HICL INFRASTRUCTURE

Annual Report & Consolidated Financial Statements

for the year ended 31 March 2015

HICL Infrastructure Company Limited

Contents

Highlights

for the year ended 31 March 2015

A strong set of results, driven by good operational performance of the portfolio

Profit before tax was £231.0m (2014: £153.8m), up 50.2%

Total shareholder return of 15.4% and 22.5% in the year (on a NAV and share price basis, respectively)

Four quarterly interim dividends declared totalling 7.30p per share, exceeding the stated target by 0.05p per share), a 2.8% increase on the prior year

New guidance of a target dividend per share of 7.45p for the year to March 2016 (up from the previously published guidance of 7.40p)

Directors' valuation of the portfolio of £1,732.2m[1], up from £1,500.6m[1] at 31 March 2014 and £1,639.1m at 30 September 2014, with the weighted average discount rate reduced from 8.2% to 7.9% over the year

NAV per share as at 31 March 2015 of 136.7p, a 10.0p increase from 126.7p as at 31 March 2014

Net investment of £113.1m during the year, comprising nine new investments and 10 incremental acquisitions for £221.4m and one disposal for net consideration of £108.3m

A further two investments and a disposal made since the period end for a net investment of £8.7m

Current net funding requirement of £8m

Demand for infrastructure investments continues to exceed supply in the Company's target sectors, impacting prices and valuations

A pipeline of new investment opportunities, both in the UK and overseas, expected to deliver further value accretion

1. *Includes £22.5m of future investment obligations (2014: £5.1m)*

Results Summary

for the year to	31 March 2015	31 March 2014
Total Income [1]	£253.6m	£175.7m
Profit before tax	£231.0m	£153.8m
Earnings per share	18.6p	13.1p
Fourth quarterly interim dividend per share	1.87p	n/a [2]
Second semi-annual interim dividend per share	n/a	3.6p [2]
Total interim dividends declared per share for the year	7.30p	7.10p
Net Asset Value (NAV) per share before deducting the final declared dividend	136.7p	126.7p
NAV per share after deducting the declared fourth quarterly interim dividend	134.8p	n/a
NAV per share after deducting the declared second interim dividend	n/a	123.1p

1. *Includes forex hedging movement of £10.5m gain (2014: £6.3m gain)*
2. *The Company moved to paying quarterly dividends at the commencement of the financial year ended 31 March 2015; the second semi-annual interim dividend for the financial year ended 31 March 2014 was 3.6p, which is 1.8p per share on a pro-rata basis*

Information on HICL Infrastructure Company Limited

HICL Infrastructure Company Limited ("HICL" or the "Company" or, together with its consolidated 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 of interests in 15 PFI/PPP projects. The Company changed its name to HICL Infrastructure Company Limited in 2011.

Since the IPO, the Company has raised a further £1.2bn through further equity capital raising which has been deployed in making additional investments such that, as at 20 May 2015, the portfolio comprised 100 investments in infrastructure projects in the UK, Australia, Canada, France, Holland and Ireland.

The Company has a single class of equity, ordinary shares (hereafter simply referred to as 'shares'), of which 1,267,744,626 were in issue as at 20 May 2015. The Company has pursued a progressive distribution policy since launch with an initial target distribution of 7.0p per share within a 7 to 10 year period which the Company achieved in the year ended 31 March 2013 (i.e. after 7 years). The annual distributions made in each financial year since IPO are listed below.

Period to 31 March	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Dividend per share	7.30p	7.10p	7.00p	6.85p	6.70p	6.55p	6.40p	6.25p	6.10p

The long-term target Total Shareholder Return is approximately 7 per cent. (as stated in the February 2013 New Ordinary Shares Prospectus and based on a purchase price of 119.5p per share).

The Investment Adviser to the Company is InfraRed Capital Partners Limited, which is authorised and regulated by the Financial Conduct Authority. Total headcount of the InfraRed Group is over 120 and the infrastructure team comprises 50 professional staff. InfraRed has offices in London, Hong Kong, New York, Paris, Seoul and Sydney.

Company Summary

Company	HICL Infrastructure Company Limited, a non-cellular Company limited by shares incorporated under the laws of the Island of Guernsey with registration number 44185
Investment Adviser ("IA") and Operator	InfraRed Capital Partners Limited, 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	£1.7bn as at 31 March 2015
Market capitalisation	£2.0bn as at 31 March 2015
Investment Adviser and Operator Fees	■ 1.1% per annum of the Adjusted Gross Asset Value [1] of the investments up to £750m, 1.0% from £750m up to £1.5bn, 0.9% from £1.5bn up to £2.25bn, and 0.8% above £2.25bn ■ plus 1.0% of the value of new acquisitions [2] ■ plus £0.1m per annum investment advisory fee ■ No performance fee ■ Fees relating to shareholder matters from underlying Project Companies are paid to the Group (and not to the IA)
ISA, PEP and SIPP status	The shares are eligible for inclusion in NISAs, ISAs and PEPs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.
NMPI status	Following the receipt of legal advice, the Board confirms that it conducts the Company's affairs, and intends to continue to conduct the Company's affairs, such that the Company would qualify for approval as an investment trust if it were resident in the United Kingdom. It is the Board's intention that the Company will continue to conduct its affairs in such a manner and that IFAs should therefore be able to recommend its shares to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.
AIFMD status	The Company is a Guernsey domiciled self-managed non-EEA Alternative Investment Fund.
FATCA	The Company has registered for FATCA and has a GIIN number.
Investment policy	The Company's investment policy is summarised in Section 2.2 – Strategy and Investment Policy and can be found in full on the Company's website.
Website	**www.hicl.com**

Notes:
1. *Adjusted Gross Asset Value means fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations.*
2. *Does not apply to acquisitions sourced from the InfraRed Group, or entities managed by it.*

Section 1: Chairman's Statement

Introduction

I am pleased to be able, once again, to present shareholders with a strong set of results. Overall, the Group's performance was good, with the portfolio generating cumulative investment cashflows ahead of our internal forecasts. The overall quality of the Group's assets, coupled with active management by the Investment Adviser, has enabled the Board to declare an aggregate dividend for the year of 7.30p per share (with prudent cash cover), which is in excess of the dividend target of 7.25p per share, and to raise the dividend target for the current financial year to 7.45p per share.

Total shareholder return for the year was 15.4% p.a. on a NAV and dividend basis and 22.5% on a share price and dividend basis, well exceeding our long-term total return target of circa 7.0% p.a.

Investments in social and transportation infrastructure projects, consistent with our acquisition strategy, have become increasingly attractive on a risk-adjusted basis as investors seek stable, inflation-linked returns. The trend of rising valuations attached to assets bought and sold in the UK secondary market has continued. Our previous observation that we should maintain a disciplined approach to acquisition pricing is now even more vital. That said, the Group has still been able to source attractive new investments in the UK, Australia, France, Holland and Ireland in the year.

Financial Results and Performance

Financial Results

The Company has prepared its accounts for the year to 31 March 2015 in accordance with EU IFRS, including IFRS 10 and the Investment Entity amendments, which is consistent with the prior year. These require the Company to prepare IFRS financial statements which do not consolidate the project company subsidiaries.

Profit before tax was £231.0m (2014: £153.8m) and earnings per share were 18.6p (2014: 13.1p).

Cash received from the portfolio by way of distributions, capital repayments, profit on disposal and fees was £182.2m (2014: £112.4m). After Group costs, operating cashflows of £162.6m more than covered the £102.5m distributions paid in the year.

The Company's Ongoing Charges Percentage was 1.14% (2014: 1.15%).

The Company raised a total of £75.7m (before expenses) during the year through two value-accretive tap issues totalling 54.0m new shares in June and December 2014.

The Group continues to benefit from its £150m revolving credit facility which expires in May 2016 but which we expect to renew in the Company's current financial year.

More details of the financial results are set out in Section 2.4 – Operational and Financial Review, under the heading 'Accounting'.

Portfolio Performance

The Group's portfolio continues to perform to plan or better, and as at 31 March 2015 consisted of 101 social and transportation infrastructure projects (93 as at 31 March 2014). The return generated from the portfolio during the year (after rebasing for new investments, the disposals and investment distributions, and excluding the profit on disposal) was 9.6% (2014: 9.5%) which reflects not only the unwinding of the discount rate, but also a series of value-accretive acquisitions, complemented by value enhancements across the portfolio including a reduction in insurance premia.

The Group is prepared to consider the sale of specific investments when opportunities arise to realise value that may not be delivered by continued ownership. At the time of the Company's November Interim results, we announced the intention to dispose of a significant investment from the Group's portfolio. This sale, relating to the Group's 56% stake in Colchester Garrison, concluded in February 2015. A profit was generated, after costs, of £50.6m over the Directors' valuation of £57.7m as at 31 March 2014.

The Group began the financial year with four projects under construction, comprising 7% of the portfolio by value and it has subsequently acquired four new projects in their construction phase. One investment – the Royal School of Military Engineering PPP project – achieved construction completion in Q1 2015. This results in seven projects in construction (5% of the portfolio by value) as at 31 March 2015.

Valuation and Net Asset Value

As in previous periods, the Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 31 March 2015.

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 expert advice on the valuation carried out by the Investment Adviser, which concluded that the valuation was appropriate.

The Directors have approved the valuation of £1,732.2m for the portfolio of 101 investments as at 31 March 2015, which includes £22.5m of future investment obligations. This compares with £1,639.1m as at 30 September 2014 (including £8.1m of subscription obligations), and £1,500.6m as at 31 March 2014 (including £5.1m of subscription obligations). An analysis of the increase in the valuation is detailed in Section 2.5 – Valuation of the Portfolio.

