfields and Pontefract Hospitals	50.0%	50.0%	
Oxford John Radcliffe Hospital	100.0%	100.0%	
Queen Alexandra Hospital	100.0%	100.0%	
Romford Hospital	50.0%	50.0%	
Remaining investments			
A249 Road	50.0%	50.0%	
A92 Road	50.0%	50.0%	
Barking and Dagenham Schools	85.0%	100.0%	
Barnet Hospital	100.0%	100.0%	100.0%
Bishop Auckland Hospital	36.0%	36.0%	100.0%
Boldon School	100.0%	100.0%	
Bradford Schools BSF	34.0%	34.0%	
Brentwood Community Hospital	75.0%	75.0%	
Central Middlesex Hospital	100.0%	100.0%	
Conwy Schools	90.0%	90.0%	
Cork School of Music	50.0%	50.0%	
Croydon School	100.0%	100.0%	
Darlington Schools	50.0%	50.0%	
Defence Sixth Form College	45.0%	45.0%	
Derby Schools	80.0%	80.0%	
Doncaster Mental Health Hospital	50.0%	50.0%	
Doncaster Schools	50.0%	50.0%	
Dorset Fire and Rescue	67.0%	67.0%	
Dorset Police Stations	80.0%	80.0%	
Durham and Cleveland Firearms Training Centre	72.9%	72.9%	
Ealing Care Homes	68.0%	68.0%	
Ealing Schools	50.0%	50.0%	
Exeter Crown Courts	90.0%	90.0%	
Fife Schools	40.0%	40.0%	100.0%
Glasgow Hospital	25.0%	25.0%	
GMPA Police Stations	72.9%	72.9%	
Haverstock Schools	50.0%	50.0%	

		Group Holdings		
Project		Equity	Subdebt	Mezzanine Debt
Remaining investments				
Health and Safety Laboratory		80.0%	90.0%	
Helicopter Training Facility	AssetCo	87.6%	7.2%	
	ProjectCo	23.5%	74.1%	
Highlands Schools PPP		50.0%	50.0%	
HSE Merseyside HQ		50.0%	50.0%	
Irish Grouped Schools		50.0%	50.0%	
Kent Schools		50.0%	50.0%	
Kicking Horse Canyon P3 Road		50.0%	-	
Lewisham Hospital		100.0%	100.0%	
Manchester School		50.0%	50.0%	
Medway Police Headquarters		80.0%	80.0%	
MPA Firearms Training Centre		72.9%	72.9%	
MPA SEL Police Stations		50.0%	50.0%	
Newcastle Libraries		50.0%	50.0%	
Newport Schools		80.0%	80.0%	
Newton Abbot Hospital		50.0%	100.0%	
North Tyneside Schools		50.0%	50.0%	
Norwich Schools		75.0%	75.0%	
Oldham Library		50.0%	50.0%	
Oldham Schools		75.0%	75.0%	
Oxford Churchill Oncology		40.0%	40.0%	
Oxford Nuffield Hospital		25.0%	25.0%	
Renfrewshire Schools		30.0%	30.0%	
Rhondda Cyon Taf Schools		100.0%	100.0%	
Sheffield Hospital		75.0%	75.0%	
Sheffield Schools		37.5%	37.5%	
South Ayrshire Schools		100.0%	100.0%	
Stoke Mandeville Hospital		90.0%	90.0%	
Sussex Custodial Centre		89.9%	100.0%	
Swindon Police Headquarters		80.0%	80.0%	
Tyne and Wear Fire Stations		100.0%	-	
West Middlesex Hospital		100.0%	100.0%	
Willesden Hospital		50.0%	50.0%	
Wooldale Learning Centre		50.0%	50.0%	

Two projects are currently under construction: the M80 DBFO Road shown above and the Birmingham Hospitals project which was acquired since the year end in May 2012. All the remaining projects are operational. The pie charts overleaf show how the portfolio has developed in the last 12 months in terms of sector split, projects still in construction, geographic location, and concession lengths remaining.

Analysis of the Group's Portfolio (continued)

Ten Largest Investments

Set out below are details of the ten largest investments in the portfolio and details of each project. As at 31 March 2012, the largest investment (the Home Office project) accounted for 10.0% of the portfolio.

Project	Directors' Valuation	
	31 March 2012 Valuation as a percentage of Directors' portfolio valuation	31 March 2011 Valuation as a percentage of Directors' portfolio valuation
Directors' Valuation – £m	902.0	673.1
Blackburn Hospital	2.6%	-
Colchester Garrison	5.0%	6.3%
Dutch High Speed Rail Link	8.8%	12.2%
Home Office	10.0%	12.9%
Kemble Water	-	4.4%
M80 Motorway DBFO	3.3%	4.3%
North West Anthony Henday Road	2.9%	3.5%
Oxford John Radcliffe Hospital	3.2%	4.6%
Pinderfields and Pontefract Hospitals	3.8%	-
Queen Alexandra Hospital	7.2%	9.4%
Romford Hospital	3.0%	3.8%
West Middlesex Hospital	-	2.9%
Total	**49.8%**	**64.3%**

Blackburn Hospital

The Blackburn Hospital Project is a 38 year concession to design, construct, finance and maintain new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust. Financial close was on 9 July 2003. The project involved capital expenditure of approximately £100 million. The construction was undertaken by Balfour Beatty Construction Limited and Haden Young Limited (both subsidiaries of Balfour Beatty plc) as a joint venture and was completed in 2006.

Facilities management is being undertaken by Balfour Beatty WorkPlace. Siemens is responsible for the supply and maintenance of certain types of medical equipment.

During the year, the Group acquired the remaining 50% interest in the project, taking its stake to 100%. Agreement was reached with the senior lenders to reduce the senior debt interest cost, improving the project's cashflow, the benefit of which was shared 50:50 with the Trust.

The project's management contract was changed after the Group acquired 100% and the new management is undertaking a review of operations. The team is supporting the Trust in a significant extension of the Accident and Emergency department and a programme of planned lifecycle works is underway.

Colchester Garrison

The Colchester Garrison project is a 35 year concession to design, construct, finance and maintain a new garrison facility at Colchester, Essex for The Secretary of State for Defence (the "MOD"). The new garrison has been built partly on an existing garrison site and partly on an adjacent brownfield site owned by the MOD. The project involved capital expenditure of approximately £550 million. Financial close was on 9 February 2004.

The completed garrison facility provides accommodation for approximately 3,500 military and 750 civilian personnel. Construction was by Sir Robert McAlpine Limited and is now complete.

The new configuration enabled approximately 84 hectares of surplus land to be released for development and this has been successfully sold by the Project Company, RMPA Services plc, to Taylor Woodrow Developments Limited. The proceeds from the land sale were used to fund parts of the project.

Catering, cleaning and transport services are provided by Sodexo Defence Services Limited. Sodexo Property Solutions Ltd (formerly known as WS Atkins Facilities Management Limited) is responsible for estate and grounds maintenance, contract management and security, waste management and lifecycle.

Continued strong partnership working relationships have been evident during the year when the Barracks have been at peak capacity with the troops back from duties overseas. Operations are now in a "steady state" with minimal deductions and good customer satisfaction.

The "Help for Heroes" rehabilitation centre has been delivered to programme and budget in the year and both the "Help for Heroes" charity and the MOD are pleased with the result.

Dutch High Speed Rail Link

The project is a 25 year concession (from the date the assets are available for use) with the State of the Netherlands, represented by the Minister of Transport, Public Works and Water Management and the Minister of Finance (the largest PPP contract ever awarded by the Dutch State) to design, construct, finance, operate and maintain one of the largest high speed railway projects in Europe. The project involved capital expenditure of over £625 million, and involves the construction of the track, noise attenuation, catenary, signalling, traction power distribution and command-control-communication systems that will complete the high speed rail infrastructure. Financial close was on 31 October 2001.

The project involved the design and construction of two new sections of high speed rail track, which were laid between Amsterdam and the Belgian border. Construction has been completed successfully. An unrelated train operating company is responsible for rolling stock and its operation. Train services commenced in September 2009. Revenues are receivable from the State of the Netherlands, varying with the level of performance but independent of the level of traffic.

The project is responsible for maintenance of the system (and substructure) and the undertaking of renewals works towards the end of the concession period, and availability is measured, inter alia, by reference to any delays to trains attributable to the project. The project has additional obligations in relation to safety management and liaison with the State, the regulator, traffic allocator, traffic controller, the owner of the existing and connecting infrastructure as well as the substructure contracts.

Maintenance obligations are carried out by a joint venture comprising Siemens Nederland By, Koninklijke BAM NBM NV and Fluor Infrastructure BV.

Availability has been at 100% for almost the entire period and only minor deductions have been incurred. Further progress has been achieved during the year closing out residual issues between the parties and only a small number of issues remain to be resolved. The operator has further consolidated its managerial and operational structures, systems and processes during the past year. The Client has not yet taken delivery of the AnsaldoBreda trains although these are now programmed for introduction to the network later in 2012 (the provision of rolling stock is not part of the project scope).

Home Office

The Home Office Headquarters project is a 29 year concession commissioned by the Home Office to build finance operate and maintain a new headquarters building to replace their existing London office accommodation with purpose-built serviced offices. The new building occupies the site of the former Department of Environment in Marsham Street in Westminster.

The project involved capital expenditure of approximately £200 million and the demolition of the existing offices on a 4.3 acre site and the construction of a Terry Farrell Partners designed building comprising three purpose built interconnecting office blocks totalling c. 75,000 square meters, for up to 3,450 staff. Construction was carried out by Byhome Limited a joint venture between Bouygues (UK) Limited and its sister facilities management company ETDE (both subsidiaries of Bouygues Construction S.A.).

The project was completed and has been occupied by the Home Office since January 2005. The services being provided include health and safety, cleaning, catering and energy management. Operations are managed by ETDE.

The project is now into its eighth year of operations following the handover of the building on 2005. The Home Office has over 3,000 staff working in the building at present and they have benefited from a world class working environment. The building also continues to receive some 10,000 visitors per month.

As of January 2012, the building had achieved a reduction in energy consumption of 14.9%, against the five year Government target across the central government estate of 25% by 31 March 2015.

The Mail and Messenger Services was successfully transferred from the Client to the Project Company on 1st July 2011. The service is being undertaken by ETDE, and the Client is very pleased with the way in which the transfer was undertaken.

The Project received a Commendation for its 2 Marsham Street building entry in the Mayor of London's Planning Awards, in the 'Best Built Project, 5 Years On' category.

M80 Motorway DBFO

The M80 Motorway DBFO project is a 30-year concession to upgrade a 10 kilometre stretch of the existing M80, between Stepps and Haggs in Scotland, as well as to construct a new eight-kilometre section of motorway, seven new junctions and 60 additional structures. The construction works were performed under a Bilfinger Berger UK, Northstone (NI) Ltd and John Graham (Dromore) Ltd joint venture.

The project achieved traffic availability in December 2011 and final construction completion was scheduled for February 2012. This has not been achieved due to a small number of residual construction matters which need to be completed. Full completion is now forecast to be June 2012.

The project company is paid an availability revenue stream by the Scottish Ministers. The motorway is being operated and maintained by BEAR Scotland Ltd under a long term services agreement.

The on-line and off-line new sections of the M80 from Stepps to Haggs were opened on 26th August 2011, one month ahead of the planned date. The final permit to use relating to the handback of associated side road was achieved on 3rd October, again one month early than planned. The Client was extremely pleased and the project company is now providing operational and maintenance services. Final construction completion should be achieved this summer, and involves the resolution of a number of defects and snagging issues.

The project team has visited all the local primary schools to deliver an initiative on safety around construction sites for the pupils. There have been secondary school career visits during the construction phase for potential engineering students and other careers in the construction industry. The project team worked on a joint initiative with North Lanarkshire Council to "improve the image of Cumbernauld" by providing landscaping alterations around their new sculpture installation alongside the road.

North West Anthony Henday Road

The North West Anthony Henday P3 in Alberta, Canada comprises the design, build, financing and ongoing operation of a 21 kilometre stretch of the four and six lane ring-road surrounding the city of Edmonton. The Client is the Province of Alberta, Ministry of Alberta, Ministry of Transportation, and Ministry of Infrastructure.

The project has completed construction, with the road opening to traffic in November 2011. Construction was being carried out by a joint venture comprising Flatiron Constructors Canada Limited, Parsons Overseas Company of Canada Ltd and Graham Infrastructure, itself a JV between Graham Infrastructure LP and Jardeg Construction Service LP.

The ongoing operations and maintenance are being carried out by Carmacks Maintenance Services Ltd, under a long term services agreement. The concession contract lasts for 30 years from the beginning of operations, expiring no later than November 2041.

The successful opening of the main carriageway in November 2011 was well received by the Client, all the municipal project stakeholders and the public. All crossroads and interchange ramps were completed in the year but some work is still outstanding in relation to lighting, guardrail and sign structures.

The project revenues are contractual availability payments and the project has no exposure to traffic demand risk.

Oxford John Radcliffe Hospital

The Oxford John Radcliffe PFI Hospital project involves the design, construction, management, financing, operation and maintenance of a new wing adjacent to the former Radcliffe Infirmary in Oxford. The concession runs until 31 December 2036.

The new wing was constructed by Carillion Construction Ltd and reached operational completion in December 2006. The new facilities built under the contract formed the 'West Wing' and the 'New Children's Hospital'. A number of adult and children services were relocated from the Radcliffe Infirmary and other sites within the Oxford Radcliffe Hospitals NHS trust to centralise them into one facility.

Facilities management services are subcontracted to Carillion Services.

Analysis of the Group's Portfolio (continued)

The Group took the decision in the year to change and increase management resources, in order to strengthen the project's onsite team. Part of this decision was driven by the need to facilitate and help deliver improvements in the quality of the services being delivered, and the effects of this are now starting to be seen. In relation to the delivery of the Portering and the Estates Services further improvement by the service providers is required and the Group is actively seeking to facilitate this. There continues to be an ongoing dialogue regarding the historical reporting and payment in relation to certain services, and it is anticipated that this will be resolved satisfactorily.

Pinderfields and Pontefract Hospitals

The Pinderfields and Pontefract Hospitals project involves the financing, design and construction and subsequent operation of two hospital facilities for the Mid Yorkshire NHS Trust, delivering a combined total of 774 beds. Construction of the new hospital facilities on the two sites completed in 2011, with construction works undertaken by subsidiaries of Balfour Beatty plc.

Soft and Hard FM Services are being delivered by Balfour Beatty Workplace Limited under a long term contract.

The Group acquired its investment in June 2011. The final phase of construction works was completed in the year and the project is generally performing satisfactorily. At the time of the acquisition, there were a small number of construction and operational issues outstanding and progress has been made to resolve these satisfactorily. All parties to the project are in discussion to reach acceptable solutions to the remaining matters and in the meantime, the Trust continues to impose performance deductions for these items, all of which have been passed down to the supply chain.

Queen Alexandra Hospital

The completed hospital has 1,026 inpatient beds, 34 neonatal intensive care cots, 3 endoscopy suites and 20 main operating theatres. The concession contract runs until December 2040.

The client is Portsmouth Hospitals NHS Trust. The new hospital buildings were developed and built by Carillion Construction Ltd, a subsidiary of Carillion. The majority of the new facilities have been operational since June 2009, with final construction completed last month.

A subsidiary of Carillion provides facilities management services to the project under a long term services agreement.

Whilst project performance is generally satisfactory, the FM service provider has been encouraged to make, and is making improvements in the Estates Maintenance service to address unsatisfactory service levels. Carillion Construction is attending to a number of latent defects in the building works and, when it was recognised that one of the defects might affect hospital services, responded quickly in putting in place robust temporary measures whilst a permanent solution is procured by them.

Romford Hospital

The Romford Project involves the design, build and financing of the Queen's Hospital in Romford, followed by the maintenance of the hospital and the provision of non-clinical services for a total term of 36 years from January 2004. Construction was undertaken by Bovis, a subsidiary of Lend Lease and was completed in October 2006, since which time the hospital has been running successfully. The Client is the Barking, Havering and Redbridge Hospitals NHS Trust.

Non-clinical services are provided under three long term services agreements by subsidiaries of Sodexo Alliance (facilities management), Lend Lease (life cycle management) and Siemens (managed equipment and telephony services).

The HM Treasury review of cost savings and efficiencies was concluded during the year and the Trust was commended for good management. The review identified a number of examples at Romford that were embodied in the market guidance subsequently issued by HM Treasury in July.

The renegotiation of the soft services contract was concluded and Sodexo, the incumbent service provider, secured a further contract at a substantial saving for the Trust.

The project company made a donation to the construction of a Lavender Garden within the hospital site where patients and visitors can spend time in a quiet and reassuring garden environment.

Risks and Risk Management

The Company has put in place a risk management framework covering all aspects of the Company's business. Due to the nature of the Company (being an Investment Company) and the outsourcing of key services to the Investment Adviser and other service providers, reliance is placed on the Group's service providers' own systems and controls.

The identification, assessment and management of risk are integral elements of the Investment Adviser's and the Operator's work in both management of the existing portfolio and in seeking new investment opportunities.

The Directors set out the material risks relating to the Group's portfolio and investing in the Company as at February 2012 in the Company's C Share Prospectus, which is available from the Company's website.

The Investment Adviser and the Operator have established internal controls to manage these risks, and also review and consider the Group's key risks on a quarterly basis. The Board reviews the key risks affecting the Company at each regular board meeting, by reference to a risk analysis matrix developed and monitored in conjunction with the Investment Adviser. If a new risk arises or the likelihood of a risk occurring increases, where appropriate, a mitigation strategy is developed and implemented, together with enhanced monitoring by the Investment Adviser.

The Board's Management Engagement Committee also reviews the performance of the Investment Adviser (as well as all key service providers) on at least an annual basis and this review includes a consideration of the Investment Adviser's internal controls and their effectiveness. In addition, the Investment Adviser's risk management team reviews compliance against the documented procedures and controls on an annual basis, and reports their findings to the Board.

Risk Assessment

Risk Groups	Risk Type
External	▸ Economic factors ▸ Legal – new laws and legislation ▸ Tax and accounting – changes in practice and policies ▸ Political – changes in policy, both in relation to procurement and the management of existing PFI/PPP/P3 projects ▸ Regulatory – changes in polices and requirements
Strategic	▸ Financial objectives – impacting on achieving targets ▸ Share price discount /premium to NAV
Management	▸ Group's reliance on service providers – underperformance, solvency and breach of regulations
Investment	▸ Bidding – overpaying for assets ▸ Acquisition – due diligence fails to unearth risks which impact performance ▸ Equity risks associated with PFI/PPP/P3 projects ▸ Performance – under-performance by service providers ▸ Project termination ▸ Concentration – over-reliance on a client or service contractor
Financial and Treasury	▸ Finance and liquidity – lack of financial resources ▸ Counterparties – reliance on financial institutions ▸ Currency – exchange rate exposure ▸ Interest rates – both on debt funding and deposit accounts

External Risks

The Group currently has a broad exposure to the PFI/PPP/P3 markets in the UK, the EU (currently the Netherlands and Ireland), and Canada. The Group has investments, business activities, registered companies and limited partnerships in the UK, Luxemburg and Guernsey. These activities and entities can be affected by changes in economic factors, local legislation, taxation and regulatory frameworks.

The performance of the portfolio of 70 investments (as at 31 March 2012) is affected by a number of economic factors including inflation rates, interest rates, and foreign exchange rates. Most, if not all of the PFI/PPP/P3 projects mitigate to some extent against changes in inflation rates by seeking to match their indexation of contractual revenues to their indexation of contractual costs. This is not always achievable where costs are not indexed, an example being where bank debt interest rate exposure has been swapped into a fixed rate.