The net asset value ("NAV") per share was 136.7p at 31 March 2015 (2014: 126.7p). After taking into account the 1.87p per share fourth quarterly interim distribution, the NAV per share at 31 March 2015 was 134.8p; an increase of 9.5% over the comparable figure as at 31 March 2014. This increase is attributable to higher valuations of infrastructure investments, the profitable realisation of one large investment, the good operational performance of the portfolio, issuance of shares at a premium to NAV and value-accretive new investments.

Acquisitions and Disposals

The Group made nine new investments and 10 incremental acquisitions during the year for a total consideration of £221.4m (which includes associated future investment commitments). Of particular note, the Group was pleased to make an investment in the Priority Schools Building Programme North East Batch, the first project to close that has been procured under that programme. Further details are set out in Section 2.4 – Operational and Financial Review and Note 13 to the financial statements.

Despite an increasingly competitive environment, the Investment Adviser has been able to develop and convert a good pipeline of potential acquisitions, sourced through a wide network of relationships and sometimes secured on an exclusive basis. During the year the Investment Adviser participated in 12 auctions but was successful in only two (relating to four investments in aggregate). In unsuccessful auction processes, the winning bids were at prices which would not, over the investment period of ownership, have been value accretive to the Group.

Since the financial year end, the Group has made two incremental acquisitions of a further 40% interest in each of Salford & Wigan BSF Schools (Phase 1) and Salford & Wigan BSF Schools (Phase 2), with a combined investment value of £16.0m. In addition, the Group, through its bidding consortium, has recently been awarded preferred bidder status in respect of 14 primary care facilities to be built across Ireland under a single 25-year PPP contract; financial close is anticipated to take place at the end of the calendar year.

An investment opportunity is being appraised presently which has been offered for sale by an investment fund managed by the Investment Adviser. Therefore, in accordance with prior practice and good governance, a Buyside Committee has been established, a member of which is a Director of the Company. Further information will follow in due course should the transaction progress, and as previously, prior shareholder approval will be sought to ratify the transaction.

As explained above, the Group sold its 56% investment in Colchester Garrison in the year for net consideration of £108.3m. Since the period end, the Group's interest in Fife Schools has been sold for £7.3m. Both transactions resulted from a disposal process initiated by a co-shareholder.

I AM PLEASED TO REPORT A STRONG SET OF RESULTS – THE CULMINATION OF A FOCUSED ACQUISITION STRATEGY, BETTER-THAN-PLANNED PORTFOLIO PERFORMANCE, AN UPLIFT IN VALUATIONS DUE TO STRONG MARKET DEMAND, AND THE PROFITABLE DISPOSAL OF A SIGNIFICANT INVESTMENT.

Distributions

In the Company's previous annual results, published in May 2014, I announced the Board's intention to move to paying interim dividends to shareholders on a quarterly basis. This commenced with the first quarterly interim dividend of 1.81p per share declared in July 2014, followed by the second of 1.81p per share declared in November 2014, and the third of 1.81p per share declared in February 2015.

As a result of this strong set of results, the Board was pleased to announce on 14 May a fourth quarterly interim dividend for the year to 31 March 2015 of 1.87p per share, which will be paid on 30 June 2015. This results in an aggregate dividend for the year of 7.30p per share, in excess of the published target of 7.25p, and representing a 2.8% growth on the prior year of 7.10p. As with the prior interim dividends, a scrip dividend alternative is being offered to shareholders.

In light of the Group's good portfolio performance, the Directors have also raised the dividend target for the current financial year to 7.45p per share, an increase of 0.05p from prior guidance of 7.40p. The Company has grown its dividend each year since launch in 2006.

It remains our intention to pay quarterly interim dividends for this financial year and to continue to offer a scrip dividend alternative. Further details of the scrip dividend alternative will be published in July when the first quarterly interim dividend is declared.

Risks and Uncertainties

As I observed last year, the growth in the pool of PFI/PPP investments in the UK has slowed considerably due to significantly lower levels of procurement, while the overall appetite displayed by investors has risen with the growing maturity of the asset class. As a consequence, supply-demand dynamics have moved in favour of vendors and this has driven up prices, thus reducing returns. This trend has been particularly evident in competitive auctions and, more recently, in disposal initiatives such as the one that led to the sale of the Group's interest in Colchester Garrison and, post year end, in Fife Schools.

The Investment Adviser's response to the supply-demand imbalance has been to maintain focus on the agreed Acquisition Strategy, to use its network of industry contacts to source new opportunities and to keep its pricing discipline. Where appropriate, overseas opportunities continue to be pursued, principally in Europe, Australia and Canada, but only where the risk-reward characteristics are consistent with those which underpin the existing investment portfolio. The Group has selectively increased its bidding activity for infrastructure assets in their construction phases, sourced through established relationships and available at attractive returns. Even with this activity and the successes in the period, the Group's exposure to investments in their construction phase has declined over the financial year from 7% to 5% of the portfolio by value, as projects have become operational.

The Group's current investments are in project companies whose key revenue risk is that of deductions from the availability (or 'unitary') payment made by the public sector client under the concession contract. Over the year, through hands-on, active asset management oversight, performance deductions that have been made under the contracts have been borne almost exclusively by subcontractors.

In the UK PFI health sector, we are aware of some stringent interpretation of contract terms on certain projects relating to building regulations, leading to material unitary payment deductions. These deductions are often disputed, requiring time and money to achieve a resolution through processes which can leave the value of the investment impaired. Whilst we do not have such a situation in the portfolio currently, we are learning from the experiences of others. The Investment Adviser does not currently believe the risk to be widespread. A recent note from Moody's Investors Service accords with this view, but a watching brief is in place. The Group's investment assumption remains that PFI contracts are both fair and balanced in protecting the interests of the respective parties.

The Group seeks investments in project companies which are serviced by reliable and experienced, third party operators. Although there is always a risk that some may underperform or, in extremis, go out of business, diversification of service partners provides a measure of mitigation.

As reported, the operational performance of the investment portfolio overall is good. However, with a sizeable portfolio, it is inevitable that issues will arise and a small number of the project companies in which the Group invests are subject to operational challenges; none though are considered material at portfolio level.

The Investment Adviser's team closely monitors each project, attends Board meetings and client liaison discussions, and takes appropriate action to resolve operational issues in a timely manner.

Financial and tax regulation continues to change and these can affect the Group and its investments. The Board monitors such changes, evaluates the likely impact, and takes advice and acts appropriately to ensure that the business remains compliant.

As noted in the Company's Interim Report in November, the OECD's initiative to address base erosion and profit shifting (BEPS) is a key tax priority of governments around the world. A consultative process is being undertaken by the OECD, with a number of representatives from the infrastructure sector highlighting a risk of a significant adverse impact to the tax deductibility of the interest costs from the debt used to finance projects unless suitable concessions are made for infrastructure. The Board and the Investment Adviser are monitoring developments and contributing to the consultation through industry bodies. Currently, it is too early to assess how or if the implementation of changes from this initiative will affect the Group or its investments.

Corporate Governance and Regulation

Frank Nelson was appointed to the Board on 1 June 2014. As a former Finance Director of Galliford Try plc, he has considerable experience in the construction, contracting and infrastructure sectors, complementing the skills and experience of the other Directors, all of whom are non-executive and independent.

The number of Directors has been increased partly to facilitate succession planning. John Hallam and I have now served nine years as Directors of the Company and, whilst the Board still believes we are independent, we will both retire from the Company by no later than 30 June 2016. The precise dates of our respective retirements from the Board of Directors will be managed to ensure an orderly, timely and seamless handover of responsibilities.

As in previous years and consistent with best practice, all the Directors will be offering themselves for re-election at the forthcoming AGM on 21 July 2015.

In February 2015, the formal triennial review of Directors' remuneration was undertaken by Trust Associates, an independent consultant. The report concluded that there had been a marked uplift in investment company board remuneration since the time of the last review. The size and complexity of a company has a significant impact on remuneration levels, as does the work load and time commitment of directors, which has also increased for this Company since the last review. Further details are contained in Section 7 – Directors' Remuneration Report, together with the Directors' remuneration policy and recommendations for the coming year, which will be included in resolutions for shareholder approval at the forthcoming AGM.

In conjunction with the Trust Associates' review of the Directors' remuneration, the consultant performed an evaluation of the effectiveness of the Board. The report remarked that the Board, as a whole, and its Committees are functioning effectively, that discussions are well informed and give strong challenge to the Investment Adviser, but in an environment of collegiality and mutual trust. In particular, it commented that the good spread of skills on the Board had been further enhanced with the appointment of new Directors with good construction and infrastructure management experience. Further details are set out in Section 6 – Corporate Governance Statement.

In September, a full day was set aside by the Board to consider the overall strategy of the Group. Discussions were shaped by advice and insights from advisers actively involved in infrastructure investment. The acquisition strategy was re-affirmed subject to some changes of emphasis which were driven by market conditions, and more details are set out in Section 2.2 – Strategy and Investment Policy.

In July 2014, the Alternative Investment Fund Managers Directive ("AIFMD") came into full force, after the expiry of the transitional arrangements period. The Company has registered as a Guernsey domiciled self-managed non-EEA Alternative Investment Fund. The Company implemented changes to processes and procedures to enable the Board to fulfil its prescribed role in the supervision of investment decisions and the management of risk across the Group. Monitoring of risk within the Group is now carried out by the Risk Committee of the Board. Further details on the governance of the Company is set out in Section 6 – Corporate Governance Statement. We have also included a Risk Committee report for the first time, set out in Section 8 – Risk Committee Report.

Following The Financial Reporting Council's proposal of best practice, the audit work for the Company was tendered during the year. Mr J Hallam, as Chair of the Audit Committee, and Mrs S Evans, together with representatives from the Investment Adviser, met in December with four firms who were invited to tender for the audit. Following an Audit Committee review of the tender submissions, the Committee members resolved to recommend the continued appointment of KPMG Channel Islands Limited ("KPMG") deeming this course of action to be in the best interests of shareholders, given the strength of the KPMG audit team and a lack of demonstrable differentiation shown by the challengers.

During the year, I held a number of one-on-one meetings with shareholders and was able to discuss governance as well as the Company's strategy and performance. Good and effective communication with shareholders is enormously important to the Board, which receives regular reports from the Investment Adviser and the Company's broker, both of whom participate in many meetings with existing and prospective investors.

Market Developments

As observed previously, the procurement of new infrastructure assets in the UK has diminished over the last two years. Any improvement to the rate of procurement is likely to take time to materialise as the new Government determines its infrastructure priorities and how to finance them. Against this backdrop, it was pleasing therefore that the Group secured an investment in the first Priority Schools Building programme project in March 2015. Further such opportunities may arise in the current financial year.

Outside the UK, procurement of new infrastructure assets with investment characteristics suitable for the Group continues in a number of countries including Australia, Canada, France, Holland, and the USA. The Group has made new investments in the year in Australia, France, Holland and Ireland, and has bid unsuccessfully for opportunities in Canada. We believe the Group is well positioned to capitalise on these new procurement programmes mindful that certain investments require an appropriate discount rate premium for political, fiscal and currency risks.

Outlook

The growth in investor appetite for infrastructure assets continues unabated, driven by attractive risk-return characteristics. The Company's shares have consistently traded at a premium to NAV, reflecting the Company's strong performance and the current demand from investors for cash covered yield.

In this environment, the Company continues to demonstrate its ability to source suitable investments for the Group. The Board has a clear strategy which is being executed by a dedicated team of professionals possessing the necessary skills, knowledge and depth of relationships with market participants to succeed.

The Group and its Investment Adviser have a proven track record of being reliable counterparties, capable of evaluating acquisition opportunities efficiently and then having the finance and resources available to execute a purchase on time and without last-minute renegotiation.

New investment opportunities that meet our requirements are expected to come to market this year, including both single and portfolio opportunities. Despite the intensity of competition, the prospects remain good for the Group to make further value-accretive investments in the current financial year, albeit the rate of growth in the portfolio may ease.

Greater focus is being placed on seeking opportunities outside the UK, and on investments which are in their construction phases, as we believe they offer potentially the best value. That said, through established relationships in the UK, we are still able to secure new investments in this market. Finding value at auction is difficult at present, but participation provides valuable data and insight into competitor's pricing strategies.

With the recent acquisitions funded from the Group's revolving credit facility, the Company currently has a net funding requirement of £8.0m. Dependent on further acquisitions, the Directors will consider the timing and quantum of further tap issuance.

As I noted in my introduction, off the back of the strong set of results, the Board is pleased to revise its guidance to 7.45p per share aggregate dividend for the year to 31 March 2016 (up from the previous published guidance of 7.40p per share).

Graham Picken
Chairman
20 May 2015

Highland Schools, Scotland

2.1 OVERVIEW, APPROACH, OBJECTIVES, HISTORY AND STRUCTURE

Overview

A closed-ended, London Stock Exchange-listed investment company, the Company invests shareholders' funds into a portfolio of infrastructure projects generating stable, inflation-linked cash flows on an attractive risk-adjusted basis.

Through active management by the Investment Adviser of the Group's investments in the projects, the Company earns a return that allows it to pay a predictable and sustainable quarterly dividend to shareholders, as well as preserve the capital value of the investment portfolio. In addition, through value enhancement and investment selection strategies, there is potential for an element of capital growth over the long term.

Approach – Sectors, Geographies and Asset Characteristics

The Company is a 'buy-and-hold' equity investor in social, transportation and similar infrastructure projects. These investments provide serviced assets, typically to public sector or quasi-public sector clients, across a number of sectors including education, health, justice, road, rail and for other general accommodation needs (such as libraries, barracks and social housing). The majority of the Group's investments are in operational projects which have successfully completed their construction phase. The portfolio as at 20 May 2015 comprises 100 investments which are in projects located primarily in the UK, but also in Australia, Canada, France, Ireland and Holland.

The projects are typically structured under a public sector infrastructure procurement model (called PFI/PF2 or PPP in the UK, and PPP or P3 elsewhere), which affords a number of attractive features to investors, namely long-term contracts with public sector clients, with project revenues normally with inflation-linkage. Further detail is provided in Section 2.3 – Business Model, Organisational Structure and Processes.

Objectives

The objectives of the Company can be categorised as follows:

Financial Objectives – Shareholder Return

Yield and Capital Growth

The Company's principal financial return objective is a long-term yield for shareholders. This is delivered through the Company's dividend target – an annual distribution of at least that achieved this year, being 7.30p per share in aggregate, with the prospect of increasing the figure provided it is sustainable with regard to the portfolio's forecast operational performance and the prevailing macro-economic outlook. Dividends have increased year-on-year since launch in 2006, with the Company having met or exceeded its dividend targets to date.

As guidance, the Board has set a revised target distribution for the year to 31 March 2016 of 7.45p per share. In May 2014, the Board announced a move to quarterly dividends to provide shareholders with a more regular income return.

The Company's other financial return objective is to preserve the capital value of its investment portfolio and deliver an element of capital growth, as reflected in its longer-term return target. In February 2013, at the time of the Company's most recent share issuance prospectus, a long-term total return target for new investors of approximately 7% per annum was set by reference to the issue price of 119.5p per new share. This remains achievable. For the period since 31 March 2014 until 31 March 2015, and from IPO until 31 March 2015, the total shareholder return has been 22.5% p.a. and 11.1% p.a., respectively, as measured by share price appreciation and dividends.

Positive inflation correlation and an ability to pay cash-covered dividends are key attributes of the Group's operating cash flow receipts and attractions of the portfolio. To support the above two return objectives, the Company targets investments where the positive correlation is maintained and, where possible, enhanced, and the acquisitions are value-accretive to the existing portfolio.

Shareholder Protection

Important additional financial objectives to protect shareholders' interests are:

- to reduce income and balance sheet volatility that might arise from holding investments denominated in currencies other than Sterling;
- to avoid holding material amounts of uninvested cash on the balance sheet ('cash drag') by the appropriate use of gearing to make new investments, with subsequent equity issuance;
- to manage the Group's affairs with respect to matters such as tax, regulation, in an appropriate and not overly aggressive way;
- to provide access to a diversified portfolio of investments (in terms of clients, funders and supply-chain contractors) and thereby mitigate concentration risk; and
- to moderate the share price premium and avoid dilution (on a NAV per share basis) to existing shareholders during equity issuance programmes.

Non-Financial Objectives

In addition to tangible and objectively measurable financial targets, the Company has 'softer', non-financial objectives. Principally these relate to fulfilling a positive role in the community and the wider infrastructure space, by investing and actively managing infrastructure assets in a responsible and publically accountable manner.

The objectives are:

- to seek and maintain strong relationships with all key stakeholders of both the Company and the Group's investments;
- to manage the Group and its investments in accordance with the Company's Corporate Social Responsible statements and policies (See Section 2.9 – Corporate Social Responsibility for details);
- through disclosure, case studies and site visits, to inform shareholders and potential investors and increase the understanding of the infrastructure investment class.

History and Structure

The Company was the first infrastructure investment company to list on the main market of the London Stock Exchange, raising £250m at its IPO in March 2006. Since then, the Company has raised a further £1.2 billion through subsequent equity issues. It is the largest London-listed infrastructure investment company, with a present market capitalisation of £1.9 billion and daily liquidity of over 2 million shares.

The Company benefits from a Board comprising seven independent non-executive Directors, while the investment management of the Group is undertaken by the Investment Adviser and Operator, InfraRed Capital Partners Limited, an experienced investment manager with over US$8bn of equity under management and 120 staff, with 50 individuals engaged in infrastructure investment and asset management from four of InfraRed's six international offices.

2.2 STRATEGY AND INVESTMENT POLICY

The Company's strategy for delivering its target shareholder return objectives can be segmented broadly into three, non-distinct areas, as follows:

- the ongoing management of the Group's portfolio;
- the enhancement of returns from the Group's portfolio; and
- the selection and pricing of suitable new investments.

Each element is described in detail below but, in broad terms, the asset management and enhancement initiatives are aimed at protecting and improving the yield that the Company seeks to deliver to shareholders (through cash-covered dividends). The appropriate pricing and selection of new investments helps to deliver the growth in the portfolio's value, which would otherwise trend down, over time, given the finite life and limited, if any, residual value of the long-term concession contracts (see Section 2.3 – Business Model, Organisational Structure and Processes for details).

Active Management

The principal goal of active management is to ensure that the operations and performance of each investment in the portfolio are delivered in accordance with the Company's expectations – and, accordingly, the anticipated (or 'base case') investment return envisaged by the Company's forecasts is achieved.

InfraRed, as Investment Adviser, is tasked by the Board with the day-to-day management of the portfolio. This management task is carried out by two functions within the Investment Adviser's team: Portfolio Management and Asset Management.

Portfolio Management is concerned with the financial performance and, working closely with the Asset Managers, it seeks to:

- monitor the financial performance of each investment against Group targets and forecasts;
- consider the portfolio composition and mix with respect to achieving the Group's desired target returns within the agreed risk appetite;
- manage the investment cash flows from the Group's investments;
- minimise cash drag (having uninvested cash on the balance sheet) and improve cash efficiency generally;
- manage the processes and analysis which underpin the draft semi-annual valuation of the Group's portfolio submitted to the Board;
- ensure good financial management of the Group and each investment, having regard to accounting, tax, and debt covenants; and
- maintain efficient treasury processes (e.g. cash and debt at the Group level, and hedging of non-sterling investments).