Most PFI/PPP/P3 concessions provide some or total protection, through their contractual structures, in relation to changes in legislation which affect either the project asset or the way the services are provided.

Changes in tax legislation and accounting practices can affect both the individual investments and can have an impact on the Group's corporate subsidiaries and corporate structure. Where possible, this will be mitigated, but there will be instances where this may not be possible and in these instances there could be an adverse impact on the financial performance of the Group.

The UK government is currently reviewing alternative procurement methods to PFI. It is not clear exactly what role the private sector will play in the future. However, with other countries developing their own PFI/PPP models and procuring new infrastructure, the number of projects globally continues to grow. The Group is not reliant on any particular procurement pipeline for its new investments.

Our UK public sector clients continue to seek ways to find operation savings from existing contracted PFI projects, based on guidance issued by HM Treasury in July 2011. The Investment Adviser's asset management team is pro-active in assisting clients who wish to make savings and this work has been ongoing since the guidance was issued.

In the year, both the Treasury and Public Accounts Select Committees have published reports looking at the performance of PFI as a procurement model and exploring ways it can be improved. HM Treasury is currently conducting a wide-ranging consultation and this is likely to shape the new way private sector capital is used to fund new public infrastructure in the UK.

There was more media attention around PFI in the UK in the year, resulting from the reports published by the Select Committees and the publication of the UK Government's Infrastructure Plan 2011.

Each of the Group's projects is built from a legal contract with a public sector client. There is a risk, albeit slight, that a political decision could be taken to seek to unilaterally change the terms of a contract. Although such a development would have wide ranging implications for the market, if it were attempted and was successful, the value of the Group's investment portfolio and its ability to meet target distributions would be affected.

Under Guernsey legislation, the Company is an Authorised Closed-Ended Investment Scheme and is supervised by the Guernsey Financial Services Commission. The Investment Adviser is authorised and regulated by the Financial Services Authority in the UK, in accordance with the Financial Services and Markets Act 2000. Both the Company and its advisers continually monitor any potential or actual changes to regulations to ensure both the Group and its service providers remain compliant.

The EU Alternative Investment Fund Managers ("AIFM Directive") is expected to be transposed into the national legislation of each EU Member State in mid-2013 following a series of consultations from both the European Commission and the European Securities and Markets Authority together with the regulatory bodies appointed at national level by European member states.

Much of the detail of the legislation is yet to be finalised and the full impact of its implementation on the Company remains uncertain. In January 2012, the FSA issued a discussion paper (DP12/1) in which it was proposed that an investment fund listed on the Official List, such as the Company, should itself be treated as the alternative investment fund manager (the "AIFM") under the AIFM Directive, rather than (as had been anticipated) having the option to appoint a third party manager as its AIFM. Whether or not this proposal is adopted, the implementation of the AIFM Directive is likely to significantly increase regulatory and compliance costs. It may also impose restrictions on the marketing of the Company's shares in the EU, which in turn may have a negative effect on marketing and liquidity of the Company's shares generally.

HICL INFRASTRUCTURE

Strategic Risks

The Company's strategy is to deliver a progressive distribution growth with the aim of achieving 7.0p per share by March 2013. At the same time, the aim is to maintain or grow the net asset value ('NAV') of the Company. Since the current portfolio consists of investments in concessions with finite lives, if no new acquisitions are made, there will come a point in the Company's evolution when it will become necessary to start repaying capital. This is shown diagrammatically in the chart on page 22.

The ability both to deliver growth in distributions to shareholders and to maintain and grow its NAV is dependent on a number of economic factors outside the Company's or the Investment Adviser's control. Whilst reasonable assumptions have been factored into business plans, significant external factors could materially affect the Company and impede its ability to deliver its financial objectives. Examples of such events include a prolonged period of deflation, a rise in corporation tax rates, and changes in tax legislation affecting the Group and its investments.

The Company publishes a NAV per share twice a year. The method of valuing the Group's investments is described in detail in the Investment Adviser's Report. To assist in managing the share price premium or discount to NAV, the Board has the powers to both buy back shares as well as issue additional shares via tap issues or C Share capital raisings. There is no guarantee that these measures will minimise the discount or premium to NAV.

The Investment Adviser meets existing and potential new shareholders throughout the year to explain the Company, its investments, its performance, and the key risks. The Board believes these ongoing meetings and briefings help educate the market and inform both existing and new potential shareholders.

Management Risks

The Group is heavily reliant on the Investment Adviser for the day-to-day management of the Group and to achieve the Group's objectives. The Investment Adviser is supported by other service providers to the Group. Failure by the Investment Adviser or a service provider could have a material impact on the Group. Equally a loss of key personnel from a service provider may have an impact on the performance of the Group.

The Management Engagement Committee of the Board reviews the performance of each service provider on an annual basis and seeks to ensure that each service provider has adequate systems and controls in place in relation to the services they provide to the Group. Any performance issues are monitored carefully, and if the Board is not satisfied with the level of service delivery, the Board will seek to change service providers.

In relation to the Investment Adviser, the Board takes comfort from the fact that the Investment Adviser has a track record in managing infrastructure investments and has developed an appropriate and detailed set of policies, procedures, compliance systems, and risk controls. The Investment Adviser is subject to routine review and the Board is satisfied that there is sufficient depth of expertise within the Investment Adviser's infrastructure team that the Group is not reliant on any single individual. The Investment Adviser has been recruiting additional staff within its infrastructure team over the last year, and this has both strengthened and deepened the team of resources on which the Group relies.

Investment Risks

Acquiring a new investment in an infrastructure project via a trade sale involves a certain level of risk. These are mitigated where possible by a structured process of thorough due diligence, the agreement of suitable protections where possible in the sale and purchase agreements with the vendor, and site visits to view and inspect the project's assets. However due diligence may fail to identify risks and the business plan assumptions in the acquisition model may not subsequently be achieved.

The Investment Adviser and Operator have internal processes and controls, developed from its experience of managing funds and investing in infrastructure, to minimise these risks through regular peer group review and internal approval processes. All investment decisions are made by an Investment Committee which has approved terms of reference to ensure only those staff with appropriate skill sets have been appointed, any conflicts should they arise are suitably managed, and an appropriate minimum quorum is achieved. Specialist advisers (such as lawyers, technical consultants, and tax advisers) are retained to carry out specific due diligence on potential acquisitions to minimise this risk.

Investments are normally acquired through competition and so it is important to analyse the investment and determine the appropriate value the Group is prepared to pay. The risk of over-paying is less than for infrastructure assets requiring revenue forecasts, since the majority of the revenue and cost streams in PFI/PPP/P3 projects and similar asset types are contractual and therefore fixed in real terms.

Whilst most construction and operational risks in a PFI/PPP/P3 project are laid off to sub-contractors through a well-established contractual framework, there are occasions when costs and/or risks are retained within the SPV. These include a number of routine running cost items and are also likely to include:

- Insurance Premiums. If insurance premiums are not subject to pass down to a service provider, any increases are for the account of the project. To provide some protection against substantial increases the majority of the projects have negotiated premium risk sharing agreements with the public sector authority such that when an agreed cap is met the increased premium is mostly, or wholly, taken by the authority.
- Life Cycle (also called Asset Renewal or Major Maintenance). Lifecycle is the budget to replace parts of the project's assets which are outside the routine maintenance contract. Examples in a building will include floor finishes (e.g. carpets), doors, windows, ceilings and mechanical and electrical equipment. In some cases this risk and the budget for replacement is passed down to the maintenance contractor, and in the remaining projects, it sits with the project company. There is a risk that the budget is inadequate or expenditure needs to be carried out earlier than forecast. For the current portfolio, the Group regularly assesses the risk and considers that the current lifecycle provisions are reasonable and adequate.

Once acquired, investments need to perform in line with their business plans. Underperformance can be caused by a number of factors, the most likely of which is the underperformance of a service delivery partner. The Investment Adviser plays an active role in the management of the Group's investments to ensure any trends in performance are picked up and if necessary, corrected accordingly. In a severe case, the project can terminate a sub-contractor who fails to perform and either self-manage the services or tender for a new service provider. The cost of this action would, where possible, be recovered from the previous supplier.

There is a risk that an existing project might be terminated, either voluntarily or for default. In these circumstances, the compensation payable may not cover the carrying value of the investment. This risk is not considered to be high due, in part, to the requirement for the public sector client to fund these termination costs which include the cost of repaying the debt secured to finance the project.

A key risk within a PFI project is the various counterparty exposures: the client, the sub-contractors, and the providers of finance and financial services. The Group is careful to manage its concentration exposures to any one party carefully. Whilst the Group is currently predominantly UK PFI/PPP investments, the Group now has five non-UK investments. Sub-contractor and financial counter-parties exposures are monitored and the Group seeks a balanced portfolio with no over-reliance on a single party.

Financial and Treasury

The Group's investments and the Group itself require debt finance to achieve its business objectives. All of the Group's PFI/PPP/P3 investments have long term funding in place and do not need refinancing to meet their financial plans. The Group renewed its debt facilities in February 2012 and now has a £150m revolving facility available. This facility will be utilised to make further acquisitions of new investments and there is a risk that it will not be possible to raise equity capital to pay down this facility by way of tap issues and further C Share issues. If this proves to be the case, the Group will either need to extend or refinance the facility or dispose of selected investments to enable it to meet its repayment obligations.

The Group and its PFI/PPP/P3 investments have a number of financial counterparties providing a range of facilities including debt funding, hedges, monoline insurance wrapping, bank deposit facilities, and insurance. Failure of a financial party could have a material effect on the Group depending on the nature of the service being provided. The greatest risk is with the deposit banks where the Group and its investments have cash on short and medium term deposits. The Investment Adviser monitors this exposure across the portfolio to make sure there is no over-reliance on any single institution and that all counterparties have acceptable credit ratings.

The Group has limited foreign currency exposure at present, with three investments in Euros and two in Canadian dollars. This may change in the future depending on whether UK or non-UK investments are acquired. To date the Group has balance-sheet hedged the value of its overseas investments and now uses a combination of balance sheet hedging and hedging prospective income on a short term basis.

The Group is exposed to interest rate fluctuations, both on its borrowing and cash deposits. The PFI/PPP/P3 projects where bank funded, have interest rate hedges in place on their borrowings to minimise interest volatility. It is possible to some extent to mitigate rate fluctuations on the cash deposits by selecting the deposit period. However in the current low interest rate economy, the PFI/PPP/P3 projects are not earning as much from their cash deposits as they were four years ago. This has impacted the valuation of the portfolio, since it is an inherent risk where options to mitigate are limited.

Board of Directors

The Directors, all of whom are non-executive and independent of the Investment Adviser, are listed below.

Mr John Hallam (63)

Appointed to the Board 12 January 2006

John Hallam (British), resident in Guernsey, is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries. He is currently Chairman of Cazenove Absolute Equity Ltd, Dexion Absolute Ltd and Partners Group Global Opportunities Ltd as well as being a director of a number of other financial services companies, some of which are listed on the London Stock Exchange. He served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006, having been its Chairman for the previous three years.

Other public company directorships (listed in London unless noted otherwise)*

BH Global Limited (listed on London, Bermuda and Dubai)

Cazenove Absolute Equity Limited

Dexion Absolute Limited

NB Distressed Debt (listed on SFM London)

NB Private Equity Partners Limited (listed on SFM London and Amsterdam)

Partners Group Global Opportunities Limited (listed in Ireland)

Vision Opportunity China Fund Limited (listed on AIM)

Mr Graham Picken (63) - Chairman

Appointed to the Board 12 January 2006

Graham Picken (British), resident in the UK, is an experienced banker and financial practitioner and has been Chairman of the Company since its launch. Recently appointed a Non-Executive Director of Skipton Building Society, he was formerly, a Non-Executive Director of the Derbyshire Building Society, where he became Chief Executive in February 2008 and led the society to a merger with Nationwide Building Society in December 2008, before standing down at the end of March 2009. Until 2003, Graham's career spanned over thirty years with Midland and HSBC Banks where, before he retired, he was General Manager of HSBC Bank plc responsible for commercial and corporate banking (including specialised and equity finance). Before that Graham was Chief Executive of Forward Trust Group, an authorised bank, and Chairman of First Direct, a division of HSBC Bank plc.

Graham has no other listed company directorships

Mr Chris Russell (63)

Appointed to the Board on 1 June 2010

Chris Russell (British), is a Guernsey resident non-executive director of investment and financial companies in the US, UK, Hong Kong and Guernsey. He is also Deputy Chairman of the UK trade body, the Association of Investment Companies. Chris was formerly a Director of Gartmore Investment Management Plc, where he was Head of Gartmore's businesses in the US and Japan. Before that he was a holding board Director of the Jardine Fleming Group in Asia. He is a Fellow of the UK Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants in England & Wales.

Other public company directorships (listed in London unless noted otherwise)*

JP Morgan Japan Smaller Companies Trust plc

F&C Commercial Property Trust Ltd

Korea Fund Inc (listed in New York)

Macau Property Opportunities Fund Limited

Mrs Sarah Evans (56)

Appointed to the Board 9 June 2008

Sarah Evans (British), resident in Guernsey, is a Chartered Accountant and a non-executive director of several other listed investment funds, as well as an unlisted fund of hedge funds. She spent over six years with the Barclays Bank PLC group from 1994 to 2001. During that time she was a Treasury Director and from 1996 to 1998 she was Finance Director of Barclays Mercantile, where she was responsible for all aspects of financial control and operational risk management. Prior to joining Barclays Sarah ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982 to 1988 Sarah was with Kleinwort Benson, latterly as head of group finance. She is a member of the Institute of Directors.

Other public company directorships (listed in London)*

Crystal Amber Fund Limited (listed on AIM)

CQS Diversified Fund Limited

Harbourvest Senior Loans Europe Limited

* Certain of the Directors maintain additional directorships that are also listed but not actively traded on various exchanges. Details may be obtained from the Corporate Secretary.

Report of the Directors

The Directors present their report and accounts of the Group for the year to 31 March 2012.

Principal Activity

The Company is an Authorised Closed-Ended Guernsey incorporated investment company. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

A review of the business during the year is contained in the Chairman's Statement and the Investment Adviser's Report.

Results and Distributions

The results for the year are set out in the attached accounts. The Company has declared two interim dividends, relating to the year ended 31 March 2012 as follows:

- 3.35p declared on 10 November 2011, to shareholders on the register as at 18 November 2011, paid on 30 December 2011 and
- 3.50p declared on 12 April 2012, to shareholders on the register as at 20 April 2012, to be paid on 29 June 2012.

At the Annual General Meeting on 25 July 2011 shareholders renewed their approval to the Board, at its discretion, to offer a scrip dividend alternative. This alternative was offered to shareholders for both of the interim dividends declared for the year ending 31 March 2012.

Guernsey Regulatory Environment

The Company is an Authorised Closed-Ended Investment Scheme and is subject to certain ongoing obligations to the Guernsey Financial Services Commission.

Share Capital

At 31 March 2011, there were 595,139,454 Ordinary Shares and 2 Management Shares in issue. The Management Shares carry one vote each on a poll, do not carry any right to dividends and, in winding-up, rank only for a return of the amount of the paid-up capital on such shares after return of capital on Ordinary Shares and Nominal Shares. The Management Shares are not redeemable and are accrued for and on behalf of a Guernsey charitable trust.

At 31 March 2011, the Company had 10,315,324 shares not yet issued under a blocklisting application made on 23 September 2010 with further issues made via independent applications. The following shares were subsequently issued for cash during the period:

Date	New Ordinary Shares
22 June 2011	5,200,000
30 June 2011	3,000,000
6 July 2011	7,000,000
20 July 2011	4,300,000
28 July 2011	3,300,000
08 August 2011	8,410,000
13 September 2011	4,000,000
3 October 2011	5,200,000
3 October 2011	4,800,000
22 November 2011	16,725,000
23 January 2012	3,964,500

As a result of the scrip dividend alternative announced on 19 May 2011 the Company issued 1,920,795 new Ordinary Shares of 0.01p each in the Company in lieu of the 3.425p dividend to those shareholders who had elected to receive the same.

As a result of the scrip dividend alternative announced on 10 November 2011 the Company issued 2,462,466 new Ordinary Shares of 0.01p each in the Company in lieu of the 3.35p dividend to those shareholders who had elected to receive the same.

On 29 February 2012, the Company launched a C Share issue seeking to raise up to £250m, by way of a Placing, Open Offer and Offer for Subscription with a target size of 180 million C Shares at an issue price of 100p per C Share. The issue was oversubscribed and £250m (before issue costs) was raised.

At 31 March 2012, there were 665,422,215 Ordinary Shares, 250,000,000 C Share and 2 Management Shares in issue. Following the C Share conversion in April 2012, there were 883,472,215 Ordinary Shares and 2 Management Shares in issue as at 30 April 2012. The Board proposes to dispense with the 2 Management Shares as these are no longer required due to changes in the Guernsey laws since the Company was formed. Resolutions to achieve this will be tabled at the Company's AGM in July 2012.

HICL INFRASTRUCTURE

Directors

The Directors who held office during the year to 31 March 2012 were:

G Picken
S Evans
J Hallam
C Russell

Biographical details of each of the Directors are shown on pages 46 and 47.

During the year the Directors were paid the following emoluments in theform of fees:

Director	Total Fees
G Picken*	£47,500
S Evans*	£35,000
J Hallam*	£39,000
C Russell*	£35,000

*The fees above include an additional £10,000 per director in respect of the additional work in relation to the C Share issue in February/March 2012

Following a review by the Remuneration Committee who retained the services of an independent consultant, Trust Associates, the Board is proposing to increase the fees for directors for the year to 31 March 2013 to £50,000 (2011: £37,500) for the Chairman, £35,000 (2011: £29,000) for Mr Hallam, and £30,000 (2011: £25,000) each for Mrs Evans and Mr Russell. In addition, a director (currently Mrs Evans) who is also a director of the two Luxemburg subsidiaries, will be entitled to an additional £5,000 p.a. for work in connection with those companies. As in previous years, should the Company require directors to work on specific corporate actions such as a further C Share raising, an additional appropriate fee will be determined. All fees paid to directors in the year need to fall within the fee cap, currently set at £200,000 p.a.

The Board has decided to seek approval for these proposed directors' fee levels at the AGM in July 2012, together with increasing the fee cap from £200,000 to £250,000 p.a.

Investment Adviser and Operator

InfraRed Capital Partners Limited (the "Investment Adviser" or "IRCP") is authorised and regulated by the Financial Services Authority. IRCP acts as Investment Adviser to the Company and acts as Operator of the limited partnership which holds and manages the Group's investments. A summary of the contract between the Company, its subsidiaries, and IRCP in respect of services provided is set out in Note 24 to the accounts.

IRCP was formerly called HSBC Specialist Fund Management Limited and was an indirect subsidiary of HSBC Holdings plc until the completion in April 2011 of the management buy-out by senior management. The HSBC Group retains a 19.9% indirect interest in IRCP.

It is the Directors' opinion, based on performance in the year which was reviewed by the Management Engagement Committee in February 2012, that the continuing appointment of IRCP on the agreed terms is in the best interests of the shareholders as a whole.

Brokers, Administrator and Company Secretary

At the start of the year, the joint brokers to the Company were Collins Stewart Europe Limited and Oriel Securities Limited.

On 14 November 2011 the services of Oriel Securities Limited as broker ceased, as the Board decided there was potential for a conflict of interest from new broking relationships entered into by Oriel Securities.

As at 31 March 2012, the Company had a sole broker, Cannacord Genuity Ltd (following change of name from Collins Stewart Europe Limited).

The Company's Administrator and Company Secretary during the year was Dexion Capital (Guernsey) Limited.

Report of the Directors (continued)

Substantial Interests in Share Capital

As at 22 May 2012, the Company has received notification in accordance with the FSA's Disclosure and Transparency Rule 5 of the following interests in 3% or more of the Company's Ordinary Shares to which voting rights are attached.

	Number of Ordinary Shares Held	Percentage Held
Investec Wealth and Investment Limited	66,587,223	10.01%
Brewin Dolphin Limited	48,287,729	8.11%
Rathbone Brothers Plc	34,405,022	5.22%
Hermes Equity Ownership Services Limited	29,795,360	5.01%
BT Pension Scheme Trustees Limited	29,802,386	4.96%
Schroders Plc	24,368,554	4.09%

Directors' Interests

The Directors of the Company on 31 March 2012, and their interests in the Ordinary Shares of the Company, are shown in the table below.

	31 March 2012		31 March 2011
	Ordinary	C Shares	Ordinary
Graham Picken	73,780	25,000	69,673
Sarah Evans*	224,530	28,596	223,230
John Hallam	73,780	25,000	69,673
Chris Russell**	47,091	25,001	47,091

*of which 178,320 Ordinary Shares and 3,596 C Shares were held by her spouse at 31 March 2012
**of which 6,051 Ordinary Shares were held by his family at 31 March 2012

All of the holdings of the Directors and their families are beneficial. No changes to these holdings had been notified up to the date of this report.

Donations

The Company made no political or charitable donations during the year. A number of project companies in which the Group has an investment made small charitable donations in the year.

Payment of Suppliers

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. Although no specific code or standard is followed suppliers of goods and services are generally paid within 30 days of the date of any invoice. The Company has no trade creditors.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Adviser's Report on pages 15 to 24. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the Financial Results on pages 25 to 29. In addition, Notes 1 to 4 and 21 to 22 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Share Repurchases

No shares have been bought back in the year. The latest authority to purchase Ordinary Shares for cancellation was granted to the Directors on 25 July 2011 and expires on the date of the next Annual General Meeting. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

Treasury Shares

Section 315 of the Companies (Guernsey) Law, 2008 allows companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. Up to 10% of the issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This would give the Company the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board currently intends only to authorise the sale of shares from treasury at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on shareholders if shares are bought back at a discount and then sold at price at or above the net asset value per share (plus costs of the relevant sale).

In the interests of all shareholders, the Board will keep the matter of treasury shares under review.

Statement of Directors' responsibilities

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

The Companies (Guernsey) Law, 2008 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 International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have a 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Corporate Governance Statement that comply with Company law and regulations.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and Group included in the consolidation as a whole; and
- the Chairman's Statement and Report of the Directors include a fair review of the development and performance of the business and the position of the Company and Group included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that it faces.

Disclosure of Information to the Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Channel Islands Limited have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board
Authorised signatory
Dexion Capital (Guernsey) Ltd
Company Secretary
22 May 2012

Registered Office:
1 Le Truchot
St Peter Port
Guernsey
Channel Islands
GY1 1WD

Corporate Governance

Introduction

The Board recognises the importance of a strong corporate governance culture that meets the listing requirements. The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. All Directors contribute to the Board discussions and debates. The Board believes in providing as much transparency for investors as is reasonably possible. It should be noted that as an Investment Company, most of the Company's day to day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive.

AIC

The Company is a member of the Association of Investment Companies (the "AIC") and has carefully considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") and has decided to follow the AIC's Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code and AIC Guide were updated in October 2010 to take into account the newly issued UK Corporate Governance Code.

On 30 September 2010, the Financial Reporting Council provided the AIC with an updated endorsement letter to cover the fifth edition of the AIC Code. The endorsement confirms that the AIC Code fully meets, for investment company boards, their obligations in relation to the UK Corporate Governance Code and paragraph LR9.8.6 of the Listing Rules.

Guernsey Regulatory Environment

On 30 September 2011 the Guernsey Financial Services Commission (the 'Commission') issued the Finance Sector Code of Corporate Governance. The Code comprises Principles and Guidance, and provides a formal expression of good corporate practice against which shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey's finance sector.

The Commission recognises that the different nature, scale and complexity of business will lead to differing approaches to meeting the Code. Companies which report against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are also deemed to meet this code. The Directors have determined that the Company will continue as an Authorised Closed-Ended Investment Scheme.

The Board

Disclosure under Principle 5 of the AIC Code

The Board currently consists of four non-executive Directors. In accordance with Principle 2 of the AIC Code all of the non-executives are independent of the Investment Adviser.

The Chairman, Mr Picken, met the independence criteria of the AIC Code Principle 1 upon appointment and has continued to meet this condition throughout his term of service. Although not a requirement of the AIC Code, in accordance with guidance in Principle 1, the Board has a Senior Independent Director, Mr Hallam, who was appointed as Senior Independent Director on 11 February 2010. Being non-executive Directors, no Director has a service contract with the Company.

The Articles of Incorporation currently provide that at least one third of the Directors retire by rotation at each annual general meeting. If their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office. In accordance with Principle 3 of the AIC Code, all 4 Directors intend to retire and offer themselves up for re-election at the forthcoming AGM in July.

The Board believes that long serving Directors should not be automatically prevented from forming part of an independent majority of the Board upon reaching nine years' service. In accordance with Principle 4 of the Code, if a Director has served more than 9 years, the Board will consider the issue of independence carefully on an annual basis as part of the Board self-evaluation and will disclose its conclusions in the Directors' Reports.

As the Company was formed in 2006 no Director has yet served for nine years or more. A Director who retires at an annual general meeting may, if willing to act, be reappointed. The Directors are not subject to automatic re-appointment.

The Board believes that the balance of skills, experience, knowledge of the Group's investments and mixed length of service on the Board provides for a solid base in which the interest of investors will be served to a high standard. The Board recommends the re-election of each Director and supporting biographies, including length of service, are disclosed on pages 46 to 47 of this annual report, together with a list of other public company directorships for each Director.

The Board (continued)

Disclosure under Principle 5 of the AIC Code (continued)

The Board meets at least four times a year and between these formal meetings there is regular contact with the Investment Adviser, the Secretary and the Company's Brokers. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company that should be brought to the attention of the Directors. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The attendance record of Directors for the year to 31 March 2012 is set out below:

	Quarterly Board Meetings	Audit Committee	Management Engagement Committee	Remuneration Committee	Nomination Committee
Number of meetings	4	4	1	0	1
Meetings Attended:					
G Picken	4	N/A	1	0	1
J Hallam	4	4	1	0	1
S Evans	4	4	1	0	1
C Russell	4	4	1	0	1

There was no Remuneration Committee in the year, as the fees for Directors was last reviewed in 2010 and a two year proposal was adopted.

During the year a further 14 ad-hoc Board/Committee meetings were held to deal with matters substantially of an administrative nature and these were attended by those directors available at the time. In addition, there were 6 meetings to discuss and approve the C Share issue which occurred in February and March 2012.

As previously mentioned, the Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new Director appointment to the Board an induction process is tailored to ensure that it would be appropriate for the appointee. Upon any such appointment the new Director would be available to meet Shareholders upon request.

The Board considers agenda items laid out in the notice and agenda of meeting which are formally circulated to the Board in advance of the meeting as part of the Board papers. Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

The Board constantly considers the Company's strategy with regard to market conditions and feedback from shareholders. The investment strategy, which is set out in the Company's latest prospectus, is reviewed regularly with the Investment Adviser.

The primary focus at Board meetings is a review of investment performance and associated matters such as marketing/investor relations, risk management, gearing, general administration and compliance, peer group information and industry issues.

Performance Evaluation

The Board evaluates its performance and considers the tenure and independence of each Director on an annual basis, and believes that the mix of skills, experience and length of service are appropriate to the requirements of the Company. The annual evaluation for the year ended 31 March 2012 has been completed by the Chairman and took the form of one to one interview with each Director. In addition, the Board engaged Trust Associates to conduct an external evaluation of the Board in relation to its skills and workings in accordance with Principle 7 of the AIC Code. The results of this evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board and its Committees reflected a suitable mix of skills and experience, and that the Board, as a whole, and its Committees were functioning effectively.

For the evaluation of the Chairman, the Senior Independent Director discussed the results of the questionnaire with the Chairman prior to further distribution to the remaining Directors.

Delegation of Responsibilities

The Board has delegated the following areas of responsibility.

The day-to-day administration of the Company has been delegated to Dexion Capital (Guernsey) Ltd in its capacity as Company Secretary and Administrator.

The Investment Adviser has two roles, Adviser to the Company and Operator of the Group's limited partnership which owns the Group's underlying investments.

The role as Adviser includes preparing the semi-annual valuations, the statutory accounts, the management accounts, business plans, presenting results and information to shareholders, coordinating all service providers to the Group and giving the Board general advice and feedback.

The role of Operator includes running the partnership and taking direct responsibility for the decisions relating to the day to day running of the Group's investment portfolio, the Group's debt facilities, swap arrangements, and the sourcing of new investments. Members of the Investment Adviser's asset management team are appointed as directors of the Group's project companies and as part of their role in actively managing the portfolio, they attend board meetings and make appropriate decisions. Material decisions are referred back to the Investment Adviser's investment committee for consideration and determination.

Committees of the Board

The committees of the Board are the Audit Committee, the Remuneration Committee, the Nomination Committee, and a Management Engagement Committee. Terms of reference for each Committee have been approved by the Board.

The Chairman and members of each committee as at 31 March 2012 are as below:

Audit Committee

The Audit Committee has been in operation throughout the year. The Audit Committee, chaired by Mr J Hallam, operates within clearly defined terms of reference and comprises all the Directors except for Mr G Picken. It met four times in the year to 31 March 2012.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. It is also the formal forum through which the auditors report to the Board of Directors and meets at least twice yearly. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services and the fees paid to them or their affiliated firms overseas.

The main duties of the Audit Committee are:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditors' report thereon;
- reviewing the scope, results, cost effectiveness, independence and objectivity of the external auditors;
- reviewing the draft valuation of the Group's investments prepared by the investment Adviser, receiving an independent review of the valuation from a third party expert and making a recommendation to the Board on the valuation of the Group's investments:
- reviewing and recommending to the Board for approval the audit, audit related and non-audit fees payable to the external auditors and the terms of their engagement;

	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
Chairman Members	Mr J Hallam	Mr C Russell	Mr G Picken	Mrs S Evans
	Mrs S Evans	Mrs S Evans	Mrs S Evans	Mr J Hallam
	Mr C Russell	Mr J Hallam	Mr J Hallam	Mr G Picken
		Mr G Picken	Mr C Russell	Mr C Russell

Audit Committee (continued)

- reviewing and approving the external auditors' plan for the following financial year;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the standards and adequacy of the internal control systems.

The external auditors and the third party valuation experts are invited to attend the Audit Committee meetings at which the annual and interim accounts are considered and at which they have the opportunity to meet with the Committee without representatives of the Investment Adviser being present.

In order to safeguard auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external auditors do not conflict with their statutory audit responsibilities.

Advisory and/or consulting services generally only covers reviews of interim financial statements, tax compliance and capital raising work. Any non-audit services conducted by the auditor outside of these areas which are above £25,000 in aggregate in any year require the consent of the Audit Committee before being initiated. The external auditor may not undertake any work for the Company in respect of the following matters – preparation of the financial statements, valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Total fees paid amounted to £0.4m for the year ended 31 March 2012 of which £0.1m related to the audit of the Group, £0.2m related to audit of the Group's project subsidiaries and other audit related services, and £0.1m was in respect of tax advisory and non-audit services.

Notwithstanding such services the Audit Committee considers KPMG Channel Islands Limited to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

Nomination Committee

The main terms of reference of the committee are:

- regularly review the structure, size and composition required of the Board and make recommendations to the Board with regard to any changes (including skills, knowledge and experience in accordance with Principle 6 of the AIC Code);
- give full consideration to succession planning for directors taking into account the challenges and opportunities facing the Company; and
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Nomination Committee has met once in the year to 31 March 2012 and has recommended to the Board that the current composition of the Board remains appropriate. The Committee has succession planning on its agenda and has commenced discussions over the need, in due course, to recommend further appointments with succession planning in mind.

Remuneration Committee

The terms of reference of the Committee are to determine and agree the Board policy for the remuneration of the directors of the Company, including the approval of any ad-hoc payments in respect of additional corporate work required (e.g. for the work involved with the C Share issue).

Remuneration Policy

The Remuneration Committee has received independent professional advice in respect of their roles, responsibilities and fees.

All Directors of the Company are non-executive and as such there are:

- No service contracts with the Company;
- No long-term incentive schemes;
- No options or similar performance incentives.

The Directors' remuneration shall:

- reflect the responsibility, experience, time commitment and position on the Board;
- allow the Chairman and Chairman of the Audit Committee to be remunerated in excess of the remaining board members to reflect their increased roles of responsibility and accountability;
- be paid quarterly in arrears;
- include remuneration for additional, specific corporate work which shall be carefully considered and only become due and payable on completion of that work; and
- will be reviewed by an independent professional consultant with experience of Investment Companies and their fee structures, at least every three years.

The Remuneration Committee did not meet during the period to 31 March 2012 as the Company had engaged an independent external evaluator, Trust Associates, whose report was presented and discussed at a meeting held on 16 May 2012.

The Committee has recommended that the fees are increased for the coming year substantially in line with the Trust Associates recommendation and the Board has approved this increase in annual fees payable as set out in the Directors' Report for the year to 31 March 2012. The Board has decided to seek shareholder approval on these fees at the AGM on 25 July 2012.

Management Engagement Committee

The terms of reference of this committee are to review the relationships between the Company and its main service providers, including their performance, compliance with their contracts, and levels of fees paid. Recommendations from the Committee's review are given to the Board for consideration and action.

The Management Engagement Committee met once in the period to 31 March 2012, and reviewed the performance of the key service providers to the Group and the Company. No material weaknesses were identified, some recommendations were conveyed to certain providers, and the recommendation to the Board was that the current arrangements are appropriate and provide good quality services and advice to the Company and the Group.

At this meeting and in the Board meetings held during the year, the impacts arising from the change of ownership of the Investment Adviser were considered. Both the Committee and the Board were pleased with the continued high levels of service provided by the Investment Adviser and the new resources and procedures employed to fill the gaps left by leaving the ownership of the HSBC Group. The Investment Adviser carried out a detailed internal audit of its procedures in the year and has shared the findings of this work with the Board.

All Terms of Reference for Committees are available from the Company Secretary upon request.

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness, and the Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

The process is based on a risk-based approach to internal control through a matrix which identifies the key functions carried out by the Investment Adviser and other key service providers, the various activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and the action which has been, or is being taken. By their nature these procedures will provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each Board meeting the Board also monitors the Group's investment performance in comparison to its stated objective and it reviews the Group's activities since the last Board meeting to ensure that the Investment Adviser and the Operator adhere to the agreed investment policy and approved investment guidelines.

Further, at each Board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed by them on behalf of the Company.

Internal Controls (continued)

The Board has reviewed the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Adviser and the Secretary, including their own internal review processes, and the work carried out by the Group's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by both the Company Administrator and the Investment Adviser.

The Investment Adviser prepares management accounts and updates business forecasts on a quarterly basis, which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Adviser have agreed clearly defined investment criteria, return targets, risk appetite, and exposure limits. Reports on these issues, including operating performance, cash projections, and investment valuations, are submitted to the Board at each quarterly meeting.

Relations with Shareholders – AIC Code Principle 19

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Investment Adviser produces a quarterly factsheet which is available on the Company's website. Senior members of the Investment Adviser make themselves available at all reasonable times to meet with principal shareholders and key sector analysts.

Feedback from these meetings is provided to the Board on a regular basis. The Board is also kept fully informed of all relevant market commentary on the Company by the Investment Adviser, the Company's Broker, and the Company's Financial PR agency.

By way of assisting shareholders to understand our portfolio of investments, we have held site visits to some of the Group's investments. The presentations and case studies from these visits are available from the Company's website www.hicl.com

In addition, members of the Board met some shareholders at an evening event held in London in September and a lunch in Edinburgh in October, arranged by the Broker. It is the Board's intention to continue to meet with shareholders periodically to facilitate open two way communication on the development of the Company.

The Company reports formally to Shareholders twice a year and a proxy voting card for the AGM is sent to shareholders with the Annual Report and Accounts. Results of Extraordinary and Annual General Meetings are announced by the Company promptly after the relevant meeting. Additionally, the Interim Management Statements and the current information provided to eligible Shareholders on an on-going basis through the Company's website assist in keeping Shareholders informed. The Secretary and Registrar monitor the voting of the Shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting.

Shareholders may contact the Directors via the Company Secretary, whose contact details are found on page 112 of the report and accounts.

Corporate Social Responsibility

HICL INFRASTRUCTURE

The business of the Company is to make investments in infrastructure assets, to hold these investments and to manage the portfolio of investments to achieve an acceptable return for shareholders. In managing the Company and the Group, the Directors have ensured that procedures and policies have been put in place by the Group and its service providers to manage the Group effectively and minimise risk.

As part of good practice and to mitigate risk, the Board has in place a set of Environmental, Social and Governance policies appropriate for a company investing in infrastructure assets, which conform to current good practice in relation to corporate responsibility.

The Company's Environmental, Social and Governance ("ESG") policies cover:

- how the Company interacts with stakeholders, including shareholders,
- what ESG considerations need to be made before a new investment is acquired, and
- how the current portfolio is managed by the Investment Adviser to promote and achieve good ESG practices.

In May 2011, the Investment Adviser undertook an evaluation of the best practice with regard to industry ESG policies. It consulted with other investment advisers, institutional investors and industry bodies. On the basis of strong positive feedback, the Investment Adviser has registered with the United Nations agreeing to adopt and implement its Principles for Responsible Investment ("PRI") which are widely recognised and highly regarded around the world. The Investment Adviser is now progressively incorporating these PRI within its business. As part of this process, it will be re-examining the Company's ESG policies for us and making any recommendations on how they can be improved and enhanced.

The UN PRI can be summarised as follows:

- To incorporate ESG issues into investment analysis and decision-making
- To be active owners and incorporate ESG issues into ownership policies and practices
- To seek appropriate disclosures on ESG issues by the entities in which the investments are made
- To promote acceptance and implementation of PRI within the investment industry
- To report on activities and progress towards implementing the PRI

Annual Review

The Board has reviewed its performance and the performance of its service providers in the last 12 months and can confirm compliance with its stated ESG policies, details of which are given below. The Directors have considered whether these ESG policies need updating when compared to good industry practice as applicable to an infrastructure Investment Company and believe them to be current and appropriate. As highlighted above, the Investment Adviser has registered with the United Nations PRI and has undertaken to review the Group's polices and give recommendations to the Board.

Governance

The Board remains committed to the highest standards of corporate governance and keeps the Company's practices under review with respect to current best practice. Further details of how the Company complies are set out in the Corporate Governance report.

The Board wishes to be at the forefront of disclosure and reporting of the Company's performance and strategic intentions. The Board believe this is achieved by the detailed information provided as follows:

- Annual reports
- Interim statement and accounts
- Detailed presentations to accompany the results
- Two Interim Management Statements a year
- Announcements of all material acquisitions
- Lunches and meetings with shareholders, the Directors and the Investment Adviser

Governance (continued)

The Company's website (www.hicl.com) has further information on each investment and copies of all publications, together with all prospectuses since launch.

Disclosure of key sensitivities and risks has been developed by the Board working with the Investment Adviser and through dialogue with shareholders, the level and type of disclosure is developed and refined in order to assist in a full and fair analysis of the Company and its investments.