Asset Management complements Portfolio Management and is focused on the successful management and operational performance of the Group's investments at project level with a heavy focus on client engagement. Activities include:

- management oversight of each investment through the appointment of at least one director to each project company board;
- where the project involves the construction of new facilities, frequent monitoring of progress to ensure successful delivery;
- pro-actively building and maintaining closer, open stakeholder relationships at project company level, especially with respect to enhancing client satisfaction levels with overall operations;
- facilitating early resolution of operational issues as they arise, including contractual disputes; and
- introducing new environmental, social and enhanced governance initiatives in each project company, where appropriate.

Value Enhancement

The primary focus for the Investment Adviser is to ensure that each project performs to the required contractual standard that the client expects. Once achieved, the secondary focus is to find and evaluate value enhancement opportunities – typically potential savings and efficiency upsides for both the project and its public sector client. This is achieved by the Investment Adviser's Asset Management and Portfolio Management teams based on a review of all the project's costs and by drawing on their experience of implementing a range of similarly focused initiatives across the wider portfolio. In any event, efficiencies and savings will only be implemented where they do not detrimentally impact either the services being provided or the quality of the service-level delivery.

In terms of specifics, the Portfolio Management teams are generally focused on finding savings from treasury/portfolio operations. These often, though not always, occur as a consequence of the benefit of economies of scale that the Company possesses by owning stakes in over 100 projects (e.g. via group insurance premia savings and treasury management/financial efficiencies) and/or by increasing its controlling stake in a project through a follow-on investment (e.g. an arms-length re-tendering of the management services agreement upon acquisition of a project's entire equity interest). Alternatively, savings may occur as a one-off event (e.g. a refinancing of a project's debt at lower margins). In that instance, a significant proportion of the benefit will accrue to the client, either through a one-off payment or through a reduction in the project life Unitary Payments that are due to be made, whilst potentially providing additional upside to the project company, and therefore the Group.

The Asset Managers also work together with project companies and clients to achieve asset-specific cost savings, efficiencies and contract variations, both to extend the scope of the project, or, in other instances, transition to a reduced set of obligations, as the situation requires. As with the Portfolio Management's work, cost savings and efficiencies generally accrue to both the client and the project company. A sample of certain material contract variations overseen by the Asset Management team during the year is provided in Section 2.4 – Operational and Financial Review, under the heading 'Asset Management and Contract Variations'.

The Investment Adviser has become a signatory to the voluntary code of conduct introduced by HM Treasury to set out the basis on which public and private sector partners agree to work together to make savings in operational PPP contracts. The Asset Management team has been successful in proposing saving initiatives to project clients in line with the code.

Investment Selection and Pricing

Any new investment needs to meet the Acquisition Strategy which the Company reviews and publishes regularly, as well as the over-arching restrictions and caps imposed by the Investment Policy. Further, all new investments need to support the achievement of the Objectives set out in Section 2.1 – Overview, Approach, Objectives, History and Structure above, and balance the risks involved against the projected forecast returns, to enable the Company to achieve its long-term targets without materially changing the risk profile of the Group.

A key aspect of supporting the achievement of the objectives is to acquire new investments which are value accretive to the current portfolio. Accretion can be achieved through the initial gross yield, the potential total return, and the inflation correlation. Part of the attraction of the Company's investment portfolio is its positive correlation to inflation (described in more detail in Section 2.5 – Valuation of the Portfolio). An important consideration of any new investment is the degree to which this correlation is maintained or, where possible, enhanced.

InfraRed's dedicated infrastructure team uses a variety of channels to source investments for the Group. These include acquiring stakes from exiting co-shareholders of existing projects (e.g. an interest held by the contractor on its balance sheet where it wishes to divest to realise funds for future operational activities), soliciting an off-market transaction through a relationship within its extensive network of investment partners and advisors, or through competitive auctions in the wider market.

Acquisition Strategy

In September 2014, the Directors held a one day Board meeting, with the Investment Adviser, which was dedicated to reviewing and determining the overall strategy of the Group; in particular the scope and relevance of the current Acquisition Strategy. The review involved a fundamental analysis of certain market segments to ensure they would deliver investments that were complementary or additive to the existing portfolio. The Acquisition Strategy, which has been consistently applied since May 2009, has been reaffirmed subject to some small changes in emphasis which were driven by market conditions. In terms of geographic focus, preferred jurisdictions for investment remain the UK, certain countries in Europe, North America, and Australasia. Countries outside these regions might be considered by the Investment Adviser, but only after prior discussion and agreement from the Board. Whilst operational social and transportation infrastructure assets (such as PFI/PPP/P3 concessions) remain core, other areas of focus include:

- Investments in transportation projects, where income is from user-paid revenue streams and can be evaluated against good quality operational data and solid investment metrics;
- Investments in transmission lines, for example with characteristics similar to the UK Offshore Transmission lines ("OFTOs") which have availability-type payment mechanisms; and
- Investments in projects under construction.

Currently, only 5% by value of the portfolio is under construction and this could increase without coming close to the cap in the Investment Policy of 35% by value (with other asset categories).

In addition to the annual day dedicated to reviewing the Acquisition Strategy, the Board and its Risk Committee review the overall Group strategy and risk appetite on a quarterly basis to ensure they continue to be appropriate.

Investment Policy

A summarised form of the Company's Investment Policy follows. For full wording, please refer to the Company's website.

Risk-Reward Characteristics

The Company is seeking 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. payments from the concession with do not generally depend on the level of use of the project asset); and/or
- companies in the regulated utilities sector, if of an appropriate scale.

The Group will also seek to enhance returns for Shareholders by acquiring more diverse infrastructure investments (see context provided in Acquisition Strategy above). The Directors currently intend that the Group may invest in aggregate up to 35% of its total assets (at the time of investment) in:

- projects which have not yet completed construction, but where prospective yield characteristics and associated risks are deemed appropriate to the Company's investment objectives;
- projects with "demand" based concessions where the Investment Adviser considers that demand and stability of revenues are not yet established but that, due to the levels of diligence and analysis undertaken, the revenue risks are acceptable to the Group;
- projects which do not have public sector sponsored/awarded or government-backed concessions; and/or
- to a lesser extent, 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 both within the UK (where the majority of the projects in the current portfolio are based) and abroad. 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 legal enforceability are reliable, where public sector obligations carry a satisfactory credit rating and prior evidence of government sponsorship for privately-procured infrastructure exists, and where financial markets are relatively mature.

Single investment limit and Diversity of Clients and Suppliers

The Company's Investment Policy is to ensure a diversified portfolio of similarly sized investments to ensure no dominance by any single investment. To achieve this end, the Company will ensure each new investment acquired does not have an acquisition value (or, if it is an additional stake in an existing investment, does not have a combined value of both the existing and additional stake) greater than 20% of the total gross assets of the Company immediately post acquisition. In addition, the Group seeks sufficient minimum percentage ownership to allow it normally to appoint at least one director to the project company board.

In selecting new investments, the Company will ensure that the resulting 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.

Further details and a breakdown of exposure by various measures are set out in Section 2.6 – Investment Portfolio.

Other Investment Restrictions

The Company is subject to certain investment restrictions pursuant to the UKLA Listing Rules, which include, amongst others, not cross-financing businesses forming part of the Group's investment portfolio or investing more than 10%, in aggregate, of the Company's assets in other listed closed-ended investment funds. Currently, the Company has no such investment in a listed closed-ended investment fund.

Group 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% 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.

Conflicts of interest

It is expected that certain further investments to be sourced by the Investment Adviser will have been originated and developed by, and may be acquired from, a fund managed by the Investment Adviser (or its affiliates). In order to deal with these potential conflicts of interest, detailed procedures and arrangements have been established to manage transactions between the Group and such other parties (the "Rules of Engagement").

Key features of the Rules of Engagement include the creation of separate committees to represent the interests of the vendors on the one hand and the Group on the other, to ensure independence and therefore arm's length decision making and approval processes; the establishment of "Chinese walls" to maintain appropriate information barrier procedures between the two committees; independent asset due diligence processes and an independent expert's assessment report on the Fair Market Value for the transaction.

In considering any such acquisition the Directors will, as they deem necessary, review and ask questions of the 'Buyside Committee' and the Group's other advisers, to ensure that the Directors are satisfied that the terms of any such acquisitions are negotiated on an arm's length basis.

Full details of the Rules of Engagement are available on pages 47 and 48 of the Company's Prospectus issued in 2013.