Managing the Portfolio

Day-to-day management of the Group's portfolio is undertaken by the Investment Adviser in its capacity as Operator of the Partnership. The policies and procedures within each area of ESG are set out below as well as examples of where active implementation has occurred in some of the projects in which the Group has an investment. These are not exhaustive but represent the types and variety of initiatives being undertaken throughout the Group. Where successful, certain initiatives have been implemented more widely within the Group (e.g. utility smart meter installation).

Environmental

Policy and Procedures

All of the Group's investments are in project companies who provide services to their clients and who subcontract the provision of these services to specialist facilities management companies.

On a routine basis, the Investment Adviser undertakes a review to ensure that each key contractor (or their group) has appropriate environmental policies in place and that these are being adhered to in delivery of the services to the project and that further, there have been no material breaches of their policies. During the year these reviews have found no issues of concern.

The Investment Adviser's asset managers continue to take a proactive approach to work with both clients and key stakeholders to introduce new environmental initiatives in each project company where appropriate.

Examples of initiatives in the year:

- The buildings within our Sussex Custodial Services project have had half-hourly smart pulse electricity meters installed with monthly monitoring of power usage with a view to reducing consumption and creating incentives to reduce future consumption.
- This has been further environmental initiatives at our Home Office Headquarters project where a programme of fine tuning plant operating times and temperature and humidity set points, as well as the installation of movement sensitive lighting controls and dual flush toilet cisterns, aimed at reducing energy and water consumption.
- At Colchester Garrison, the project company has constructed a Personnel Recovery Centre which has been delivered with an "Excellent" environmental rating by BREEAM, one of the world's leading environmental assessment method and rating systems for buildings.

Social and Ethical

Policy and Procedures

The approach to social and ethical practices is similar to that for environmental in that each key contractor's policies will be reviewed and their ongoing compliance to their stated policies reviewed on a regular basis. In addition, the Investment Adviser's team will ensure that the project companies in which the Group has investments are run appropriately in relation to the Group's social and ethical policies.

Health and Safety performance of each investment is monitored and during the year a number of Health and Safety audits were carried out by a Health and Safety consultant to ensure procedures and policies were in place and being adhered to. Information on Health and Safety is reported to the Board on a quarterly basis.

Examples of initiatives in the year:

- At all of the schools constructed under the Bradford Schools BSF project the new buildings have incorporated a significant level of facilities which have been made available to, and utilised by the wider local community. These include sports halls, pitches, swimming pools and libraries.
- In addition to allowing public use of the leisure facilities at the Conwy Schools project, one school is considering offering adult learning classes for parents of children who are less engaged with the school. The project company also sponsors the School of the Year award at the prestigious annual Conwy County sports awards which recognise achievement in a wide range of sports for able and disabled sportsmen and women.

- The Personnel Recovery Centre at Colchester Garrison was built not only to provide accommodation for soldiers, but also to accommodate representatives from both the Royal British Legion and Help 4 Heroes who assist those people in the army and those who have retired.
- Many project companies have sponsored local, socially-beneficial initiatives such as the training of a local opera singer to give free recitals at the Central Middlesex Hospital; the purchase of 100 trees to celebrate the centenary of one of the Fife Schools; the provision of microwaves for patient use in the maternity unit, and free hot drinks for relatives in the ICU, at West Middlesex Hospital; the purchase of festive decorations in the public areas of Blackburn Hospital and facilitation of visits by local school children to sing carols to patients.

Governance

Policy and Procedures

For all the investments in the portfolio, the Group is entitled to appoint at least one director and these positions have all been filled by a person recommended by the Group. Board meetings are not quorate without the Group's nominated director being present and this is part of the Investment Adviser's active management of the underlying investments. All directors' fees paid by the projects are for the benefit of the Group, and not the Investment Adviser.

All the project companies have detailed governance structures including those matters which are reserved to shareholders to determine, those items which directors determine and the routine day-to-day matters that are delegated to the project's general manager and his or her team.

Examples of initiatives in the year:

- Rather than being project-specific, our governance policies and procedures have been implemented across the project portfolio. This includes standing agenda items such as Directors' conflicts of interest which are discussed and recorded in the company register at each project company Board meeting. If any exist, these are discussed and a solution agreed and minuted.

With the enactment of the UK Bribery Act 2010, we have developed appropriate polices and made sure that these are adopted by all project companies the Group is investing in. We have taken this further in requesting that partner Directors of our overseas project companies in Canada, Holland and Ireland also acknowledge their responsibilities in this respect even though they are not legally bound by any legislation. Furthermore, we have notified all of the primary contractors in all our project companies of the ramifications of the Bribery Act 2010 and requested confirmation that they have appropriate similar policies in place.

Making New Investments

The Investment Adviser has a detailed set of procedures and approval processes in relation to the making of new investments. These include appropriate ESG checks as part of the due diligence processes.

Environmental

As part of the detailed due diligence carried out by the Investment Adviser and the advisers, the history of the investment in relation to the Company's environmental policies will be assessed. Key contractors and service providers are analysed to check they have appropriate policies in place and that there have been no breaches

Where it is not possible to get comfortable with either a key contractor's environmental record or the project's environmental performance to date, the investment will not be made. There were no circumstances in the year where this was the case.

Social and Ethical

The approach to social and ethical practices is similar to that for environmental in that each key contractor's policies will be reviewed as part of the due diligence process. The trading history of the investment will also be reviewed to ensure compliance with the Group's social and ethical policies.

All acquisitions made during the year were subject to these reviews and checks and no material matters were identified.

Governance

In seeking new investments, the Investment Adviser normally seeks a minimum board representation on the underlying investment company, with appropriate voting rights and reserved matters to ensure it will be possible to manage the investment and achieve the projected returns. It is unlikely that a new investment will be made where this level of control and influence is not achievable. In the year to 31 March 2012 all investment opportunities assessed came with appropriate Board representation.

Independent Auditor's Report to the Members of HICL Infrastructure Company Limited

We have audited the Group financial statements (the "financial statements") of HICL Infrastructure Company Limited (the "Company") for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report with respect to the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Steven D. Stormonth
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
20 New Street
St Peter Port
Guernsey
Channel Islands
GY1 4AN

22 May 2012

Consolidated Income Statement

as at 31 March 2012

		Year ended 31 March 2012			Year ended 31 March 2011		
	Note	Revenue £million	Capital £million	Total £million	Revenue £million	Capital £million	Total £million
Services revenue	5	149.9	-	149.9	121.2	-	121.2
Gains on finance receivables	17	70.6	107.2	177.8	40.6	6.6	47.2
Gains on investments	6	29.3	20.8	50.1	26.1	9.7	35.8
Total income		**249.8**	**128.0**	**377.8**	**187.9**	**16.3**	**204.2**
Services costs	7	(130.0)	-	(130.0)	(105.8)	-	(105.8)
Administrative expenses	8	(17.4)	-	(17.4)	(11.8)	-	(11.8)
Profit before net finance costs and tax		**102.4**	**128.0**	**230.4**	**70.3**	**16.3**	**86.6**
Finance costs	9	(82.4)	(69.5)	(151.9)	(51.1)	-	(51.1)
Finance income	9	0.9	4.8	5.7	0.4	2.4	2.8
Profit before tax		**20.9**	**63.3**	**84.2**	**19.6**	**18.7**	**38.3**
Income tax credit/(expense)	10a	10.0	(9.4)	0.6	10.3	(2.0)	8.3
Profit for the year		**30.9**	**53.9**	**84.8**	**29.9**	**16.7**	**46.6**
Attributable to:							
Equity holders of the parent		29.5	53.3	82.8	25.3	19.9	45.2
Non-controlling interests		1.4	0.6	2.0	4.6	(3.2)	1.4
		30.9	53.9	84.8	29.9	16.7	46.6
Earnings per share – basic and diluted (pence)	11			**13.1**			**9.0**

Supplementary information has been provided analysing the income statement between those items of a revenue nature and those of a capital nature, in order to better reflect the Consolidated Group's activities as an investment company. See Note 2 (a) to the consolidated financial statements for the definition of revenue and capital items.

All results are derived from continuing operations. There is no other comprehensive income or expense apart from those disclosed above and consequently a consolidated statement of comprehensive income has not been prepared.

Consolidated Balance Sheet

as at 31 March 2012

	Note	31 March 2012 £million	31 March 2011 £million
Non-current assets			
Investments at fair value through profit or loss	15	524.3	396.3
Finance receivables at fair value through profit or loss	17	1,739.4	761.6
Intangible assets	14	375.2	162.0
Deferred tax assets	10c	109.7	34.3
Total non-current assets		**2,748.6**	**1,354.2**
Current assets			
Investments at fair value through profit or loss	15	-	29.7
Trade and other receivables	18	29.2	15.7
Finance receivables at fair value through profit or loss	17	31.2	17.5
Cash and cash equivalents	19	373.7	114.9
Total current assets		**434.1**	**177.8**
Total assets		3,182.7	1,532.0
Current liabilities			
Trade and other payables	20	(48.1)	(28.9)
Current tax payable		(1.4)	(0.8)
Loans and borrowings	21	(191.4)	(31.4)
Total current liabilities		**(240.9)**	**(61.1)**
Non-current liabilities			
Loans and borrowings	21	(1,409.9)	(616.3)
Other financial liabilities (fair value of derivatives)	22	(259.9)	(82.8)
Deferred tax liabilities	10c	(238.7)	(104.9)
Total non-current liabilities		**(1,908.5)**	**(804.0)**
Total liabilities		**(2,149.4)**	**(865.1)**
Net assets		**1,033.3**	**666.9**
Equity			
Ordinary Share capital	23	-	-
C Share capital	23	-	-
Share premium	23	717.7	390.7
Retained reserves		307.2	266.3
Total equity attributable to equity holders of the parent		1,024.9	657.0
Non-controlling interests		8.4	9.9
Total equity		1,033.3	666.9
Net assets per Ordinary Share (pence)	13	**117.0**	**110.4**
Net assets per C Share (pence)	13	**98.7**	**-**

The accompanying Notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2012, and signed on its behalf by:

J Hallam, Director

G Picken, Director

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 March 2012

HICL INFRASTRUCTURE

	Year ended 31 March 2012				
	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium £million	Retained reserves £million	Total shareholders' equity £million	£million	£million
Shareholders' equity at beginning of year	390.7	266.3	657.0	9.9	666.9
Profit for the year	**-**	**82.8**	**82.8**	**2.0**	**84.8**
Distributions paid to Company shareholders	-	(41.9)	(41.9)	-	(41.9)
Distributions paid to non-controlling interests	-	-	-	(3.5)	(3.5)
C Shares issued	250.0	-	250.0	-	250.0
Costs of C Share issue	(3.2)	-	(3.2)	-	(3.2)
Ordinary Shares issued	80.9	-	80.9	-	80.9
Costs of Ordinary Share issue	(0.7)	-	(0.7)	-	(0.7)
Shareholders' equity at end of year	**717.7**	**307.2**	**1,024.9**	**8.4**	**1,033.3**

	Year ended 31 March 2011				
	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium £million	Retained reserves £million	Total shareholders' equity £million	£million	£million
Shareholders' equity at beginning of year	234.0	252.6	486.6	12.8	499.4
Profit for the year	**-**	**45.2**	**45.2**	**1.4**	**46.6**
Distributions paid to Company shareholders	-	(31.5)	(31.5)	-	(31.5)
Distributions paid to non-controlling interests	-	-	-	(4.3)	(4.3)
Ordinary Shares issued	159.0	-	159.0	-	159.0
Costs of Ordinary Share issue	(2.3)	-	(2.3)	-	(2.3)
Shareholders' equity at end of year	**390.7**	**266.3**	**657.0**	**9.9**	**666.9**

Consolidated Cash Flow Statement

for the year ended 31 March 2012

	31 March 2012 £million	31 March 2011 £million
Cash flows from operating activities		
Profit before tax	84.2	38.3
Adjustments for:		
Gains on investments	(50.1)	(34.0)
Gains on finance receivables	(177.8)	(44.5)
Interest payable and similar charges	82.4	45.6
Changes in fair value of derivatives	64.7	(2.4)
Operator acquisition investment fees	2.4	1.5
Interest income	(0.9)	(0.4)
Amortisation of intangible assets	13.5	8.6
Operating cash flow before changes in working capital	18.4	12.7
Changes in working capital:		
Decrease/(Increase) in receivables	3.1	(14.4)
Increase in payables	0.5	5.4
Cash flow from operations	22.0	3.7
Interest received on bank deposits and finance receivables	0.9	0.4
Cash received from finance receivables	99.9	58.8
Interest paid	(85.1)	(33.3)
Corporation tax paid	(0.2)	(0.9)
Interest received on investments	18.7	25.2
Dividends received	9.7	10.1
Fees and other operating income	1.3	1.5
Loanstock and equity repayments received	31.0	0.1
Net cash from operating activities	**98.2**	**65.6**
Cash flows from investing activities		
Purchases of investments	(216.9)	(115.1)
Acquisition of subsidiaries net of cash acquired (Note 16a)	(15.9)	-
Net cash used in investing activities	**(232.8)**	**(115.1)**
Cash flows from financing activities		
Proceeds from issue of share capital	320.9	154.6
Proceeds from issue of loans and borrowings	183.2	77.1
Repayment of loans and borrowings	(74.7)	(104.5)
Distributions paid to Company shareholders	(36.8)	(29.4)
Distributions paid to non-controlling interests	(3.4)	(4.4)
Net cash from financing activities	**389.2**	**93.4**
Net increase in cash and cash equivalents	**254.6**	**43.9**
Cash and cash equivalents at beginning of year	114.9	67.1
Exchange gains on cash	4.2	3.9
Cash and cash equivalents at end of year	**373.7**	**114.9**

1. Reporting Entity

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The consolidated financial statements of the Company as at and for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated Group"). The Consolidated Group invests in infrastructure projects in the UK, Canada and Europe.

Of the Consolidated Group's portfolio of 70 investments at 31 March 2012, 50 have been accounted for as investments (the "Entity Investments") in accordance with the accounting policies set out in parts (b) and (d) of Note 2. The 20 remaining investments are deemed to be subsidiaries of the Company (the "Operating Subsidiaries"), and are therefore treated as business combinations as described in parts (b) and (c) of Note 2. Certain items of the accounting policies apply only to the Operating Subsidiaries. Where applicable, this is noted in the relevant accounting policy note.

2. Key Accounting Policies

(a) Basis of Preparation

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 May 2012.

The consolidated financial statements which give a true and fair view have been prepared in compliance with the Companies (Guernsey) Law 2008 and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") using the historical cost basis, except that the following assets and liabilities are stated at their fair values: derivative financial instruments and financial instruments classified at fair value through profit or loss. The accounting policies have been applied consistently. The consolidated financial statements are presented in sterling, which is the Company's functional currency.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Adviser's Report on pages 15 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Results on pages 25 to 29. In addition, Notes 1 to 4 and 21 to 22 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long - term contracts with various public sector customers and suppliers across a range of infrastructure projects. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the period of the revision and future periods if the revision affects both current and future periods. Note 3 shows critical accounting judgements, estimates and assumptions.

Supplementary information has been provided analysing the income statement between those items of a revenue nature and those of a capital nature, in order to better reflect the Consolidated Group's activities as an investment company. Those items of income and expenditure which relate to the interest and dividend yield of investments and annual operating and interest expenditure are shown as "revenue". Those items of income and expenditure which arise from changes in the fair value of investments, foreign exchange movements, finance receivables and derivative financial instruments are recognised as "capital".

Standards adopted early by the Consolidated Group

During the year and the prior year no new standards were adopted early by the Consolidated Group.

2. Key Accounting Policies (continued)

New standards effective for the current year

The following standards which have been applied in this year's financial statements are:

- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions – clarifies accounting for group cash-settled share-based payment transactions.
- Revised IAS 24 Related Party Disclosures – the revised standard has simplified the definition of a related party and removed inconsistencies.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.
- Improvements to IFRSs 2010 – the IASB published amendments to various standards with various effective dates on 6 May 2010. The amendments are effective for annual periods beginning on or after 1 July 2010 or 1 January 2012. The 2010 improvements contains eleven amendments to six standards and to one interpretation and is the result of the IASB's third annual improvements project (AIP).

Standards not yet applied

As at 31 March 2012 there were no standards applicable to the Consolidated Group, which have not been applied in this financial information, were in issue and endorsed by the EU but not yet effective.

(b) Basis of Consolidation

The consolidated financial statements of the Consolidated Group include the financial statements of the Company and its subsidiaries up to 31 March 2012. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities as defined in IAS 27 'Consolidated and Separate Financial Statements'. The financial statements of subsidiaries are included in the consolidated financial statements on a line by line basis from the date that control commences until the date control ceases. Sixteen of the twenty Operating Subsidiaries have a different statutory financial reporting date to the Company, being 31 December. Their results for the year to 31 March are included by reference to management accounts.

Associates are those entities over which the Company has significant influence as defined in IAS 28 'Investments in Associates'. By virtue of the Company's status as an investment fund and the exemption provided by IAS 28.1, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit or loss.

Joint ventures are those entities over which the Company has joint control as defined by IAS 31 'Interests in Joint Ventures'. By virtue of the Company's status as an investment fund and the exemption provided by IAS 31.1, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit or loss.

Intra-Group receivables, liabilities, revenue and expenses are eliminated in their entirety when preparing the consolidated financial statements. Gains that arise from intra-group transactions and that are unrealised from the standpoint of the Consolidated Group on the balance sheet date are eliminated in their entirety. Unrealised losses on intra-group transactions are also eliminated in the same way as unrealised gains, to the extent that the loss does not correspond to an impairment loss.

(c) Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Consolidated Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Group takes into consideration potential voting rights that currently are exercisable.

The Consolidated Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit and loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Consolidated Group incurs in conjunction with a business combination are expensed as incurred.

(d) Financial Instruments

Financial assets and liabilities are recognised on the Consolidated Group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial instruments: Recognition and measurement'.

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, finance receivables, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including directly attributable transaction costs, except for financial instruments measured at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Investments in equity and debt securities

Entity Investments (investments in the equity and loanstock of entities engaged in infrastructure activities which are not classified as subsidiaries of the Consolidated Group) are designated at fair value through profit or loss since the Consolidated Group manages these investments and makes purchase and sale decisions based on their fair value.

The initial difference between the transaction price and the fair value, derived from using the discounted cash flows methodology at the date of acquisition, is recognised only when observable market data indicates there is a change in a factor that market participants would consider in setting the price of that investment. After initial recognition, investments at fair value through profit or loss are measured at fair value with changes recognised in the income statement.

Finance receivables

Finance receivables are recognised initially at fair value. Subsequent to initial recognition, finance receivables are measured at fair value using the discounted cash flows methodology, with changes recognised in the income statement as gains/(loss) on finance receivables as a capital item.

Finance receivables are designated at fair value through profit or loss because it eliminates or significantly reduces the accounting mismatch that would result from fair value movements in interest rate swaps.

Loans and borrowings

Borrowings are recognised initially at fair value of the consideration received, less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

(ii) Derivative financial instruments

The Operating Subsidiaries hold derivative financial instruments to mitigate their interest rate risk and inflation rate risk exposures. All derivatives are recognised initially at fair value with attributable transaction costs recognised in the income statement as incurred. Thereafter, derivatives are measured at fair value with changes recognised in the income statement as part of finance costs or income. Fair value is based on price quotations from financial institutions active in the relevant market. The Consolidated Group has not used hedge accounting.

(iii) Fair values

The fair values are determined using the income approach, except for derivative financial instruments, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is had to risk free rates, the specific risks of each investment and the evidence of recent transactions.

(iv) Effective interest

The effective interest rate is that rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the relevant asset's carrying amount.

2. Key Accounting Policies (continued)

(e) Intangible Assets

Intangible assets are recognised as part of a business combination if they are reliably measurable and separable from the acquired entity or give rise to other contractual/legal rights. Only one category of intangible asset has been recognised as part of a business combination to date, being the fair value of service concessions in Operating Subsidiaries as at the date of acquisition. These assets are being amortised over the life of the concessions concerned on a straight-line basis.

The accounting policies for intangible assets arising under IFRIC 12 are disclosed in part (k) of this Note.

(f) Impairment

(i) Financial assets

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

(ii) Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets are reviewed at each reporting date to determine whether there is any evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(g) Share Capital and Share Premium

Ordinary and C Shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written-off against the balance of the share premium account.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(i) Non-Controlling Interests

The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the carrying value of the non-controlling interest are allocated against the interest of the parent, except to the extent that the non-controlling shareholder has both a binding obligation and the ability to make an additional investment to cover the losses.

(j) Revenue

(i) Services revenue

Services revenue (in accordance with IFRIC 12), which relates solely to the Operating Subsidiaries, is comprised of the following components:

- revenues from the provision of facilities management services to Private Finance Initiative or Public Private Partnerships ("PFI/PPP") projects calculated as the fair value of services provided (see Note k(i));
- the fair value of the consideration receivable on construction and upgrade services;
- availability fees and usage fees on PFI/PPP projects where the principal asset is accounted for as an intangible asset (see Note k(ii)); and
- third party revenues on PFI/PPP projects calculated as the fair value of services provided.

(ii) Gains on finance receivables

Gains on finance receivables relate solely to the Operating Subsidiaries.

Revenue

Gains on finance receivables included in the "revenue" category includes interest, dividends and other operating income relating to finance receivables designated at fair value through profit or loss.

Interest income arising on finance receivables at fair value through profit or loss is recognised in the income statement as it accrues, using the effective interest rate of the instrument concerned.

Dividends are recognised when the Consolidated Group's rights to receive payment have been established. That part of the dividend which has already been recognised in the fair value of finance receivable is deducted from the carrying amount of the relevant finance receivable.

Fees and other operating income are recognised when the Consolidated Group's rights to receive payment have been established.

Capital

Gains on finance receivables included in the capital category arise from the movement in the fair value of the finance receivables excluding the movements shown as revenue above.

(iii) Gains on investments

Gains on investments relates solely to the Entity Investments.

Revenue

Gains on investments included in the "revenue" category includes interest, dividends and other operating income relating to the Entity Investments.

Interest income arising on Entity Investments is recognised in the income statement as it accrues, using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date.

Dividends are recognised when the Consolidated Group's rights to receive payment have been established. That part of the dividend which has already been recognised in the fair value of investments is deducted from the carrying amount of the relevant investment.

Fees and other operating income are recognised when the Consolidated Group's rights to receive payment have been established.

Capital

Gains on investments included in the "capital" category arise from the movement in the fair value of the Entity Investments excluding the movements shown as revenue above.

k) Service Concessions

In accordance with IFRIC 12 and the various provisions of IFRS, the Consolidated Group has determined the appropriate treatment of the principal assets of, and income streams from, PPP and similar contracts within the Operating Subsidiaries. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions:

(i) Service concessions treated as financial assets

Service concessions are determined to give rise to finance receivables where the Consolidated Group, as operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the construction phase, revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IAS 11. Costs for this purpose include valuation of all work done by subcontractors whether certified or not, and all overheads other than those relating to the general administration of the relevant companies.

During the operational stage, cash received in respect of the service concessions is allocated to services revenue (see part j(i) of this Note) based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method (see part j(ii) of this Note).

The finance receivables are designated as at fair value through profit or loss in accordance with part (d) of this Note. The fair values of the finance receivables are determined in a similar manner to that described in part (d)(i), with changes recognised in the income statement.

2. Key Accounting Policies (continued)

k) Service Concessions (continued)

(ii) Service concessions treated as intangible assets

Service concessions are determined to give rise to intangible assets to the extent the Consolidated Group, as operator, has a contractual right to charge users of the public services. The intangible asset represents the construction cost of assets which give rise to the contractual right to charge. The intangible asset is amortised to estimated residual value over the remaining life of the service concession and tested each year for impairment.

Revenue arising in respect of these service concessions is recognised when the services are delivered.

(l) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(m) Income Tax

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. The Company's Operating Subsidiaries are UK based and are therefore subject to UK tax legislation. Dividend and interest income received by the Consolidated Group may be subject to withholding tax imposed in the country of origin of such income, but all such tax is currently recoverable.

Income tax on the profit for the year of the Operating Subsidiaries comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. For the UK Operating Subsidiaries deferred tax is measured at UK tax rates.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Foreign Exchange Gains and Losses

Transactions entered into by group entities in a currency other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement as capital amounts.

(o) Segmental Reporting

The Chief Operating Decision Maker (the "CODM") is of the opinion that the Group is engaged in a single segment of business, being investment in infrastructure which is currently predominately in private finance initiatives and public private partnership companies in one geographical area, the United Kingdom.

The financial information used by the CODM to allocate resources and manage the group presents the business as a single segment and is prepared on an Investment basis. The Investment basis deconsolidates the subsidiary investments. A reconciliation of the consolidated financial statements to pro-forma statements on an Investment basis is shown within the Financial Results of the annual report.

(p) Expenses

All expenses and the profit share of the General Partner are accounted for on an accruals basis. The Consolidated Group's investment management and administration fees, finance costs (including interest on long-term borrowings) and all other expenses are charged through the consolidated income statement.

(q) Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM. For scrip dividends where the Company issues shares with an equal value to the cash dividend amount as an alternative to the cash dividend a credit to equity is recognised when the shares are issued.

(r) Provisions

Provisions are recognised when the Consolidated Group has a present obligation as a result of a past event, and it is probable that the Consolidated Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(s) Statement of Compliance

Pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 the Company is an Authorised Closed-Ended Investment Scheme. As an authorised scheme, the Company is subject to certain ongoing obligations to the Guernsey Financial Services Commission.

3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Investments at fair value through profit or loss

The Consolidated Group has a greater than 50% shareholding in certain entities (see Note 15), where in the opinion of the Directors it is unable to govern the financial and operating policies of the entities by virtue of agreements with the other shareholder(s). These entities are consequently not treated as subsidiaries, and instead they are accounted for as financial assets at fair value through profit or loss, as set out in Note 2(b).

By virtue of the Company's status as an investment fund and the exemption provided by IAS 28.1 and IAS 31.1, investments in associates and joint ventures are designated upon initial recognition to be accounted for at fair value through profit or loss.

Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to risk free rates, specific risks and the evidence of recent transactions. The Directors have satisfied themselves that the PFI/PPP/P3 investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

The carrying amount of the PFI/PPP/P3 investments would be an estimated £13.1 million higher or £12.7 million lower (2011: £11.2 million higher or £10.8 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The weighted average discount rate for the PFI/PPP/P3 portfolio as at 31 March 2012 was 8.6% (2011: 8.7%).

The carrying amount of the PFI/PPP/P3 investments would be an estimated £9.0 million higher or £8.3 million lower (2011: £6.8 million higher or £6.5 million lower) if the inflation rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The UK inflation rate assumed from 31 March 2012 is 2.75% (2011: 2.75%).

The carrying amount of the PFI/PPP/P3 investments would be an estimated £3.6 million higher or £3.6 million lower (2011: £2.8 million higher or £2.7 million lower) if the deposit rates used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The UK deposit rates assumed for all future periods from 31 March 2012 were 1% to March 2015 and 3.75% thereafter (2011: 1% to March 2013 and 4% thereafter).

(ii) Finance at fair value through profit or loss

Fair values are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to risk free rates, specific risks and the evidence of recent transactions.

3. Critical accounting judgements, estimates and assumptions (continued)

(ii) Finance at fair value through profit or loss (continued)

The carrying amount of finance receivables would be an estimated £42.9 million higher or £41.3 million lower (2011: £17.4 million higher or £16.8 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The discount rates at 31 March 2012 were between 4.2% and 7.5% (2011: between 5.2% and 6.6%).

(iii) IFRIC 12

Service concessions fall within the scope of IFRIC 12 where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and the price; and the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service agreement. Each subsidiary has been assessed to determine whether they fall within the scope of IFRIC 12. Following this review it was determined that all twenty subsidiaries controlled at the year end fall within this scope. Service concessions are determined to be finance receivables where the operator has a contractual right to receive cash or another financial asset from or at the direction of the grantor. Alternatively, service concessions are determined to be intangible assets to the extent the operator has a contractual right to charge users of the public services.

(iv) Intangible assets

Intangible assets represent fair value of service concessions for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. Fair values are determined using the income approach which discounts the expected cash flows attributable to the services portion of the service concessions acquired at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is had to risk free rates and the specific risks of each project.

4. Financial Instruments

Financial Risk Management

Financial risk is managed by the group on an investment basis, so for the purposes of this Note, the group comprises the Company, its two wholly-owned Luxembourg subsidiaries (HICL Infrastructure 1 SARL and HICL Infrastructure 2 SARL) and the English Limited Partnership (Infrastructure Investments Limited Partnership ('IILP')), and is referred to as the "Investment Group". The objective of the Investment Group's financial risk management is to manage and control the risk exposures of its investment portfolio. The Board of Directors has overall responsibility for overseeing the management of financial risks, however the review and management of financial risks are delegated to the Investment Adviser and the Operator of the group which has documented procedures designed to identify, monitor and manage the financial risks to which the Investment Group is exposed. This Note presents information about the group's exposure to financial risks, its objectives, policies and processes for managing risk and the group's management of its financial resources.

The Investment Group owns a portfolio of investments predominantly in the subordinated loanstock and ordinary equity of project finance companies. These companies are structured at the outset to minimise financial risks where possible, and the Investment Adviser and Operator primarily focus their risk management on the direct financial risks of acquiring and holding the portfolio but continue to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.

Interest Rate Risk

The Investment Group invests in subordinated loanstock of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Consolidated Group's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and reforecasted both over the near future (five year time horizon) and the long-term (over whole period of projects' concessions) to analyse the cash flow returns from investments. The Investment Group has made limited use of borrowings to finance the acquisition of investments and the forecasts are used to monitor the impact of changes in borrowing rates against cash flow returns from investments as increases in borrowing rates will reduce net interest margins.

The group's policy is to ensure that interest rates are sufficiently hedged to protect the group's net interest margins from significant fluctuations when entering into material medium/long term borrowings. This includes engaging in interest rate swaps or other interest rate derivative contracts.

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

The finance costs in the income statement would be an estimated £18.5 million higher or £18.5 million lower (2011: £8.4 million higher or £8.4 million lower) if the interest rates used in the fair value calculation of the interest rate swaps were to differ by 25 basis points.

Inflation Risk

The group's project companies are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of mismatch between income and costs due to movements in inflation indexes. The Investment Group's overall cashflows are estimated to partially vary with inflation and consequently the portfolio valuation will vary with inflation. The effects of these inflation changes do not always immediately flow through to the Investment Group's cashflows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. The sensitivity of the portfolio valuation is shown in Note 3(i).

The finance costs in the income statement would be an estimated £14.9 million higher or £14.9 million lower (2011: £6.4 million higher or £6.4 million lower) if the RPI rates used in the fair value calculation of the inflation swaps were to differ by 25 basis points.

Market Risk

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

Currency Risk

The projects in which the group invests all conduct their business and pay interest, dividends and principal in sterling other than its investments in Dutch High Speed Rail, Cork School of Music and Irish Grouped Schools projects (comprising 10% of the portfolio by value), which conducts its business and pays its interest, dividends and principal in Euros and its investments in North West Anthony Henday P3 and Kicking Horse Canyon P3 projects (comprising 3% of the portfolio by value), which conduct their business and pay interest, dividends and principal in Canadian dollars. The group monitors its foreign exchange exposures using its near term and long-term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection to the level of sterling distributions that the Investment Group aims to pay over the medium term, where considered appropriate. This may involve the use of forward exchange and other currency hedging contracts, as well as the use of Euro, Canadian and other currency denominated borrowings. The Investment Group at 31 March 2012 hedged its currency exposure through borrowing Euros and Canadian dollars.

Credit Risk

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

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

The group is also reliant on the project's subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Investment Adviser has a subcontractor counterparty monitoring procedure in place.

4. Financial Instruments (continued)

Credit Risk (continued)

The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is ongoing, and period end positions are reported to the Board on a quarterly basis. The Investment Group's largest credit risk exposure to a project at 31 March 2012 was to the Home Office project (10% of portfolio by value) and the largest subcontractor counterparty risk exposure was to subsidiaries of the Bouygues group which provided facilities management services in respect of 17% of the portfolio by value.

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

As at 31 March 2012, the ageing of trade receivables past due but not impaired were as follows:

	31 March 2012 £million	31 March 2011 £million
3 to 6 months due	0.4	-
Over 6 months due	0.6	0.5
	1.0	**0.5**

At 31 March 2012 there were no loans and other receivables considered past due or impaired (2011: £Nil) for the Consolidated Group.

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

Liquidity Risk

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

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

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

The Investment Group's investments may include obligations to make future investment amounts. These obligations will typically be supported by standby letters of credit, issued by the Investment Group's bankers in favour of the senior lenders to the investment companies. Such subscription obligations are met from the Investment Group's cash resources when they fall due. Such obligations totalled £Nil (2011: £47.0 million) at the year end.

At 31 March 2012 the Investment Group currently had a committed £200 million five year revolving bank facility expiring in December 2012 which was secured over all assets of the Consolidated Group. The Investment Group negotiated and signed a new £150 million bank facility on 28 February 2012 to ensure the Investment Group can meet its foreseeable funding requirements, and to provide significant headroom available to support acquisitions, should suitable opportunities be identified and executed. Included within the Consolidated Group's balance sheet as at 31 March 2012 are capitalised arrangement fees of £2.8 million.

The table below analyses the Consolidated Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contracted undiscounted cashflows (including the impact of netting agreements).

31 March 2012	Less than 1 year £million	Between 1 and 2 years £million	Between 2 and 5 years £million	More than 5 years £million
Bank borrowings	165.3	21.4	70.0	649.2
Trade and other payables	48.1	-	-	-
Interest on bank borrowings	42.3	40.9	119.6	386.1
Other loans and borrowings	19.8	18.6	72.4	752.5
Interest on other loans and borrowings	19.4	19.2	60.3	234.0
Other financial liabilities	31.9	30.6	59.3	163.9
Total	**326.8**	**130.7**	**381.6**	**2,185.7**

31 March 2011	Less than 1 year £million	Between 1 and 2 years £million	Between 2 and 5 years £million	More than 5 years £million
Bank borrowings	17.7	17.4	45.4	289.1
Trade and other payables	28.9	-	-	-
Interest on bank borrowings	22.9	21.8	59.2	172.1
Other loans and borrowings	11.8	10.7	35.1	220.6
Interest on other loans and borrowings	13.6	13.4	38.7	132.1
Other financial liabilities	16.7	13.2	18.5	66.6
Total	**111.6**	**76.5**	**196.9**	**880.5**

Capital Management

The Investment Group utilised a £200 million revolving acquisition facility of which £58.7 million was undrawn at year end. Further equity raisings are considered when debt drawings are at an appropriate level. The proceeds from the share issues are used to repay debt and to fund future investment commitments. In March the Company raised £250 million (before costs) in a C Share equity capital raising, the net proceeds of which were on deposit at year end prior to repayment of the Investment Group's £200 million revolving facility in April 2012.

The Investment Group makes prudent use of its leverage. Under the Articles the Investment Group's outstanding borrowings, including any financial guarantees to support outstanding subscription obligations but excluding internal Investment Group borrowings of the Investment Group's underlying investments, are limited to 50% of the Adjusted Gross Asset Value of its investments and cash balances at any time.

4. Financial Instruments (continued)

Capital Management (continued)

The ratio of the Investment Group's debt to Adjusted Gross Asset Value at the end of the year was as follows:

	31 March 2012 £million	31 March 2011 £million
Outstanding drawings		
Bank borrowings	141.3	-
Letter of credit facility	-	46.7
	141.3	**46.7**
Adjusted Gross Asset Value		
Portfolio valuation	902.0	673.1
Cash and cash equivalents	267.9	54.7
	1,169.9	**727.8**
Borrowing concentration	**12.1%**	**6.4%**

From time to time the Company issues its own shares to the market; the timing of these purchases depends on market prices.

In order to assist in the narrowing of any discount to the Net Asset Value at which the Ordinary Shares may trade from time to time, the Company may, at the sole discretion of the Directors:

- make market purchases of up to 14.99% per annum of its issued Ordinary Shares; and
- make tender offers for the Ordinary Shares.

There were no changes in the Investment Group's approach to capital management during the year.

Fair Value Estimation

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

Non-Derivative Financial Instruments

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

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

Derivative Financial Instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Group is the current bid price. Note 2 discloses the methods used in determining fair values on a specific asset / liability basis. Where applicable, further information about the assumptions used in determining fair value is disclosed in the Notes specific to that asset or liability.

Classification of Financial Instruments

	31 March 2012 £million	31 March 2011 £million
Financial assets		
Designated at fair value through profit or loss		
Investment in Entity Investments	524.3	426.0
Operating Subsidiaries' financial assets	1,770.6	779.1
Financial assets at fair value	**2,294.9**	**1,205.1**
Loans and receivables		
Trade and other receivables	29.2	15.7
Cash and cash equivalents	373.7	114.9
Financial assets at amortised cost	**402.9**	**130.6**
Financial liabilities		
Designated at fair value through profit or loss		
Other financial liabilities (fair value of derivatives)	(259.9)	(82.8)
Financial liabilities at fair value	**(259.9)**	**(82.8)**
At amortised cost		
Trade and other payables		
Loans and borrowings	(48.1)	(28.9)
	(1,601.3)	**(647.7)**
Financial liabilities at amortised cost	**(1,649.4)**	**(676.6)**

The Directors believe that the carrying values of all financial instruments, except the fixed rate and RPI-linked borrowings, are not materially different to their fair values. See Note 21 for the comparison between fair values and the carrying values of the fixed rate and RPI-linked borrowings.

Secured loans and borrowings totalling £1,576.6 million (2011: £623.6 million) are secured by fixed and/or floating charges over the Consolidated Group's financial assets. The terms of these charges are generally of a form that are usual and customary to project finance borrowing and lending activities.

Fair Value Hierarchy

The fair value hierarchy is defined as follows:

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

4. Financial Instruments (continued)

Fair Value Hierarchy (continued)

	31 March 2012			
	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Investments at fair value through profit or loss (Note 15)	-	-	524.3	524.3
Finance receivables at fair value through profit or loss (Note 17)	-	-	1,770.6	1,770.6
		-	**2,294.9**	**2,294.9**
Other financial liabilities (fair value of derivatives) (Note 22)	-	259.9	-	259.9
	-	**259.9**	-	**259.9**

	31 March 2011			
	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Investments at fair value through profit or loss (Note 15)	29.7	-	396.3	426.0
Finance receivables at fair value through profit or loss (Note 17)	-	-	779.1	779.1
	29.7	-	**1,175.4**	**1,205.1**
Other financial liabilities (fair value of derivatives) (Note 22)	-	82.8	-	82.8
	-	**82.8**	-	**82.8**

There were no transfers between Level 1 and 2 during the year.

Reconciliations of Level 3 assets from beginning balances to the ending balances, disclosing separately changes during the year are disclosed in Notes 15 and 17 respectively. Sensitivity analyses disclosing the effect of different economic assumptions on the fair value of the Level 3 assets are disclosed in Note 3.