2.3 BUSINESS MODEL, ORGANISATIONAL STRUCTURE AND PROCESSES

Business Model

Revenue

The projects in which the Group has an investment are typically structured under a public sector infrastructure procurement model (called PFI/PF2/PPP in the UK, and PPP/P3 elsewhere). This model has been successfully employed by a number of countries over the last 20 years to procure new infrastructure investment and the asset class affords a number of attractive features for the equity investor. The principal feature is the quality and predictability of the underlying revenue stream once construction completion is achieved and the asset is operational, which provides significant protection from economic cycles and competitive pressures. The key characteristics of these infrastructure projects, including this feature of the revenue stream, are as follows:

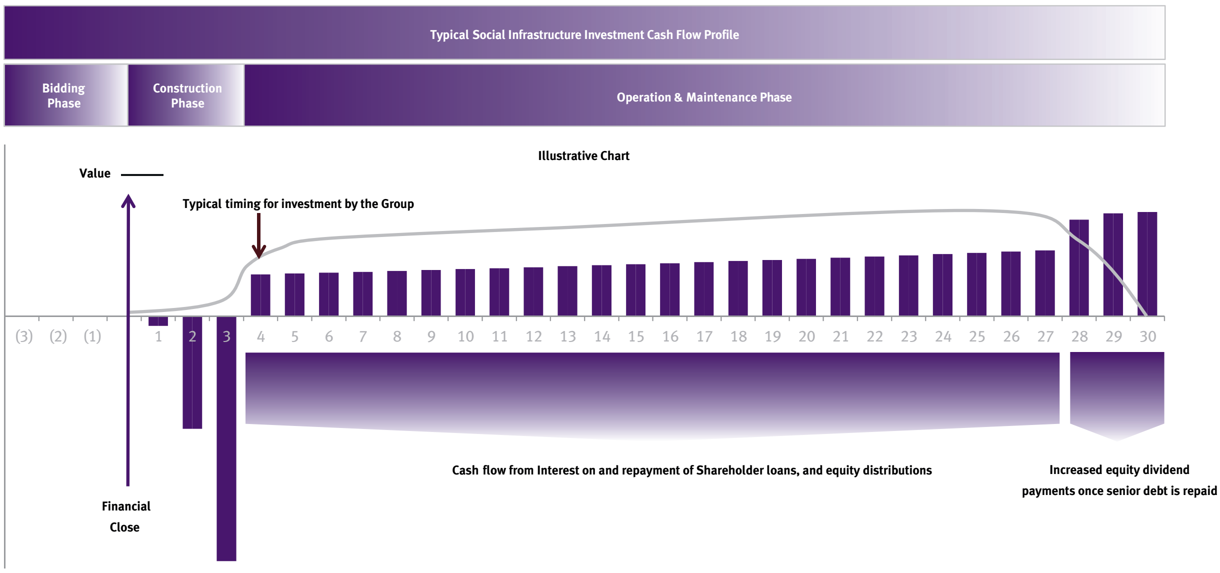
- Provision of 'assets' procured by the public sector to meet essential public service needs; and
- Service obligations (which include the project's financing, build, operation and maintenance) and the associated standards are stipulated and structured through long-term concession contracts; projects have limited, if any, residual value at the end of the concession life.

Blackpool Primary Care, Blackpool, England

- Following build completion and asset 'availability', regular, contracted 'Unitary Payments' are made by the public sector client to the project company, subject to the pre-determined contractual service standards being met or with incremental deductions for each and any shortfall; and
- Unitary Payments benefit from inflation-linkage (partially or fully).

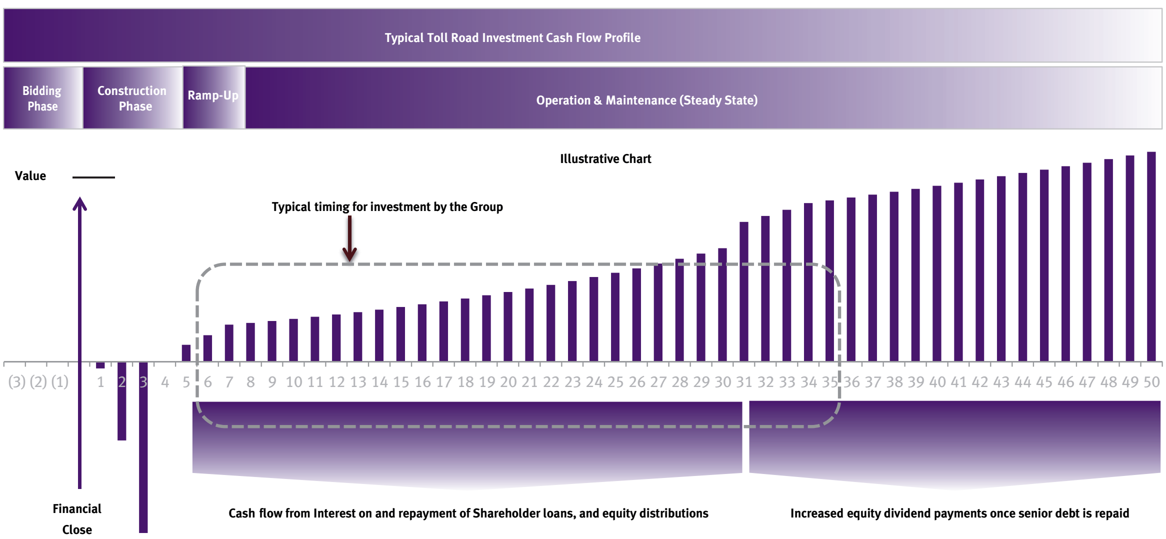
The Unitary Payments from the public sector client are used to remunerate the equity investment in the project company once the senior debt service, operating costs and other expenses of the project company have been met.

Illustrative investment cash flow characteristics over a project's life (with availability-type income)



As shown in the above chart capital, in the form of an equity investment, is committed to finance the construction phase of a project. Typically, senior debt is drawn first, and the equity subscription amounts are invested towards the end of the construction phase. Positive investment cash flow or "income" from an investment is generally received (in the form of the Unitary Payment, if an 'availability' asset) once the project is operational. Larger payments flow to the equity investor during the last few years of a concession contract, once senior debt is fully repaid. This is illustrated in the increase in the cash flows at the end of the concession shown in the figure above. The present value (on a discounted cash flow basis) of these residual cash flows should be significant enough to largely preserve the capital value of the investment, until the distribution of these residual cash flows commences. This is illustrated in the increase in future cash flows shown in Section 2.5 – Valuation of the Portfolio, under the heading 'Investment Portfolio: Cash Flow Profile'. Further details on the capital structuring of a typical infrastructure investment, and the largely predictable nature of both the revenue and costs, are in the Company's 2013 Prospectus, available from the Company's website.

In future (as it is part of the Acquisition Strategy), the Company may make investments in 'demand' based projects, where the underlying revenue stream varies according to the volume or usage demands of the end-user, as opposed to its 'availability'. Whilst income streams are inherently less certain due to volatility in, for example, traffic volumes, rigorous research and modelling, together with trading history where available, should enable income streams to be predicted with a reasonable degree of accuracy. An example of the typical cashflows from a 'demand' based project such as a toll road is shown in the chart below.



There are currently no 'demand' based projects in the portfolio, although some availability projects have a small element of revenue linked to usage (and there are roads with shadow-toll income streams or in the case of the A249 road, a 'steady-flow' revenue model).

Whilst the covenant quality of the client counterpart will generally be of a high standing (due to the public, quasi-governmental status of the bodies that are the procuring agencies) and will always be considered in isolation, the Company benefits from a diversity of procuring clients across the portfolio. The charts in Section 2.6 – Investment Portfolio shows the breakdown of the ten largest investments (and the balance) in terms of weighting relative to the overall value of the portfolio, which acts as a good proxy for illustrating the spread of risk. As a consequence, the impact of any single client default to the overall Group is considered small. In the specific case of the Group's Health projects and their NHS Trust clients, each project company also benefits from a 'Deed of Safeguard' or similar with the UK Government, whereby the project company is not left unpaid if an NHS Trust fails to perform its obligations under the contract (for example if the Trust became insolvent).

Operating and Financing Costs

Certainty of operating and capital costs is also important to forecast infrastructure equity returns. In the case of social infrastructure projects, the costs associated with projects have long-term contractual profiles (determined at the outset), similar to the revenues, resulting in largely predictable investment cash flows for the investor.

Typically all services specified in the project agreement are subcontracted to specialist providers. Construction is performed by a construction company (or companies in joint venture, if a large asset) on the terms of a fixed priced, date-certain, 'turnkey' contract. The operational services are subcontracted to one or more experienced facilities manager(s) specialising in a particular field (e.g. catering; cleaning; security; mechanical and engineering maintenance). The Group's portfolio of investments has a diversified range of facilities management ("FM") companies.

Generally, the project company vehicles do not have their own employees. In a few cases day-to-day management is performed by an in-house team (i.e. a small number of staff directly employed or seconded to the project company) but, more typically, it is outsourced on a fixed-price contract. The terms of these 'Management Service Agreement' (MSA) contracts vary, but usually the lengths are between 3 and 5 years.

The service standard levels set out in the concession agreement and their key performance indicators ("KPIs") are closely mirrored in the sub-contracts such that the operating risks are passed down to the individual subcontractors who are best placed to manage those risks. The term of the operating sub-contracts normally matches the term of the concession agreement and the costs of such services are largely fixed at the outset and subject to increases linked to inflation (as reflected by the inflation-linked Unitary Payment).

Key project costs, where the budget and the risk sits with the project company (and therefore the equity investor), are generally the MSA contract, lifecycle costs and insurance premia. In some cases, the risk sits fully with the project company, whilst in other instances it may be partially or fully subcontracted to the FM contractor. The portfolio's sensitivity to the largest of these risks, the lifecycle costs, is set out in Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities'.

Each project is typically leveraged with amortising debt. The tenor of the debt tends to match the project's concession life due to the comfort lenders have with the covenant-quality afforded by the public sector clients and the contractual allocation of key risks to the various subcontractors who have the financial means to bear those risks, thereby reducing the financing risk. The interest rate on the debt is either fixed rate or inflation-linked, such that changes in interest rates are largely mitigated. The debt raised for a project is secured against that project's cash flows alone, and so is non-recourse to both the Group and its other investments.

Most projects are required by their lenders to withhold some cash in reserve accounts to pay for expected future capital expenditure as well as to potentially service debt if there are operating issues. These cash balances are deposited across a spread of investment grade banks to mitigate default risk and the interest income, which is for the benefit of the project (and hence the Group's investment), varies according to short-term deposit rates.

Group Financing, Gearing and Interest Rate Hedging

The Board's policy is that the Company should not hold material amounts of uninvested cash beyond what is necessary to meet outstanding equity commitments for existing investments or to fund potential acquisitions in the near term. New investments are typically funded initially by the Group's revolving credit facility. The Board will consider the appropriate timing and price for the issuance of new shares to repay the debt, in consultation with the Company's broker.