5. Services Revenue

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Service revenue	140.7	89.2
Construction revenue	8.5	31.2
Other revenue	0.7	0.8
	149.9	**121.2**

Revenue from 3 customers which each represent more than 10% of the Consolidated Group's total revenues provide approximately £62.9 million of revenue (2011: £101.2 million from 5 customers each representing more than 10% of the Consolidated Group's total revenues). The Consolidated Group has treated each Government entity and/or department as a separate customer.

All services revenue is derived from customers domiciled in the United Kingdom.

Construction revenue includes £7.7 million (2011: £27.7 million) of capital variations funded by the Ministry of Defence and shareholders on the Helicopter Training project.

6. Gains on Investments

	For year ended 31 March 2012			For year ended 31 March 2011		
	Revenue £million	Capital £million	Total £million	Revenue £million	Capital £million	Total £million
Interest from investments	21.2		21.2	18.8	-	18.8
Dividend income from investments	6.7	-	6.7	5.8	-	5.8
Fees and other operating income	1.4	-	1.4	1.5	-	1.5
Gains on valuation (Note 15)	-	20.8	20.8	-	9.7	9.7
	29.3	**20.8**	**50.1**	**26.1**	**9.7**	**35.8**

Included within the gain on valuation is an unrealised exchange gain of £0.2 million on the Consolidated Group's Euro and Canadian borrowings (2011: £Nil). The following exchange rates were used at the year end:

	31 March 2012	31 March 2011
Euro	0.83	0.89
Canadian	0.63	0.64

7. Services Costs

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Service and construction costs	110.6	93.6
Amortisation of intangibles (see Note 14)	13.5	8.6
Other costs	5.9	3.6
	130.0	**105.8**

8. Administrative Expenses

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Fees payable to the Consolidated Group's auditors for the audit of the Consolidated Group accounts	0.1	0.1
Fees payable to the Consolidated Group's auditors and its associates for other services:		
The audit of the Company's Operating Subsidiaries and other audit related services	0.2	0.2
Taxation advisory and non-audit services	0.1	0.1
Management fees	2.6	1.1
Operator fees (Note 24)	8.6	6.5
Investment fees (Note 24)	2.5	1.6
Directors' fees (Note 24)	0.2	0.2
Professional fees	0.9	0.6
Project bid costs	0.7	0.3
Other costs	1.5	1.1
	17.4	**11.8**

In addition to the above an amount of £0.3 million (2011: £0.2 million) was paid to associates of the Consolidated Group's auditors in respect of audit and tax services provided to Entity Investments (and therefore not included within consolidated administrative expenses). The Consolidated Group had no employees during the year.

9. Net Finance Costs

	For year ended 31 March 2012			For year ended 31 March 2011		
	Revenue £million	Capital £million	Total £million	Revenue £million	Capital £million	Total £million
Interest expense:						
Interest on bank loans and overdrafts	(40.4)	-	(40.4)	(26.8)	-	(26.8)
Interest and indexation on other loans	(39.1)	-	(39.1)	(21.6)	-	(21.6)
Other finance costs	(2.9)	(4.7)	(7.6)	(2.7)	-	(2.7)
Change in fair value of interest and inflation rate swaps	-	(64.8)	(64.8)	-	-	-
Total finance costs	**(82.4)**	**(69.5)**	**(151.9)**	**(51.1)**	**-**	**(51.1)**
Interest income:						
Interest on bank deposits	0.9	-	0.9	0.4	-	0.4
Other finance income	-	4.8	4.8	-	0.7	0.7
Change in fair value of interest and inflation rate swaps	-	-	-	-	1.7	1.7
Total finance income	**0.9**	**4.8**	**5.7**	**0.4**	**2.4**	**2.8**
Net finance (costs)/income	**(81.5)**	**(64.7)**	**(146.2)**	**(50.7)**	**2.4**	**(48.3)**

10. Income Tax

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. Therefore, income from investments is not subject to any further tax in Guernsey, although these investments will bear tax in the individual jurisdictions in which they operate.

The Company's Operating Subsidiaries are UK based and as a consequence are bound by UK tax legislation. Operating Subsidiaries in the UK have provided for UK corporation tax at the rate of 26% for current tax liabilities (2011: 28%) and 24% for deferred tax assets and liabilities (2011: 26%).

Changes in Overseas Tax Rates

Under the Provisional Collection of Taxes Act 1968, a resolution was passed on 26 March 2012 to amend the UK corporation tax rate to 24% with effect from 1 April 2012. In addition, the UK Government announced further reductions of the rate to 23% and 22% by 1 April 2013 and 1 April 2014 respectively.

Other than the change to 24%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 March 2012 as they have not yet been enacted however the impact would be a reduction in deferred tax assets and liabilities.

10a. Income Tax Expense

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Foreign current tax:		
Foreign corporation tax on profits for the year	(0.3)	(0.8)
Total current tax expense	**(0.3)**	**(0.8)**
Deferred tax:		
Origination and reversal of temporary differences (Note 10d)	0.9	9.1
Total income tax credit in the consolidated income statement (Note 10b)	**0.6**	**8.3**

10b. Reconciliation of Effective Tax Rate

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Profit before taxation	**84.2**	**38.3**
Expected tax on profit at 0% (2011: 0%)	-	-
Different tax rates applied in overseas jurisdictions	1.7	7.5
Tax losses (utilised)/recognised	(1.1)	0.8
Total income tax credit for the year	**0.6**	**8.3**

10b. Reconciliation of Effective Tax Rate (continued)

The income tax credit in the year of £0.6 million (2011: £8.3 million) is due to movements in deferred tax. The main component of the deferred tax movement arises from a reduction in the UK corporation tax rate to 24% which has led to a re-measurement of the Consolidated Group's deferred tax asset and liability. The effect has resulted in a reduction in the deferred tax asset and liability and a corresponding tax credit. Further analysis of deferred tax movements recognised in the consolidated income statement is detailed in Note 10d.

10c. Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following

	For year ended 31 March 2012			For year ended 31 March 2011		
	Assets £million	Liabilities £million	Net £million	Assets £million	Liabilities £million	Net £million
Finance receivables at fair value through profit or loss	0.9	(85.7)	(84.8)	0.5	(22.4)	(21.9)
Intangible assets	-	(91.0)	(91.0)	-	(43.2)	(43.2)
Subordinated debt	15.0	(1.3)	13.7	8.2	(0.6)	7.6
Other financial liabilities (fair value of derivatives)	77.7	(12.3)	65.4	20.9	(12.6)	8.3
Tax losses	16.1	-	16.1	4.6	-	4.6
Carrying value of finance receivable on acquisition where there is no available tax deduction	-	(48.4)	(48.4)	-	(26.1)	(26.1)
Other	-	-	-	0.1	-	0.1
Net assets/(liabilities)	**109.7**	**(238.7)**	**(129.0)**	**34.3**	**(104.9)**	**(70.6)**

10d. Deferred Tax Movements

	For year ended 31 March 2012			
	Opening balance £million	Acquired in business combination £million	Recognised in profit £million	Closing balance £million
Finance receivables at fair value through profit or loss	(21.9)	(39.6)	(23.3)	(84.8)
Intangible assets	(43.2)	(56.7)	8.9	(91.0)
Subordinated debt	7.6	6.0	0.1	13.7
Other financial liabilities (fair value of derivatives)	8.3	44.5	12.6	65.4
Tax losses	4.6	12.6	(1.1)	16.1
Carrying value of finance receivable on acquisition where there is no available tax deduction	(26.1)	(26.1)	3.8	(48.4)
Other	0.1	-	(0.1)	-
	(70.6)	**(59.3)**	**0.9**	**(129.0)**

	For year ended 31 March 2011			
	Opening balance £million	Acquired in business combination £million	Recognised in profit £million	Closing balance £million
Finance receivables at fair value through profit or loss	(21.1)		(0.8)	(21.9)
Intangible assets	(49.0)	-	5.8	(43.2)
Subordinated debt	8.6	-	(1.0)	7.6
Other financial liabilities (fair value of derivatives)	7.3	-	1.0	8.3
Tax losses	3.8	-	0.8	4.6
Carrying value of finance receivable on acquisition where there is no available tax deduction	(29.5)	-	3.4	(26.1)
Other	0.2	-	(0.1)	0.1
	(79.7)	**-**	**9.1**	**(70.6)**

11. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	2012	2011
Profit attributable to equity holders of the Company	£82.8 million	£45.2 million
Weighted average number of Ordinary Shares in issue	633.4 million	504.5 million
Basic and diluted earnings per Ordinary Share	13.1 pence	9.0 pence

The Company issued C Shares on 30 March 2012 which has a dilutive effect. Further details of shares issued in the year are set out in Note 23.

	Basic 2012	Diluted 2012	Basic and diluted 2011
Weighted average number of Ordinary Shares in issue In millions of shares			
Issued Ordinary Shares at 1 April	595.1	595.1	454.3
Effect of Ordinary Shares issued as a scrip dividend alternative	2.2	2.2	0.6
Effect of Ordinary Shares issued under the block listing	36.1	36.1	30.1
Effect of Ordinary Shares issued under the Placing and Offer for Subscription of C Shares	-	-	19.5
Effect of C Shares issued under the Placing and Offer for Subscription of C Shares	-	0.6	-
Weighted average number of Ordinary Shares at 31 March	**633.4**	**634.0**	**504.5**

for the year ended 31 March 2012

12. Dividends

	For year ended 31 March 2012 £million	For year ended 31 March 2011 £million
Amounts recognised as distributions to equity holders during the year:		
Second interim dividend for the year ended 31 March 2011 of 3.425p (2010: 3.35p) per share	20.4	15.2
Interim dividend for the year ended 31 March 2012 of 3.35p (2011: 3.275p) per share	21.5	16.3
	41.9	**31.5**
Second interim dividend for the year ended 31 March 2012 of 3.5p (2011: 3.425p) per share	**23.3**	**20.4**

The second interim dividend was approved by the Board on 12 April 2012 and is payable on 29 June 2012 to shareholders on the register as at 20 April 2012. The second interim dividend is payable to shareholders as a cash payment or alternatively as a scrip dividend.

The dividend has not been included as a liability at 31 March 2012.

The 2011 second interim dividend and the first 2012 interim dividend are included in the statement of changes in shareholder equity.

	For year ended 31 March 2012	For year ended 31 March 2011
Interim dividend for the period ended September	3.35p	3.275p
Interim dividend for the period ended March	3.50p	3.425p
	6.85p	**6.7p**

13. Net Assets

The calculation of net assets per share is based on shareholders' equity of £1,024.9 million as at 31 March 2012 (2011: £657.0 million) and 665.4 million (2011: 595.1 million) Ordinary Shares and 250.0 million C Shares in issue at that date.

14. Intangible Assets

	31 March 2012 £million	31 March 2011 £million
Cost		
Opening balance	189.5	189.5
Acquisition through business combinations	226.7	-
Balance as at 31 March	**416.2**	**189.5**
Amortisation		
Opening balance	(27.5)	(18.9)
Amortisation for the year	(13.5)	(8.6)
Balance as at 31 March	**(41.0)**	**(27.5)**
Carrying amounts		
At 31 March	**375.2**	**162.0**

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. See Note 3(iv) for the methods and assumptions used in determining the fair values. Intangibles are being amortised on a straight line basis over the forecast remaining life of the concessions concerned on acquisition of the subsidiaries (range from between 11.5 and 30.5 years). Amortisation of £13.5 million (2011: £8.6 million) is included within service cost expenses in the consolidated income statement.

15. Investments at Fair Value through Profit or Loss

	31 March 2012 £million	31 March 2011 £million
Opening balance	426.0	307.4
Investments in the year	236.6	106.3
Accrued interest	(6.7)	2.3
Repayments in the year	(37.8)	(6.5)
Subscription obligations	46.7	8.0
Gains on valuation	21.9	10.9
Investments consolidated during the year	(161.6)	-
Other movements	(0.8)	(2.4)
Carrying amount at year end	**524.3**	**426.0**
This is represented by:		
Less than one year	-	29.7
Greater than one year	524.3	396.3
Carrying amount at year end	**524.3**	**426.0**
Gains on valuation as above	21.9	10.9
Less: transaction costs incurred	(1.1)	(1.2)
Gains on investments	**20.8**	**9.7**

The gains on investment have been included in Gains on investments presented in the consolidated income statement as capital items.

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2012. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied range from 8.2% to 11.0% (weighed average of 8.6%) (2011: 8.4% to 10.0% (weighed average of 8.7%)).

15. Investments at Fair Value through Profit or Loss (continued)

The following economic assumptions were used in the discounted cashflow valuations:

UK inflation rates	2.75%
Holland, Ireland and Canada inflation rates	2.0%
UK deposit interest rates	1% to March 2015 and 3.75% thereafter
UK corporation tax rate	24%
Euro/Sterling exchange rate	0.83 for all future periods
Can$/Sterling exchange rate	0.63 for all future periods

The economic assumptions for the year ended 31 March 2011 were as follows:

UK inflation rates	2.75%
UK deposit interest rates	1% for 2 years to March 2013 and 4% thereafter
UK corporation tax rate	26%
Euro/Sterling exchange rate	0.89 for all future periods
Can$/Sterling exchange rate	0.64 for all future periods

Investments are generally restricted on their ability to transfer funds to the Group under the terms of their senior funding arrangements for that investment. Significant restrictions include:

- Historic and projected debt service and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the project company;
- Project company is in compliance with the terms of its senior funding arrangements; and
- Senior lenders have approved the annual budget for the company.

Details of investments recognised at fair value through profit or loss were as follows:

	Percentage Holding 31 March 2012			Percentage Holding 31 March 2011		
Investments (project name)	Equity	Subordinated loanstock	Mezzanine debt	Equity	Subordinated loanstock	Mezzanine debt
A249 Road	50.0%	50.0%	-	-	-	-
A92 Road	50.0%	50.0%	-	-	-	-
Barking & Dagenham Schools	85.0%	100.0%	-	-	-	-
Bishop Auckland Hospital	36.0%	36.0%	100.0%	36.0%	36.0%	100.0%
Blackburn Hospital[1]	-	-	-	50.0%	50.0%	-
Bradford Schools	34.0%	34.0%	-	34.0%	34.0%	-
Brentwood Community Hospital	75.0%	75.0%	-	-	-	-
Colchester Garrison	42.0%	42.0%	-	42.0%	42.0%	-
Cork School Of Music[2]	50.0%	50.0%	-	-	-	-
Darlington Schools	50.0%	50.0%	-	50.0%	50.0%	-
Defence Sixth Form College	45.0%	45.0%	-	45.0%	45.0%	-
Derby Schools	80.0%	80.0%	-	-	-	-
Doncaster Mental Health Hospital	50.0%	50.0%	-	-	-	-
Doncaster Schools	50.0%	50.0%	-	-	-	-
Dorset Fire & Rescue	67.0%	67.0%	-	-	-	-
Dorset Police	80.0%	80.0%	-	-	-	-
Dutch High Speed Rail Link[3]	43.0%	43.0%	-	43.0%	43.0%	-
Ealing Care Homes	68.0%	68.0%	-	-	-	-
Ealing Schools	50.0%	50.0%	-	50.0%	50.0%	-
Fife Schools	40.0%	40.0%	100.0%	40.0%	40.0%	100.0%
Glasgow Hospital	25.0%	25.0%	-	-	-	-
Haverstock School	50.0%	50.0%	-	50.0%	50.0%	-
Health & Safety Laboratory	80.0%	90.0%	-	80.0%	90.0%	-
Health & Safety HQ	50.0%	50.0%	-	50.0%	50.0%	-
Helicopter Training Facility[4/5]	23.5%	74.1%	-	21.8%	59.0%	-
Highland Schools	50.0%	50.0%	-	50.0%	50.0%	-
Irish Grouped Schools[2]	50.0%	50.0%	-	-	-	-
Kemble Water Junior Loan	-	-	-	-	-	3.6%
Kent Schools	50.0%	50.0%	-	50.0%	50.0%	-
Kicking Horse Canyon P3[6]	50.0%	-	-	50.0%	-	-
M80 Motorway DBFO	49.9%	50.0%	-	41.6%	41.6%	-
Manchester School	50.0%	50.0%	-	-	-	-
Medway Police	80.0%	80.0%	-	-	-	-
MPA South East London Police Stations	50.0%	50.0%	-	50.0%	50.0%	-

15. Investments at Fair Value through Profit or Loss
(continued)

Investments (project name)	Percentage Holding 31 March 2012 Equity	Subordinated loanstock	Mezzanine debt	Percentage Holding 31 March 2011 Equity	Subordinated loanstock	Mezzanine debt
Newcastle Libraries	50.0%	50.0%	-	50.0%	50.0%	-
Newport Schools	80.0%	80.0%	-	-	-	-
Newton Abbot Hospital	50.0%	100.0%	-	-	-	-
North Tyneside Schools	50.0%	50.0%	-	50.0%	50.0%	-
North West Anthony Henday P3[6]	50.0%	50.0%	-	50.0%	50.0%	-
Norwich Schools	75.0%	75.0%	-	-	-	-
Oldham Library	50.0%	50.0%	-	-	-	-
Oldham Schools	75.0%	75.0%	-	-	-	-
Oxford Churchill Oncology	40.0%	40.0%	-	-	-	-
Oxford John Radcliffe Hospital[1]	-	-	-	89.9%	100.0%	-
Oxford Nuffield Hospital	25.0%	25.0%	-	-	-	-
Pontefract & Pinderfields Hospitals	50.0%	50.0%	-	-	-	-
Queen Alexandra Hospital[1]	-	-	-	89.9%	100.0%	-
Renfrewshire Schools	30.0%	30.0%	-	30.0%	30.0%	-
Romford Hospital	50.0%	50.0%	-	50.0%	50.0%	-
Sheffield Hospital	75.0%	75.0%	-	-	-	-
Sheffield Schools	37.5%	37.5%	-	-	-	-
Sussex Custodial Centre	89.9%	100.0%	-	89.9%	100.0%	-
Swindon Police	80.0%	80.0%	-	-	-	-
Willesden Hospital	50.0%	50.0%	-	-	-	-
Wooldale Centre	50.0%	50.0%	-	50.0%	50.0%	-

[1] Incremental acquisitions of additional stakes during the year have resulted in these investments being deemed subsidiaries of the Company (see Note 16 and 28).

[2] The company is incorporated in Ireland.

[3] The company is incorporated in the Netherlands.

[4] The Consolidated Group's share of the project's capital commitments is £11.8 million.

[5] The Consolidated Group's economic interest in the Helicopter Training project includes the above investment in CAE Aircrew Training Services Plc (Op Co) and the controlling interest in CVS Leasing Limited (Asset Co) (see Note 28).

[6] The company is incorporated in Canada.

There are no other future loanstock or capital commitments on other investments at fair value through the profit or loss.

16a. Acquisition of Subsidiaries

Year ended 31 March 2012

Investments which become subsidiaries through the acquisition of an additional equity interest are held as investments at fair value and therefore there is no gain or loss as a result of re-measuring to fair value the interests held prior to the acquisitions. Fair values were determined using the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values.

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. Intangibles are amortised on a straight line basis over the remaining life of the concessions concerned.

South Ayrshire Schools Project ("SAS")

On 10 June 2011 the Group obtained control of SAS, by acquiring 100.0% of the equity and loanstock in the project. The transaction costs were £0.1 million and have been expensed to administrative expenses in the consolidated income statement.

The project involved the financing, design and construction and subsequent operation of three new primary schools, two new secondary schools and a new performing arts annex at an existing secondary school. All the schools became operational between January 2008 and January 2010.

a. Consideration

	£million
Cash	15.8

b. Identifiable Assets Acquired and Liabilities Assumed

	£million
Intangibles	23.4
Finance receivables at fair value through profit or loss	83.2
Deferred tax assets	3.9
Cash and cash equivalents	2.2
Other current assets	1.4
Current liabilities	(2.2)
Deferred tax liabilities	(5.9)
Other non-current liabilities	(90.2)
	15.8

c. Goodwill

	£million
Total consideration transferred	15.8
Less fair value of net identifiable assets	(15.8)
	-

In the nine months to 31 March 2012 the acquisition contributed income of £8.9 million and losses of £9.4 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £380.8 million, and consolidated profit for the year for the Group would have been £83.3 million.

The results for the nine months to 31 March 2012 are materially impacted by movements in gilt rates between acquisition and year end. Therefore, it is not possible to extrapolate the results from the nine months to get an indicative operating result for the subsidiary for the year. This is relevant for all subsidiaries acquired in the year.

16a. Acquisition of Subsidiaries (continued)

The Hospital Company (QAH) Limited ("QAH")

On 23 June 2011 the Group obtained control of QAH, by acquiring 10.1% of the equity in the project. As a result, the Group's equity interest increased from 89.9% to 100.0%. The transaction cost was de minimus.

This project is a concession to design and construct a new hospital and retained estates work in Portsmouth, which became operational in 2010.

a. Consideration

	£million
Cash	2.8

b. Identifiable Assets Acquired and Liabilities Assumed

	£million
Intangibles	35.8
Finance receivables at fair value through profit or loss	345.4
Deferred tax assets	14.2
Cash and cash equivalents	17.9
Other current assets	9.6
Current liabilities	(7.0)
Deferred tax liabilities	(25.1)
Other non-current liabilities	(324.3)
	66.5

c. Goodwill

	£million
Total consideration transferred	2.8
Fair value of previous interest in acquiree	63.7
Less fair value of net identifiable assets	(66.5)
	-

In the nine months to 31 March 2012 the acquisition contributed income of £62.6 million and profits of £16.6 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £398.7 million, and consolidated profit for the year for the Group would have been £86.8 million.

HICL INFRASTRUCTURE

The Hospital Company (OJR) Limited ("OJR")

On 23 June 2011 the Group obtained control of OJR, by acquiring 10.1% of the equity in the project. As a result, the Group's equity interest increased from 89.9% to 100.0%. The transaction cost was de minimus.

This project is a concession to design, construct, manage, finance, operate and maintain a new wing adjacent to the former Radcliffe Infirmary. Construction was completed ahead of schedule in March 2001.

a. Consideration

	£million
Cash	1.2

b. Identifiable Assets Acquired and Liabilities Assumed

	£million
Intangibles	70.5
Finance receivables at fair value through profit or loss	150.3
Deferred tax assets	19.4
Cash and cash equivalents	10.4
Other current assets	3.1
Current liabilities	(4.6)
Deferred tax liabilities	(24.4)
Other non-current liabilities	(191.6)
	33.1

c. Goodwill

	£million
Total consideration transferred	1.2
Fair value of previous interest in acquiree	31.9
Less fair value of net identifiable assets	(33.1)
	-

In the nine months to 31 March 2012 the acquisition contributed income of £31.4 million and losses of £2.4 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue for the Group would have been £388.3 million, and consolidated profit for the year for the Group would have been £85.0 million.

16a. Acquisition of Subsidiaries (continued)

Blackburn Hospital

On 10 November 2011 the Group obtained control of Blackburn Hospital, by acquiring 50.0% of the equity in the project. As a result, the Group's equity interest increased from 50.0% to 100.0%. The Group also acquired the remaining 50.0% of the loanstock. The transaction cost was de minimus.

The project involved the design, construction, financing and maintenance of new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust. The new facilities have been operational since 2003.

a. Consideration

	£million
Cash	13.8

b. Identifiable Assets Acquired and Liabilities Assumed

	£million
Intangibles	38.2
Finance receivables at fair value through profit or loss	170.9
Deferred tax assets	12.7
Cash and cash equivalents	9.3
Other current assets	2.5
Current liabilities	(3.4)
Deferred tax liabilities	(48.7)
Other non-current liabilities	(155.5)
	26.0

c. Goodwill

	£million
Total consideration transferred	13.8
Fair value of previous interest in acquiree	12.2
Less fair value of net identifiable assets	(26.0)
	-

In the six months to 31 March 2012 the acquisition contributed income of £11.4 million and profits of £2.8 million. If the acquisition had occurred on 1 April 2011, management estimates that consolidated revenue would have been £389.2 million, and consolidated profit for the year would have been £83.4 million.

Portfolio acquisition

On 19 December the Group acquired a portfolio of 26 PFI/PPP projects from two infrastructure funds managed by Barclays Infrastructure Funds Management Limited. Of the 26, 5 have been treated as subsidiaries and 21 have been treated as investments in associates or joint ventures. Transaction costs of £0.2 million relating to the subsidiaries have been expensed to administrative expenses in the consolidated income statement and £0.7 million relating to the other projects have been capitalised.

All of the 26 projects are operational and, apart from two investments in The Republic of Ireland (the Cork School of Music and Irish Grouped schools project) all are based in the UK.

a. Consideration

	£million
Cash	143.4

b. Identifiable Assets Acquired and Liabilities Assumed

	£million
Intangibles	58.9
Finance receivables at fair value through profit or loss	159.1
Investments at fair value through profit or loss	108.1
Deferred tax assets	12.6
Cash and cash equivalents	13.8
Other current assets	1.4
Current liabilities	(5.9)
Deferred tax liabilities	(18.9)
Other non-current liabilities	(185.7)
	143.4

c. Goodwill

	£million
Total consideration transferred	140.4
Deferred consideration	3.0
Less fair value of net identifiable assets	(143.4)
	-

The deferred consideration of £3.0 million relates to five outstanding construction and operation matters on one project. As and when these are resolved satisfactorily, portions of the consideration will be released. Any deferred consideration not paid by June 2013 will remain with the Group.

In the three months to 31 March 2012 the acquisition contributed negative income of £0.5 million and losses of £0.4 million.

If the acquisition occurred on 1 April 2011, management estimates that consolidated revenue would have been £376.2 million, and consolidated profit for the year would have been £72.3 million.

Year ended 31 March 2011

There were no acquisitions of subsidiaries during the year ended 31 March 2011.

16b. Acquisition of Other Investments

Year ended 31 March 2012

The Consolidated Group has acquired a greater than 50% shareholding in certain entities (see Note 15), where in the opinion of the Directors it is unable to govern the financial and operating policies of the entities by virtue of agreements with the other shareholder(s). These entities are consequently not treated as subsidiaries, and instead they are accounted for as financial assets at fair value through profit or loss, as set out in Note 2(b).

In May 2011 the Group and Kajima Partnerships Limited established a new joint venture holding company, Redwood Partnership Ventures 2 Limited ("RPV2L"). The Group has a 75% shareholding in RPV2L.

In May 2011 the Group through RPV2L completed the acquisition of equity investments in three UK PFI schools for £17.2 million. The three projects acquired by RPV2L were:

- a 100% interest in the Norwich Area Schools PFI Project;
- a 100% interest in the Oldham Secondary Schools PFI Project; and
- a 50% interest in the Sheffield Schools PFI Project.

In May 2011 the Group completed the acquisition of a 75.0% equity investment in Brentwood Community Hospital for £4.6 million through RPV2L.

In June 2011 the Group completed the acquisition of an indirect 50.0% equity investment in Pontefract and Pinderfields Hospitals and a further small equity interest in the Medium Support Helicopter Aircrew Training Facility for £28.8 million in aggregate.

In November 2011 the Group completed the acquisition of 75.0% of the equity and loan note interests in Sheffield Hospital for £5.2 million through RPV2L.

In February 2012 the Group acquired a further 33.5% of the equity and loan note interests in Dorset Fire and Rescue for £3.8 million.

The Directors have analysed the shareholder rights of these projects and are of the opinion that they should be treated as investments in joint ventures in accordance with IAS 31 Interests in Joint Ventures.

Year ended 31 March 2011

In June 2010, the Group acquired a 74.9% interest in the equity and loanstock of The Hospital Company (QAH) Limited through the acquisition of a 74.9% interest in the investment holding company, The Hospital Company (QAH) Holdings Limited. The total consideration paid in cash for the interest in this project was £46.4 million.

In September 2010, the Group acquired a further 7.55% equity interest and 17.65% loan note interest in the Sussex Custodial Services Limited, taking its total equity interest in the project to 89.9% and loan note interest to 100%. The total consideration paid in cash for these interests was £1.1 million.

In November and December 2010, the Group acquired interests in two UK PFI and two Canadian P3 projects. The consideration was £65.9 million, including deferred investment obligations of approximately £46.1 million at October 2010 exchange rates.

The four interests are:

- a 50.0% interest in the equity and loanstock of Kent Education Partnership Limited through the acquisition of a 50.0% interest in the investment holding company, Kent Education Partnership Holdings Limited,
- a 41.6% indirect interest in the equity and loanstock of Highway Management (Scotland) Limited, currently under construction in Scotland, through the acquisition of a 41.6% interest in the investment holding company, Highway Management M80 Investment Management Limited. Through the future exercise of options rights over the holdings of the other shareholders, this interest will increase to 49.9%,
- a 50.0% interest in the North West Connect General Partnership, currently in construction in Alberta, Canada, through the acquisition of a 50.0% interest in the investment holding company, North West Connect Holdings Inc, and
- a 50.0% interest in the Transpark Highway General Partnership in British Columbia, Canada, part of the Trans-Canada Highway through the acquisition of a 50.0% interest in the investment holding company, Transpark Highway Holding Inc.

In October 2010, the Group acquired a further 15.0% equity interest and 25.1% loan note interest in The Hospital Company (QAH) Limited, taking its total equity interest in the project to 89.9% and loan note interest to 100%. The total consideration paid in cash for the incremental interest in this project was £13.4 million.

In October 2010, the Group acquired a further 39.9% equity interest and 50% loan note interest in The Hospital Company (Oxford John Radcliffe) Limited, taking its total equity interest in the project to 89.9% and loan note interest to 100%. The total consideration paid in cash for the incremental interest in this project was £13.9 million.

In March 2011, the Group acquired a further 5.49% equity and loan note interest in Infraspeed BV, the Dutch High Speed Rail PPP project, taking its total equity and loan note interests in the project to 42.99%. The total consideration paid in cash for the incremental interest in this project was €11.6 million (£10.3 million).

17. Finance Receivables at Fair Value through Profit or Loss

	31 March 2012 £million	31 March 2011 £million
Opening balance	779.1	788.6
Acquisition of subsidiaries	908.8	-
Gain/(loss) on valuation	107.2	6.6
Repayments in the year	(25.3)	(17.4)
Other movements	0.8	1.3
Carrying amount at year end	**1,770.6**	**779.1**
This is represented by:		
Less than one year	31.2	17.5
Greater than one year	1,739.4	761.6
Carrying amount at year end	**1,770.6**	**779.1**

The Operating Subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £107.2 million for the year ended 31 March 2012 (2011: £6.6 million gain), are separately disclosed in the consolidated income statement as a capital amount. See Note 3 (ii) for the methods and assumptions used in determining the fair values. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in the balance sheet.

Interest income in relation to finance receivables of £70.6 million has been recognised in the consolidated income statement for the year ended 31 March 2012 as a revenue amount (2011: £40.6 million).

18. Trade and Other Receivables

	31 March 2012 £million	31 March 2011 £million
Trade receivables	14.8	9.8
Other debtors	2.1	1.0
Prepayments and accrued income	12.3	4.9
	29.2	**15.7**

19. Cash and Cash Equivalents

	31 March 2012 £million	31 March 2011 £million
Bank balances	56.3	34.5
Call deposits	317.4	80.4
Cash and cash equivalents	**373.7**	**114.9**

The effective interest rate on call deposits was between 0.1% and 2.4% (2011: between 0.3% and 1.0%). The deposits had a maturity of between 1 and 367 days (2011: between 7 and 338 days).

20. Trade and Other Payables

	31 March 2012 £million	31 March 2011 £million
Trade payables	11.8	7.6
Accruals	28.6	15.7
Other payables	7.7	5.6
	48.1	**28.9**

21. Loans and Borrowings

	31 March 2012 £million	31 March 2011 £million
Non-current liabilities		
Libor borrowings	755.2	350.1
Subordinated debt	24.3	23.4
RPI-linked borrowings	529.0	157.6
Fixed rate borrowings	101.4	85.2
	1,409.9	**616.3**
Current liabilities		
Libor borrowings	168.6	19.4
Subordinated debt	0.4	0.7
RPI-linked borrowings	21.4	11.3
Fixed rate borrowings	1.0	-
	191.4	**31.4**
Total loans and borrowings	**1,601.3**	**647.7**

Terms and Debt Repayment Schedule

The terms and conditions of outstanding loans are as follows:

	Weighted average effective interest rate	Average year of maturity	Carrying amount 2012 £million	Carrying amount 2011 £million
Secured libor borrowings – Operating Subsidiaries	4.6%	2031	785.3	369.5
Secured libor borrowings – Partnership	5.2%	2012	138.5	-
Subordinated debt	12.8%	2020	24.7	24.1
RPI-linked borrowings	3.2%	2036	550.4	168.9
Fixed rate borrowings	5.7%	2031	102.4	85.2
			1,601.3	**647.7**

The interest rate for secured libor borrowings varies with changes in libor. This debt is hedged using fixed to floating interest rate swaps. The interest rate on RPI-linked borrowings varies with inflation whereas fixed rate borrowings have fixed interest coupons.

RPI-linked and fixed rate borrowings include bonds which are guaranteed by FSA (UK) Limited and Ambac Assurance UK Limited and are secured by a fixed and floating charge over the assets of the respective subsidiary companies. The index-linked borrowings are indexed annually and semi-annually using published RPI figures. The index ratio uses a base index figure ranging from 173.3 to 178.2 and a numerator index figure that is published by the Office for National Statistics.

The fair value of all borrowings is deemed to reflect their carrying value, except fixed rate and RPI-linked borrowings. An analysis of fair values and carrying values of these borrowings is detailed below:

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£million	£million	£million	£million
RPI-linked borrowings	550.4	646.1	168.9	190.8
Fixed rate borrowings	102.4	112.9	85.2	94.1
	652.8	**759.0**	**254.1**	**284.9**

The fair value of fixed rate and RPI-linked bonds has been determined on a market quote basis.

The currency profile of the Consolidated Group's loans and borrowings is as follows:

	2012 £million	2011 £million
Pound Sterling	1,494.6	647.7
Euro	79.1	-
Canadian Dollar	27.6	-
	1,601.3	**647.7**

The exchange rate used as at 31 March 2012 to convert the Euro loan was 0.83 and 0.63 for the Canadian Dollar loan.

21. Loans and Borrowings (continued)

The Consolidated Group has the following undrawn borrowing facilities at 31 March:

Floating rate:	2012 £million	2011 £million
Secured		
- expiring within one year	58.7	-
- expiring between 1 and 2 years	50.0	153.3
- expiring between 2 and 5 years	100.0	-
- expiring after 5 years	16.7	8.0
	225.4	**161.3**

The Operating Subsidiaries are required to meet certain bank covenants on its debt, the most significant of which are maintaining debt service cover ratios (annual cash flows available for debt service as a ratio of debt servicing amounts) above 1.05 and Loan Life Cover Ratio above 1.05. There were no material events of non-compliance in the Operating Subsidiaries in the year.

The Group was also required to meet certain bank covenants on its £200 million five year revolving bank facility, the most significant of which were maintaining a Forward and Historic Interest Cover Ratio above 1.15 and Gearing Ratio not greater than 1:1.

22. Other Financial Liabilities (Fair Value of Derivatives)

	31 March 2012 £million	31 March 2011 £million
Non-current liabilities		
Interest rate swaps	206.9	56.4
Inflation swap	53.0	26.1
Forward foreign exchange contract	-	0.3
	259.9	**82.8**

Financial liabilities have been fair valued in accordance with Note 2(d). The loss in fair value of interest and inflation rate swaps of £64.8 million for the year ended 31 March 2012 (2011: Gain £1.7 million) is disclosed within finance costs in the consolidated income statement as a capital amount (see Note 9).

In order to manage exposure to movements in interest rates, project companies financed by floating rate debt swap their floating rate exposure for fixed rates using interest rate swaps. The notional amounts of the outstanding interest rate swap contracts at 31 March 2012 was £794.4 million (2011: £444.7 million). As at 31 March 2012, the fixed interest rates on the swaps range from 1.73% to 6.48% (2011: 4.53% to 6.51%) and maturities range from 2016 to 2038 (2011: 2012 to 2036). The notional amount of the outstanding inflation rate swap contracts at 31 March 2012 was £11.8 million (2011: £1.4 million). As at 31 March 2012, the fixed inflation rates on the swaps range from 2.53% to 2.96% (2011: 2.12% to 2.77%) and maturities range from 2029 to 2039 (2011: 2034 to 2036).

23. Capital and Reserves

	Ordinary Shares		C Shares	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	million	million	million	million
Issued at 1 April	595.1	454.3	-	-
Issued for cash	65.9	139.0	250.0	-
Issued as a scrip dividend alternative	4.4	1.8	-	-
Issued at 31 March – fully paid	**665.4**	**595.1**	**250.0**	**-**

The holders of the 665,422,215 Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company (2011: 595,139,454).

250,000,000 C Shares were issued by the Company at a price of £1.00 per C Share on 30 March 2012. The holders of C Shares are entitled to one vote per share at any general meetings of the Company.

The 2 Management Shares of 0.01p each carry one vote each on a poll, do not carry any right to dividends and, in winding-up, rank only for a return of the amount of the paid-up capital on such shares after return of capital on Ordinary Shares and Nominal Shares. The Management Shares are not redeemable and are accrued for and on behalf of a Guernsey charitable trust.

Ordinary Share Capital and Share Premium

	31 March 2012 £million	31 March 2011 £million
Opening balance	390.7	234.0
Premium arising on issue of equity shares	80.9	159.0
Expenses of issue of equity shares	(0.7)	(2.3)
Balance at 31 March	**470.9**	**390.7**

Share capital is £66.5 thousand (2011: £59.5 thousand).

C Share Capital and Share Premium

	31 March 2012 £million	31 March 2011 £million
Opening balance	-	-
Premium arising on issue of C Shares	250.0	-
Expenses of issue of C Shares	(3.2)	-
Balance at 31 March	**246.8**	**-**

C Share capital is £25.0 thousand (2011: £Nil)

For the year ended 31 March 2012

On 30 June 2011 1.9 million new Ordinary Shares of 0.01 p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2011.

On 31 December 2011 2.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the year ending 31 March 2012.

In the year ending 31 March 2012 65.9 million new Ordinary Shares were issued to various institutional investors at an issue price per share (before expenses) ranging between 115.0 p and 117.0 p.

23. Capital and Reserves (continued)

For the year ended 31 March 2012 (continued)

On 28 March 2012, the Company announced the results of its Placing, Open Offer and Offer for Subscription of C Shares. The Company raised £250.0 million (before expenses) through the issue of 250,000,000 C Shares at a price of £1.00 per C Share, of which 82,685,943 C Shares were issued pursuant to the Open Offer, 10,029,500 C Shares were issued pursuant to the Offer for Subscription and 157,284,557 C Shares were issued by way of the Placing. The C Shares were admitted to trading on the London Stock Exchange on 30 March 2012.

For the year ended 31 March 2011

On 30 June 2010 0.3 million new Ordinary Shares of 0.01 p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2010.

On 31 December 2010 1.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the year ending 31 March 2011.