The Group's multi-currency revolving credit facility ('RCF') is jointly provided by Royal Bank of Scotland, National Australia Bank, Lloyds Bank and Sumitomo Mitsui Banking Corporation. It is a £150m facility with a term that runs until May 2016 and a margin of 2.20%. It is available to be drawn in cash and letters of credit for future investment obligations.

To manage interest rate risk the Group may use interest rate swaps to hedge drawings under the Group's debt facility. During the year the Group did not utilise any interest rate swaps.

Details of the new equity raised in the year to 31 March 2015 from tap issues and scrip dividend alternatives, together with figures for the Group's drawing under the RCF, the Group's gearing levels (as defined by The Association of Investment Companies) are set out in Section 2.4 – Operational and Financial Review.

Details of the Company's foreign currency hedging policy are set out in Section 2.4

ORGANISATIONAL STRUCTURE AND PROCESSES

Introduction

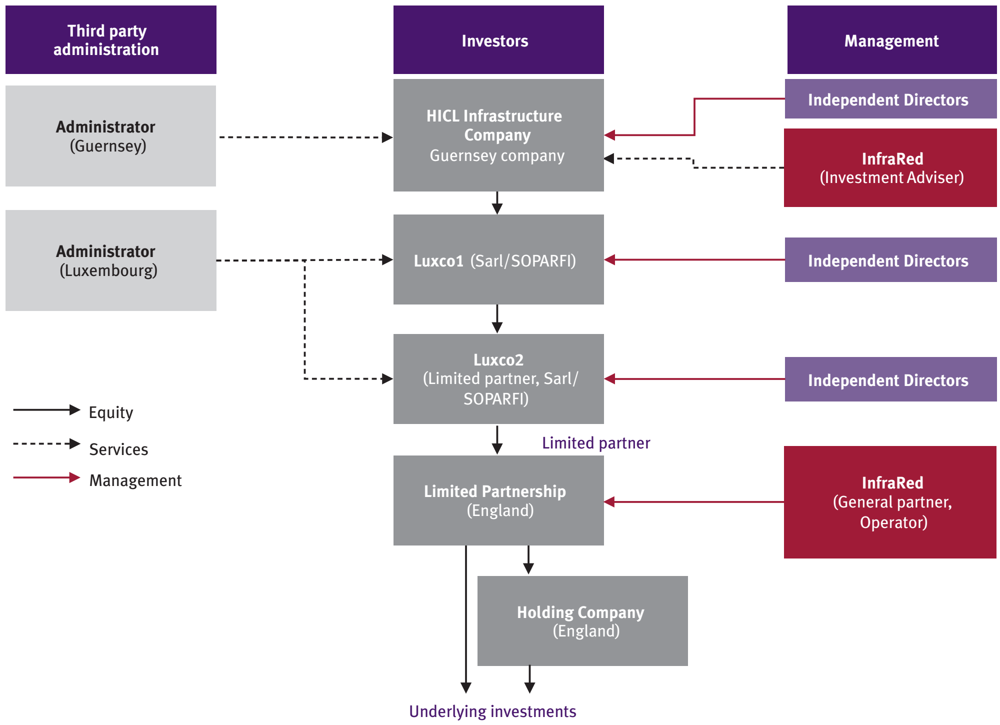
The Company, whose shares are listed on the London Stock Exchange, is a Guernsey-registered investment company with an independent Board of Directors.

At the time of writing, the Company indirectly owned a portfolio of 100 infrastructure investments and is seeking to protect and enhance value through active management of the existing portfolio and the sourcing of appropriately-priced new investments using the expertise of its Investment Adviser, InfraRed Capital Partners Limited.

The Company has a 31 March year end and announces its interim results in November and full year results in May. It also publishes two Update Statements (formerly Interim Management Statements) a year, normally in February and July.

Group Structure

The Group structure showing the main holding entities of the Group is set out below.



Each of the underlying investments is made by a special purpose vehicle (not shown in the structure above) to ensure no cross-collateralisation of the liabilities (being, principally, the debt repayment obligations).

The two Luxembourg entities (Luxco1 and Luxco2) have independent Boards and take advice on administration matters from RSM FHG Associés. The Investment Adviser owns the general partner of the UK Limited Partnership and manages the partnership through an operator agreement.

The Company's Board and the Committees

The Board of the Company comprises seven independent, non-executive Directors (details on whom can be found in Section 3 – Board of Directors) whose role is to manage the Company in the interests of shareholders and other stakeholders. In particular, the Board approves and monitors adherence to the Investment Policy and Acquisition Strategy, determines risk appetite, sets policies, agrees levels of delegation to key service providers and monitors their activities and performance (including, specifically, that of the Investment Adviser) against agreed objectives. The Board will take advice from the Investment Adviser, where appropriate – such as on matters concerning the market, the portfolio and new acquisition opportunities.

The Board meets regularly –at least five times a year – for formal Board meetings. As referenced in Section 2.2 – Strategy and Investment Policy, one of these Board meetings is devoted to considering the strategy of the Group, both in terms of potential acquisitions and the management of the current portfolio. There are also a number of ad hoc meetings dependent upon business needs. In addition, the Board has formed five committees, who manage risk and governance of the Company. On four occasions a year the business of the Company spans two consecutive days to cover committee agendas as well as formal quarterly Board meetings.

Management of the portfolio, as well as investment decisions within agreed parameters, are delegated to InfraRed, as the Investment Adviser, which reports regularly to the Board. At the quarterly Board and committee meetings, operating and financial performance of the portfolio, its valuation and the appropriateness of the risk and controls are reviewed.

During the financial year and before the expiry of the Alternative Investment Fund Managers Directive ("AIFMD") transitional period on 22 July 2014, the Company completed its registration as a Guernsey domiciled self-managed Alternative Investment Fund ("AIF") under AIFMD. The practical implications of the registration were modest, and mainly related to the formalisation of historic working practices into an appropriately documented reporting structure and the formation of a new, designated sub-committee of the Board, the Risk Committee. Further details are set out in Section 8 – Risk Committee Report.

The Investment Adviser

The Investment Adviser (since launch) is InfraRed Capital Partners Limited, part of the InfraRed Group.

The Company has an Investment Advisory Agreement with InfraRed which can be terminated with 12 months' notice. InfraRed is also the operator of the Group's Limited Partnership, through which the Group's investments are held. Details of the fees paid to InfraRed in respect of its Investment Adviser services are set out in Section 2.4 – Operational and Financial Review and Note 17 of the financial statements.

Origination

All potential investment opportunities are carefully screened by the Investment Adviser, initially to determine whether the opportunity is suitable for the Company, including assessing the counterparties and the jurisdiction.

Any investment proposition needs to be fully assessed and vetted by InfraRed's Infrastructure Investment Committee and Infrastructure Executive Committee, and these committees meet on a number of occasions before an investment is acquired for the Group. Detailed commercial and technical due diligence is undertaken by the team. Third party legal, technical and insurance due diligence is commissioned as appropriate to support the acquisition. Principal investigations relate to ensuring that projects are appropriately structured, the pass-down of obligations to subcontractors is adequate, and that all material counterparties are creditworthy.

Asset and Portfolio Management

The Investment Adviser's team includes a dedicated Asset Management function, the team members of which perform an important role monitoring project performance for service issues which may indicate financial difficulties or strained relations with the client. This is achieved by building and pro-actively maintaining good open relationships with all of the stakeholders who are contractually associated with the Group's projects, especially public sector clients and the facilities management teams performing the day-to-day management under the MSA contracts (see 'Operating and Financing Costs' above).

Details of the practical functions performed by the Asset Managers are set out in 'Active Management' and 'Value Enhancement' above. To achieve results, individuals are appointed as directors of the project companies in which the Group invests. 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 and Executive Committee, as appropriate, for consideration and determination.

Unlike some competitors, the Investment Adviser does not use related parties for the provision of the services to project companies. Therefore, the Investment Adviser is not conflicted when it seeks to negotiate the best prices with third party service providers on behalf of the project company and its clients. As a consequence, the Investment Adviser is fully aligned with the Company in seeking best possible prices under these contracts for the services rendered. This negotiation will be undertaken by the Asset Managers who will then, as an independent party, monitor the operational performance delivered by the appointed facilities manager to ensure compliance with the contractual standards demanded in the project agreements.

Portfolio Management duties are performed by another designated part of the Investment Adviser's team. The individuals will provide a wide range of tasks for the Group, including treasury and cash management, valuation work and related portfolio value enhancement initiatives. A more detailed description is provided in Section 2.2 – Strategy and Investment Policy, under the heading 'Value Enhancement'.

The InfraRed Group

The InfraRed Group is a privately owned, dedicated infrastructure and real estate investment business, managing a range of infrastructure and real estate funds and investments. The InfraRed Group has a strong record of delivering attractive returns for its investors, which include pension funds, insurance companies, funds of funds, asset managers and high net worth investors domiciled in the UK, Europe, North America, Middle East and Asia.

The InfraRed Group currently manages five infrastructure funds and five real estate funds with total equity under management of more than US$8 billion and has over 120 employees and partners, based mainly in London and with smaller offices in Hong Kong, New York, Paris, Seoul and Sydney.

Since 1998, the InfraRed Group has raised or launched successfully 13 private institutional investment funds investing in infrastructure and real estate, in addition to the Company and The Renewables Infrastructure Group Limited (which are publicly listed investment companies). The InfraRed Group is 80.1 per cent. owned by 26 partners through InfraRed Capital Partners (Management) LLP, and 19.9 per cent. owned by a subsidiary of HSBC. This ownership structure was the result of a management buyout (from HSBC) of the specialist infrastructure and real estate business which was previously known as HSBC Specialist Investments Limited (HSIL), which was completed in April 2011.