On 13 December 2010 the Company announced the results of its Placing and Offer for Subscription of C Shares. The Company raised £110.0 m (before expenses) through the issue of 110,000,000 C Shares at a price of £1.00 per C Share, of which 56,739,235 C Shares were issued pursuant to the Open Offer, 2,769,811 C Shares were issued pursuant to the Offer for Subscription and 50,490,954 C Shares were issued by way of the Placing. The C Shares were converted to 97,350,000 Ordinary Shares and admitted to trading on the London Stock Exchange on 17 January 2011.

In the year ending 31 March 2011 41.7 million new Ordinary Shares were issued to various institutional investors at an issue price per share (before expenses) ranging between 112.5 p and 115.0 p.

Retained Reserves

Retained reserves comprise retained earnings and the balance of the share premium account, as detailed in the consolidated statements of changes in shareholders' equity.

24. Related Party Transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the group holds its investments is InfraRed Capital Partners Limited ("IRCP").

IRCP's appointment as Investment Adviser is governed by an Investment Advisory Agreement which may be terminated by either party giving one year's written notice. The appointment may also be terminated if IRCP's appointment as Operator is terminated. The Investment Adviser is entitled to a fee of £0.1 million per annum (disclosed within investment fees in Note 8) (2011: £0.1 million), payable half-yearly in arrears and which is subject to review, from time to time, by the Company.

IRCP has been appointed as the Operator of Infrastructure Investments Limited Partnership by the General Partner of the Partnership, Infrastructure Investments General Partner Limited, a sister subsidiary of IRCP. The Operator and the General Partner may each terminate the appointment of the Operator by either party giving one year's written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Advisory Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term, however if IRCP ceases to be the Operator, the Company has the option to buy the entire share capital of the General Partner and IRCP Group has the option to sell the entire share capital of the General Partner to the Company, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In aggregate IRCP and the General Partner are entitled to fees and/or profit share equal to: i) 1.1 per cent per annum of the adjusted gross asset value of all investments of the group that are not in either their construction or ramp-up phases up to £750 million and 1.0 per cent per annum for the incremental value in excess of £750 million; ii) 1.5 per cent per annum of investments of the group that are in either their construction or ramp-up phases, excluding investments acquired with the acquisition of the initial portfolio (the ramp-up phase of an investment means the period following completion of a project's construction phase during which it is building up to be fully operational with full service provision); and iii) 1.0 per cent of the value of new portfolio investments, that are not sourced from entities, funds or holdings managed by the IRCP Group.

The total Operator fees charged to the Consolidated Income Statement was £8.6 million (2011: £6.5 million) of which £4.6 million remained payable at year end (2011: £3.6 million). The total charge for new portfolio investments (disclosed within investment fees in Note 8) was £2.4 million (2011: £1.5 million) of which £1.7 million remained payable at year end (2011: £1.0 million).

Transactions during the year

The following summarises the transactions between the Consolidated Group and its associates in the year:

	Transactions		Balance	
	Year ended 31 March 2012	Year ended 31 March 2011	31 March 2012	31 March 2011
	£million	£million	£million	£million
Loanstock investments	120.5	66.1	285.4	285.2
Loanstock repayments	(5.5)	(2.5)	-	-
Equity investments	100.5	47.0	189.8	152.9
Equity repayments	(2.3)	(4.0)	-	-
Outstanding subscription obligations	-	-	-	-
Loanstock interest	21.2	18.8	19.6	10.8
Dividends received	6.7	5.8	-	-
Fees and other income	1.4	1.5	0.6	-

The Directors of the Company, who are considered to be key management, received fees for their services. Further details are provided in the Report of the Directors on page 49.

Total fees for Directors for the year were £161,500 (2011: £155,000). Directors expenses of £7,646 (2011: £10,634) were also paid in the year. One Director also receives fees of £5,000 (2011: £5,000) for serving as director of the two Luxembourg subsidiaries.

All of the above transactions were undertaken on an arm's length basis.

25. Guarantees and Other Commitments

As at 31 March 2012 the Consolidated Group had £Nil commitments for future project investments (2011: £47.0 million) and £11.8 million in capital commitments (2011: £20.3 million).

26. Events after Balance Sheet Date

250,000,000 C Shares were converted to 218,050,000 Ordinary Shares on 27 April 2012 at a conversion rate of 0.8722 Ordinary Shares for each C Share.

On 24 April, the £200 million five year revolving bank facility used by the Investment Group was fully repaid and duly cancelled.

On 4 May 2012 the Company completed an incremental acquisition in RMPA Holdings Limited ("Colchester Garrison") for a consideration of £15.0 million taking its shareholding to 56%.

On 18 May 2012 the Company completed an acquisition of 30% in Consort Healthcare (Birmingham) Holdings Limited ("Birmingham Hospital") for a consideration of £34.6 million.

On 21 May 2012 the Company completed an acquisition of 19.5% in Citylink Telecommunications Holdings Limited ("Connect PFI") for a consideration of £39.0 million.

There were no other events after the balance sheet date, which are required to be disclosed.

27. Disclosure – Service Concession Arrangements

The group holds investments in 70 service concession arrangements in the Accommodation, Education, Health, Transport and Law and Order sectors. The concessions vary on the required obligations but typically require the financing and operation of an asset during the concession period. As at 31 March 2012, 69 of the service concessions were fully operational.

The rights of both the concession provider and concession operator are stated within the specific project agreement. The standard rights of the provider to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements.

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
A249	Design, construct, finance, operate and maintain the section from Lwade Bypass to Queensborough of the A249 road for the Secretary of State for Transport.	2006	2034	28	£79m	Carillion
A92	Design, construct, finance and operate the upgraded A92 shadow toll road between Dundee and Arbroath for Transport for Scotland.	2006	2035	29	£54m	Ringway
Barking & Dagenham Schools	Design, construct, finance, operate and maintain the Eastbury Comprehensive and Jo Richardson Community Schools for London Borough of Barking & Dagenham.	2005	2030	25	£47m	Bouygues
Barnet Hospital	Design, construct, operate and maintain the re-building of Barnet General Hospital in North London for the Wellhouse National Health Service Trust.	1999	2032	33	£65m	Bouygues Siemens Medirest
Bishop Auckland Hospital	Design, construct, finance, service and maintain a redevelopment of Bishop Auckland General Hospital, County Durham for South Durham Health Care NHS Trust.	1999	2062	60 (with break clause option by Grantor at Year 30, 40 & 50)	£66m	ISS
Blackburn Hospital	Design, construct, finance and maintain new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust.	2003	2041	38	£100m	Balfour Siemens
Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside.	2006	2031	25	£18m	Mitie
Bradford Schools	Design, construct, finance and maintain four secondary schools for Bradford Metropolitan District Council.	2009	2036	27	£175m	Amey
Brentwood Community Hospital	Design, construct, finance and maintain a new community hospital for South West Essex Primary Care Trust.	2006	2038	32	£30m	Integral
Central Middlesex Hospital	Design, construct, finance and maintain new hospital facilities, and to refurbish some existing facilities, for the Brent Emergency Care and Diagnostic Centre on the Central Middlesex Hospital site in North West London.	2003	2036	33	£75m	Bouygues
Cleveland and Durham Police Tactical Training Centre	Construction of a state of the art firearms and tactical training centre at Urlay Nook in the North of England.	2000	2026	26	£6m	John Laing

27. Disclosure – Service Concession Arrangements (continued)

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
Colchester Garrison	Design, construct, finance and maintain a new garrison facility at Colchester, Essex for The Secretary of State for Defence.	2004	2039	35	£550m	Sodexo
Conwy Schools	Design, build, operate and maintain three schools for Conwy County Borough Council in North Wales.	2003	2030	27	£40m	Sodexo
Cork School of Music	Design, construct, finance and operate a new school of music in Cork to accommodate 130 academic staff, 400 full time and 2,000 part-time students for the Minister of Education and Science (Republic of Ireland).	2007	2032	25	€43m	Bilfinger Berger
Croydon School	Design, construct, finance, operate and maintain a secondary school and community library in Croydon for the London Borough of Croydon.	2006	2035	29	£20m	Vinci
Darlington Schools	Darlington Schools is a four-school education PFI project consisting of an Education Village (which brought together three existing schools) and one primary school.	2004	2031	27	£31m	Mitie
Defence 6th Form College	Design, build, operate, finance and maintain a new residential sixth form college for the Secretary of State for Defence.	2003	2033	30	£40m	Pearson Interserve
Derby Schools	Design, construct, finance, operate and maintain three primary schools and two secondary schools in Derby for Derby City Council.	2006	2031	25	£40m	Vinci
Doncaster Mental Health Hospital	Design, construct, finance, operate and maintain a service accommodation for an elderly mental health unit in Doncaster for the Rotherham Doncaster and South Humber Mental NHS Foundation Trust.	2005	2032	27	£15m	Royal BAM
Doncaster Schools	Design, construct, finance, operate and maintain two new secondary schools in Doncaster for the Doncaster Metropolitan Borough Council.	2008	2033	25	£49m	Vinci
Dorset Fire & Rescue	Design, construct, finance, operate and maintain the fire and police facilities at three sites in Dorset for the Dorset Fire Authority & Dorset Police Authority.	2009	2034	25	£49m	Cofely
Dorset Police	Design, construct, finance, operate and maintain a new divisional headquarters and section stations at Bridport and East Weymouth for the Dorset Police Authority.	2001	2031	30	£16m	Sodexo
Dutch High Speed Rail	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and Belgian border in the Netherlands.	2001	2031	30	£625m	Siemens Royal BAM Fluor

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
Ealing Care Homes	Design, construct, finance, operate and maintain four care homes for the elderly in the London Borough of Ealing for the London Borough of Ealing.	2009	2036	27	£22m	Viridian
Ealing Schools	Ealing Schools is a four-school education PFI project consisting of one secondary school and three primary schools in the London Borough of Ealing.	2004	2031	27	£31m	Mitie
Exeter Crown Court	Build and service a new crown and county court building in Exeter.	2002	2034	32	£20m	Sodexo
Fife Schools	The facility involved the construction of 3 new schools and a sports hall.	2001	2028	27	£40m	Sodexo
Glasgow Hospital	Design, construct, finance, operate and maintain two new ambulatory care and diagnostic hospitals in Glasgow for the Greater Glasgow and Clyde Health Board.	2009	2039	30	£178m	Parsons
GMPA Police Stations	Construction of 17 police stations on 16 sites around Greater Manchester.	2002	2030	28	£82m	John Laing
Haverstock School	Haverstock is a single school education PFI project consisting of a new secondary school on an existing school site on Haverstock Hill, Camden.	2003	2030	27	£21m	Mitie
Health & Safety Merseyside HQ	HSE Merseyside HQ is an accommodation PFI project. It is a four-storey office building that serves as the HSE s operational headquarters and houses 1,500 employees.	2002	2035	30	£62m	Honeywell Reliance
Health & Safety Laboratory	Building of new workshops and offices in Buxton and the disposal of old facilities at Sheffield.	2002	2035	33	£60m	Interserve
Helicopter Training Facility	Design, construction, management, operation and financing of STET simulators based training facility for RAF helicopter pilots.	1997	2037	40 (with break clause by Grantor at Year 20)	£100m	Serco Vega Rockwell Collins
Highland Schools	Design, construction and operate eleven urban and rural schools.	2006	2037	30	£143m	Morrison
Home Office HQ	Build, finance, operate and maintain a new headquarters building to replace the Home Office's existing London office accommodation with purpose-built serviced offices.	2002	2032	29	£200m	Bouygues
Irish Grouped Schools	Design, construct, finance, operate and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills.	2002	2027	25	€34m	Bilfinger Berger
Kicking Horse Canyon	Upgrade, operate and maintain a section of highway in British Columbia.	2008	2030	22	CAD$ 127m	HMC Services

27. Disclosure – Service Concession Arrangements (continued)

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
Kent Schools	Design, build, funding and partial operation of six schools in Kent under the UK Government's PFI programme.	2007	2035	26	£95m	Mitie
Lewisham Hospital	Design, construct, finance, operate and maintain a new wing in Lewisham Hospital for the Department of Health.	2006	2036	30	£58m	Carillion
M80 Motorway	Design, build, finance and operate a section of the M80 motorway in Scotland.	2011	2041	30	£275m	Bear Bilfinger Berger
Manchester School	Design, construct, finance, operate and maintain the Wright Robinson College in Manchester for Manchester City Council.	2007	2032	25	£29m	Hochtief
Medway Police	Design, construct, finance, operate and maintain a divisional police headquarters for Kent Police Authority.	2006	2034	28	£21m	Vinci
MPA Specialist Training Centre	Construction of a firearms and public order training facility in Gravesend, Kent for the Metropolitan Police Authority.	2001	2028	27	£40m	John Laing
MPA SEL Police Stations	Construction of 4 police stations in South East London for the Metropolitan Police Authority.	2001	2029	28	£80m	John Laing
Newcastle Libraries	Finance, develop, construct and operate a new city centre library in Newcastle and an additional satellite library in High Heaton, both in the North East of the UK.	2007	2034	27	£30m	Integral
Newport Schools	Design, construct, finance, operate and maintain a nursery, infant and junior school for Newport City Council.	2009	2034	25	£16m	Vinci
Newton Abbot Hospital	Design, construct, finance, operate and maintain a community hospital for Teignbridge Primary Care Trust.	2008	2038	30	£20m	Rydon
North Tyneside Schools	North Tyneside Schools is a four-school education PFI project consisting of one secondary school (Burnside) and three primary schools (Western, Marine, Coquet) in North Tyneside.	2002	2034	32	£30m	Mitie
North West Anthony Henday	Financing, building, maintaining and rehabilitating the northwest leg of the Anthony Henday Drive ring road in the City of Edmonton, Alberta.	2011	2041	30	CAD$ 995m	Carmacks
Norwich Schools	Design, construct, finance and operate five primary schools and one secondary school; all new build with the exception of a small element of retained estate at the secondary school for the Norwich City Council.	2006	2032	26	£43m	Kier

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
Oldham Library	Design, construct, finance, operate and maintain the Oldham Library and Lifelong Learning Centre for Oldham Metropolitan Borough Council.	2006	2031	25	£15m	Kier
Oldham Schools	Design, construct, finance and operate two secondary schools for Oldham Metropolitan Borough Council.	2006	2033	27	£54m	Kier
Oxford Churchill Oncology	Design, construct, finance, operate and maintain a 100 bed oncology unit, including provision of medical equipment for Oxford Radcliffe Hospitals NHS Trust.	2009	2038	29	£124m	G4S
Oxford John Radcliffe Hospital	Design, construction, management, financing, operation and maintenance of a new wing adjacent to the former Radcliffe Infirmary.	2003	2036	33	£161m	Carillion
Oxford Nuffield Hospital	Design, construct, finance, operate and maintain a new orthopaedic hospital for the Secretary of State for Health.	2008	2036	28	£42m	G4S
Pontefract & Pinderfields Hospitals	Design, construction, management, financing and operate a new 708 bed acute hospital in Pinderfield, West Yorks and a new diagnostic and treatment hospital in Pontefract, West Yorks for the Mid Yorkshire NHS Trust.	2007	2042	35	£311m	Balfour Beatty
Portsmouth Hospital	Design and construction of a new hospital and retained estates work in Portsmouth.	2005	2040	35	£255m	Carillion
Renfrewshire Schools	Design, construction, management, financing, operation and maintenance of six primary and four secondary schools in Renfrewshire, Scotland.	2005	2037	32	£100m	Amey
Rhondda Schools	Design, construction, management, financing and operate a primary school, secondary school, a day nursery and an adult learning centre in South Wales for Rhondda Cynon Taf Authority.	2006	2030	24	£30m	Vinci
Romford Hospital	Design, construction, management, financing, operation and maintenance of a new hospital in Romford.	2004	2040	36	£211m	Sodexo Bovis Lend Lease Siemens
Sheffield Hospital	Design, construction, financing and management of a new 168 bed wing at the Sheffield Northern General Hospital for the Sheffield Teaching Hospitals NHS Foundation Trust.	2004	2036	32	£26m	Dalkia
Sheffield Schools	Design, construct, finance and operate two primary schools and two secondary schools for Sheffield City Council.	2005	2031	26	£53m	Kier

27. Disclosure – Service Concession Arrangements (continued)

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
South Ayrshire Schools	Design, construct, finance and operate of three primary schools, two secondary academy schools and a new performing arts annex at an existing academy for South Ayrshire Schools.	2006	2039	33	£76m	Mitie
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust.	2004	2036	30	£40m	Sodexo
Sussex Custodial Centre	Build and service three custody centres in Sussex for Sussex Police Authority. The centres are at Worthing, Chichester and Brighton. A fourth centre at Eastbourne was subsequently contracted for as a variation.	2001	2031	30	£20m	Reliance
Swindon Police	Design, construction, management, financing and operate a new divisional headquarters for the Wiltshire Police Authority.	2005	2035	30	£20m	Vinci
Tyne & Wear Fire Stations	Design, construct, manage, finance and operate seven fire station facilities and a headquarters building in Tyne and Wear for the Tyne and Wear Fire and Civil Defence Authority.	2006	2029	23	£30m	John Laing
West Middlesex Hospital	Design, construct, finance, operate and maintain a new 228 bed hospital for West Middlesex University Hospital NHS Trust.	2001	2036	35	£60m	Bouygues
Willesden Hospital	Design, construct, manage and finance a community hospital in north London for NHS Brent.	2005	2035	30	£24m	Accuro
Wooldale Centre for Learning	Wooldale Centre for Learning is an education PFI project consisting of a Centre for Learning (CfL) comprising a secondary school with sixth form, public library, primary school and nursery on a large site in Northamptonshire.	2003	2029	26	£24m	Mitie

HICL INFRASTRUCTURE

28. Principal Subsidiaries

Name	Country	Ownership interest
HICL Infrastructure 1 SARL	Luxembourg	100.0%
HICL Infrastructure 2 SARL	Luxembourg	100.0%
Infrastructure Investments Limited Partnership	United Kingdom	100.0%
Infrastructure Investments Holdings Limited	United Kingdom	100.0%
2003 Schools Services Limited	United Kingdom	100.0%
Ashburton Services Limited	United Kingdom	100.0%
AGP (2) Limited*	United Kingdom	100.0%
Annes Gate Property PLC*	United Kingdom	100.0%
Boldon School Limited**	United Kingdom	100.0%
ByCentral Limited*	United Kingdom	100.0%
ByWest Limited*	United Kingdom	100.0%
Consort Healthcare (Blackburn) Funding Plc*	United Kingdom	100.0%
Consort Healthcare (Blackburn) Limited*	United Kingdom	100.0%
CVS Leasing Limited	United Kingdom	87.6%
Education 4 Ayrshire Limited*	United Kingdom	100.0%
Enterprise Civic Buildings Limited*	United Kingdom	90.0%
Enterprise Education Conwy Limited*	United Kingdom	90.0%
Enterprise Healthcare Limited*	United Kingdom	90.0%
Metier Healthcare Limited	United Kingdom	100.0%
Ravensbourne Health Services Limited*	United Kingdom	100.0%
Services Support (Cleveland) Limited*	United Kingdom	72.9%
Services Support (Gravesend) Limited*	United Kingdom	72.9%
Services Support (Manchester) Limited*	United Kingdom	72.9%
THC (OJR) Limited*	United Kingdom	100.0%
THC (QAH) Limited*	United Kingdom	100.0%
TW Accommodation Services Limited*	United Kingdom	100.0%

* Reporting date 31 December
** Reporting date 30 September

All the consolidated revenues and the material net assets of the subsidiaries above are derived from the United Kingdom.

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John Hallam
Chris Russell

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