The infrastructure investment team within the InfraRed Group currently consists of 50 investment professionals. The team currently has 12 years on average experience in the infrastructure sector, and 6 years on average with the InfraRed Group (including predecessor organisations), and has a broad range of relevant skills, including private equity, structured finance, construction and facilities management.

Other Key Service Providers

Apart from the Investment Adviser, the Company and the Group have the following key service providers:

Provider	Role
Dexion Capital (Guernsey) Ltd	Administrator and Company Secretary to the Company
RSM FHG & Associés	Administrators of the two Luxembourg Sarls
Canaccord Genuity Ltd	Brokers to the Company
Tulchan Communications LLP	Financial PR advisers to the Company
Carey Olsen	Legal advisers to the Company as to Guernsey law
Hogan Lovells International LLP	Legal advisers to the Company as to English law
Capita Registrars Guernsey	Registrars to the Company
KPMG Channel Islands Limited	Independent Auditors
Lloyds, NAB, RBS and SMBC	Lenders to the Group via the £150m revolving credit facility
IAG Private Equity Ltd	Safekeeping of Group's investment share and loan note certificates
Valuation expert	Independent advice and valuation opinion provided to the Board

The Board reviews the performance of all key service providers on an annual basis against agreed objectives.

2.4 OPERATIONAL AND FINANCIAL REVIEW

As set out during the March 2013 share capital raising, the target long-term total return (IRR) was forecast to be approximately 7% per annum for shareholders, based on a share price of 119.5p. For the period since 31 March 2014 until 31 March 2015, and from IPO until 31 March 2015, the total shareholder return has been 22.5% and 11.1% p.a., respectively, as measured by share price appreciation and dividends, or 15.4% and 9.7% p.a., respectively, as measured by Net Asset Value (NAV) appreciation and dividends.

The Company has paid (or, in respect of the most recent quarterly interim dividend, is imminently due to pay) a progressive dividend which has risen from 6.1p per share in the year to 31 March 2007 to 7.30p per share in the year ended 31 March 2015. Adjusting for the move to quarterly dividends, it was cash covered 1.34 times on a pro-forma basis in the year to 31 March 2015 (2014: 1.5 times) – see 'Accounting' below for further details. This equates to a dividend yield of 4.7% based on the share price of 156.5p at 31 March 2015 (2014: 5.2%).

Set out below is a table of the Company's key performance indicators ("KPIs") used by the Board to measure the performance of the Company against targets set.

The Board is pleased that, overall, all the KPIs have exceeded the targets set and are better that the prior year, a testament to the strong set of results and good portfolio performance.

Key Financial Objectives and Performance Indicators

KPI	31 March 2015	31 March 2014	Target
Dividends declared in year	7.30p per share	7.10p per share	7.10p per share 2014 7.25p per share 2015
Total return in year (NAV per share growth plus dividends per share)	15.4%	11.9%	7% p.a. as set out at March 2013 share capital raising [1]
Total return in year (share price plus dividends per share)	22.5%	10.3%	7% p.a. as set out at March 2013 share capital raising [1]
Total return since IPO (NAV plus dividends per share)	9.7% p.a.	9.1% p.a.	7% p.a. as set out at March 2013 share capital raising [1]
Total return since IPO (share price plus dividends per share)	11.1% p.a.	9.7% p.a.	7% p.a. as set out at March 2013 share capital raising [1]
Cash cover in the year	1.34 times [2]	1.51 times	To be cash covered
Ongoing Charges Percentage in the year	1.14%	1.15%	To reduce ongoing charges where possible
Weighted average discount rate	7.9%	8.2%	Market rate
Rebased growth	9.6%	9.5%	To outperform the discount rate
Weighted average portfolio life	21.4 years	22.0 years	To maintain, where possible, by suitable acquisitions
Weighted average life of portfolio project debt	19.7 years	20.3 years	To limit the refinancing risk
Ten largest investments as percentage of the portfolio by value	40%	40%	To limit concentration risk
Largest investment (as percentage of portfolio valuation)	6%	7%	To be less than 20%
Inflation correlation of the portfolio (See Section 2.5 Valuation of the Portfolio for details)	0.6% change in gross return for a 1.0% p.a. change in inflation	0.6% change in gross return for a 1.0% p.a. change in inflation	To maintain current correlation

1. Based on the then-current share price of 119.5p per share.

2. On a pro-forma basis – see Cash Flow analysis for explanation

Acquisitions

As noted in the Chairman's Statement, the Group made nine new investments and 10 incremental acquisitions in the period, including its first acquisition in Australia, for an aggregate consideration of £221.4m including a £22.5m commitment for future loan note subscriptions. A summary is set out in the table below and further detail can be found in Note 13 to the accounts.

Date	Amount	Type	Stage	Project	Sector	Stake Acquired
May 14	£5.1m [1]	New	Construction	N17/N18 Gort to Tuam Road, Ireland	Transport	10%
		Follow-on	Operational	Miles Platting Social Housing	Accommodation	16.7%
May 14	£53.5m [1]	New	Operational	Bradford BSF Schools (Phase I)	Education	29.2%
May 14		New	Operational	AquaSure Desalination Plant, Australia	Accommodation	5.85%
Sep 14	£5.1m [1]	Follow-on	Operational	Sheffield BSF Schools	Education	19%
		Follow-on	Operational	Oldham Library	Accommodation	40%
Oct 14	£61.5m	Follow-on	Operational	Pinderfields and Pontefract Hospitals	Health	50%
Oct 14	£25.2m	Follow-on	Operational	AquaSure Desalination Plant, Australia	Accommodation	3.4%
Nov 14	£16.9m [1]	Follow-on	Operational	Birmingham and Solihull LIFT	Health	30%
		Follow-on	Operational	Staffordshire LIFT	Health	30%
Jan 15	£8.1m [1]	Follow-on	Operational	Willesden Hospital	Health	50%
		Follow-on	Operational	Barking and Dagenham Schools	Education	15%
Feb 15	£2.5m	New	Construction	Ecole Centrale Supelec, France	Education	85%
Mar 15	£7.2m	New	Construction	Priority Schools Building Programme North East Batch	Education	45%
Mar 15	£26.4m [1]	New	Operational	Salford & Wigan BSF Schools(Phase 1)	Education	40%
		New	Operational	Salford & Wigan BSF Schools (Phase 2)	Education	40%
		New	Operational	Newham BSF Schools	Education	68%
Mar 15	£9.9m	New	Construction	Zaanstad Penitentiary, Holland	Fire, Law & Order	75%
		Follow-on	Operational	Newham BSF Schools	Education	12%
	£221.4m					

1. Aggregate value of consideration paid for multiple acquisitions announced on the same day.

Since the year end, two incremental acquisitions have been made in respect of a further 40% interest in each of Salford & Wigan BSF Schools (Phase 1) and Salford & Wigan BSF Schools (Phase 2) from a subsidiary of Hochtief AG, taking the Group's ownership in each project to 80%. In addition, the Group, through its bidding consortium, has recently been awarded preferred bidder status in respect of 14 primary care facilities to be built across Ireland under a single 25-year PPP contract; financial close is anticipated to take place at the end of the calendar year.

The Investment Adviser is currently appraising a project that is being sold by an investment fund managed by the Investment Adviser and therefore, in accordance with prior practice and good governance, a Buyside Committee and a Sellside Committee have been established to ensure the transaction is negotiated on an arms'-length basis and shareholder approval would be sought to complete the investment. Further details will be provided if and when the transaction progresses.

Disposals

In February 2015, the Company completed the sale of its 56% interest in Colchester Garrison, generating a profit on disposal of £50.6m over the Directors' valuation of £57.7m as at 31 March 2014. The sale constituted the contracted disposal to which reference was made, on a no-names basis, in the Company's interim results in November 2014. It was made to subsidiaries of Allianz Group, the PPP Equity PIP limited partnership, and Dalmore Capital Fund II limited partnership (both partnerships managed by Dalmore Capital Limited).

The cash generated by the sale was used to repay the Group's revolving debt facility and to fund subsequent acquisition activities.

Following the year end, the Company sold its interest in the Fife Schools project for a profit, after costs, of £2.4m, over the Directors' valuation of £4.9m as at 31 March 2014.

In both cases, the decision to sell was taken following recent disposals by co-shareholders of their holdings in these projects. Each disposal was undertaken by way of a competitive tender process, which provided a benchmark value for the Company's interest which the Board considered to be significantly ahead of the value that could be achieved by retaining the project in the portfolio. The Board will always consider and evaluate potential disposals which are in the best interests of shareholders, i.e. either from a value perspective and/or where a sale offers benefits for the composition of the portfolio overall.

Portfolio Performance

During the year the number of investments in the portfolio increased from 93 to 101, with the 10 largest holdings representing 40% of the Directors' valuation as at 31 March 2015 (2014: 40%). Subsequent to the year end, there have been two further incremental acquisitions and one disposal (as highlighted above), resulting in 100 investments in the portfolio as at 20 May 2015.

Of the 101 investments as at 31 March 2015, seven are in construction (representing 5% of the portfolio, based on the Directors' valuation). This compares with four projects at the start of financial year. During the year construction completion occurred on the Royal School of Military Engineering.

The portfolio once again performed above expectations and delivered strong cash flows supporting an increased dividend which was well covered by portfolio returns. This strong performance is the result of value accretive acquisitions made in the last few years and management across the portfolio, together with the disposal of a large investment in the year for a meaningful profit (see 'Disposals' below).

Each of the projects has a public sector client, such as a NHS healthcare trust or a local government education department, and users such as doctors, nurses and patients, or teaching staff and pupils. The Investment Adviser seeks to engage with both the clients and key stakeholders as experience shows this engagement is important in helping to achieve the best outcomes for all parties. Specific examples from the year, and the general approach followed by the Investment Adviser, are set out in Section 2.9 – Corporate Social Responsibility.

As with any operational business, projects have challenges from time to time. As with previous periods, during the year a number of projects incurred deductions due to operational issues which reflected the fact that not all the KPIs in the relevant project agreement had been met at all times. Generally, any deductions were reclaimed from the relevant service provider, although occasionally there has been a cost to the project and hence the Group's investment. On a portfolio basis, none of the operational issues are considered material to the performance of the portfolio overall and the benefits from cost savings and other incremental revenue-generating initiatives, such as contract variations, significantly outweigh any deductions. See below for further details.

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. InfraRed's risk and control function monitors financial creditworthiness, while the Asset Management team monitors project performance for service issues which may indicate financial difficulties. The review processes have not identified any new counterparty concerns for any of the portfolio's construction or facilities management contractors. As a means of satisfying the Company's objective of protecting shareholder value (see Section 2.1 – Overview, Approach, Objectives, History and Structure), the Directors ensure that the portfolio is diversified to mitigate concentration risk. An analysis of the diversification by exposure to counterparties can be seen in Section 2.6 – Investment Portfolio.

Asset Management and Contract Variations

InfraRed assigns an Asset Manager to each project to represent the Group's interests at the project company board meetings, by monitoring performance of the project and ensuring the implementation of appropriate remedial action if and when operational issues arise.

The Asset Managers ensure that new investments are integrated into the governance and reporting processes employed across the portfolio, as well as focusing on implementing asset-level business plans. The aim is to ensure that project performance, as required by the project agreements, and where possible, savings, can be delivered.

Project or contract variations are a way of enhancing value across the portfolio both for the Company and other stakeholders. Clients typically make variation requests to amend the scope of services delivered, be it a capital project or an additional or amended service for which the project earns incremental revenue. These vary considerably in size. During the year, InfraRed processed a number of variations including:

- At Blackburn Hospital, a number of variations have been completed including the conversion of a 28-bed ward to create a new 14-bed facility for the elderly with acute medical and other complex needs, creating an enhanced environment for patients living with dementia or acute cognitive impairment. The design of the new ward was developed by a multidisciplinary team, including the project company and the Trust, but also involved patients and carers. The result has provided the Trust with a 'best practice exemplar' and the project has been nominated for the Loughborough University Social and Cultural Impact Enterprise Awards 2015.

- A relocation of the Metropolitan Police Service's 'Method of Entry' team (a police unit focusing on tactical forced-entry situations) and their facilities from a site owned and run by the client in North London to Gravesend Police Training Centre. The variation entailed works at the Gravesend's centre to accommodate the additional team and enable it to function and carry out its training activities as normal.

- At Pinderfields and Pontefract Hospitals, a variation to convert administration areas to clinical use has been agreed and signed. Works commenced in April 2015 and it is expected that the majority of the six phases will be completed by December, with all elements finalised by July 2016.
- The Ministers and staff at the Department for Communities and Local Government, including the Local Government Secretary, were moved into the Home Office as part of a complex space and energy efficiency project variation, involving 6,000 'people moves' within 13 Directorates, which is estimated to save the client £24 million annually.

By their nature, as real assets with a substantive build and fabric, infrastructure projects demand high standards of construction and then ongoing management once operational. It is expected that, from time to time, issues will arise – either latent construction defects or relationship issues amongst stakeholders regarding the provision of services or the apportionment of liability for force majeure events. In such instances, a proactive and targeted plan is required to preserve good relations with the client and prevent or mitigate a loss of value to equity. The Investment Adviser, specifically the Asset Management team, plays a key role negotiating solutions to contractual issues and, where there has been a poor performance, implementing corrective measures. A summary of the issues faced during the year follows.

As reported last year, one road project continues to suffer from a number of ongoing issues, including possible construction defects with the surface, drainage issues, insufficient forecast lifecycle budget and lower than expected revenues. The Asset Management team have been working through the issues and, in relation to the road surface, a construction defect is alleged and so a claim has been lodged with the contractor. Expert witnesses have been retained and the process may proceed to court unless a negotiated settlement is achieved first. Consistent with the approach adopted last year, the valuation of the investment continues to be held at zero.

Progress has been made at two grouped schools projects in the North of England that had suffered various construction defects, including damp and leaking roof issues within the buildings and drainage and defective landscaping on the grounds. Whilst the remedial works are taking longer than planned, the results achieved so far are positive.

A dispute has arisen this year with a client of a health project over allegations of building defects. The client has claimed that the hospital construction, which was completed in 2008, is suffering from water ingress and a defective heating system. Warning notices have been issued to the project company as a result of the alleged defects. While the liability for any such defects is likely to rest with the contractors, the Investment Adviser's Asset Management team is heavily involved in proceedings to manage relationships and mitigate any residual risk to the project company. At present, a settlement agreement is being agreed with the client to establish how the faults will be remedied and the size of any deductions for historic failings. The Group has chosen to be prudent with the valuation of this investment until these issues are resolved.

A second hospital has had ongoing commissioning issues with its biomass boilers that were installed during construction, together with various other building defects. In recent months, there has been very good progress made, both reducing the backlog of outstanding defects and also completing the successful testing and commissioning of the boilers.

More generally, in the UK PFI health sector, certain public sector clients are applying a stringent interpretation of contract terms relating to building regulations, leading to unitary payment deductions on projects. These are then disputed, and time and cost is required to resolve the matters, and this process inevitably impacts the value of an investment. Whilst there is no such situation in the Group's portfolio currently, the Board is learning from the experiences of others and ensuring any lessons are learnt. The Investment Adviser does not currently believe this to be a widespread risk, a view supported by a recent note from Moody's Investor Services. The Group's investment assumption remains that all contracts are enforced in a fair and balanced manner, and on that basis, the Board remains confident that the Group can achieve its investment objectives.

At Blackburn Hospital, a small fire broke out on 24 March 2015, which resulted in the evacuation of three of the wards affecting 92 inpatient beds. Two of the wards were re-occupied within a matter of hours, but the third, which suffered more extensive damage, remained completely unoccupied for a day whilst the electrical and other systems were checked, the ward was cleaned and the fire investigation team completed their investigations. Following the safety checks 24 beds were brought back into use with a further 8 being brought back into service over the following 2 days. The 2 most significantly affected rooms were both single bedrooms and have required more extensive work to repair damage. The last of these will be brought back into service during May. All of the fire systems and procedures worked as intended, and it is believed the cause of the fire was arson by a patient.

Accounting

The Company applies IFRS 10, 11 and 12 as well as Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27. These accounting standards require the Company to prepare IFRS financial statements which do not consolidate project subsidiaries.

The Company and its advisers have concluded that these revised standards improve stakeholders' understanding of the financial performance and position of the Group. In particular they 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.

Following the meeting of the International Accounting Standards Board ("IASB") in October 2014, Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014 stating that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value.

This revision to the Investment Entity standard does not become effective to the Company until the financial year ending in March 2017. The potential impact on the Company's financial statements is unclear at this point, though it is not expected to impact either earnings or net assets. A further assessment is however required on which subsidiaries can be consolidated, if any, and whether financial information will require different presentation, including the use of pro-forma statements.

Income and Costs

Summary Income Statement

	Year to 31 March 2015 *£million*	Year to 31 March 2014 *£million*
Total Income [1]	253.6	175.7
Fund expenses & finance costs	(22.6)	(21.9)
Profit before tax	**231.0**	**153.8**
Tax	(0.2)	(0.2)
Earnings	230.8	153.6
Earnings per share	18.6p	13.1p

1. *Includes forex hedging movement of £10.5m gain (2014: £6.3m gain)*

Total Income has increased 44% to £253.6m (2014: £175.7m) which represents the return from the portfolio recognised in the income statement from dividends, sub-debt interest and valuation movements. The drivers for the increase are profit from the sale of Colchester Garrison, a 0.3% reduction in the weighted average discount rate applied in the Directors' valuation and revaluation of certain investments, combined with continued out-performance from the portfolio. Further detail on the valuation movements is given in Section 2.5 – Valuation of the Portfolio.

Foreign exchange movements have modestly impacted profits with £17.7m foreign exchange losses (2014: £6.7m loss) on revaluing the non-UK assets in the portfolio using year-end exchange rates partly offset by £10.5m foreign exchange hedging gains (2014: £6.3m gain).

Earnings were £230.8m, an increase of £77.2m against the prior year. This growth reflected the increasing income stated above, while fund expenses and finance costs were broadly similar to the prior year. Earnings per share were 18.6p (2014: 13.1p).

Cost Analysis

	Year to 31 March 2015 *£million*	Year to 31 March 2014 *£million*
Interest expense	2.2	2.3
Investment Adviser fees	18.1	17.2
Auditors – KPMG – for the Group	0.3	0.3
Directors fees & expenses	0.3	0.2
Project bid costs	0.5	0.7
Professional fees	1.1	1.0
Other expenses	0.1	0.2
Expenses & finance costs	**22.6**	**21.9**

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) were £18.1m (2014: £17.2m) for the year, comprising the tapered management fee (1.1% for assets up to £750m, 1.0% for assets above £750m, 0.9% for assets above £1.5bn and 0.8% for assets above £2.25bn), a 1.0% fee on acquisitions made from third parties, and the £0.1m per annum advisory fee.

In the year, the Group incurred £0.5m of third party bid costs (2014: £0.7m) on unsuccessful bids (mainly legal, technical and tax due diligence). The Investment Adviser earned £1.1m in acquisition fees (2014: £2.2m), for its work on financial, commercial and structuring due diligence on successful acquisitions.

Neither the Investment Adviser nor any of its affiliates receives other fees from the Group or the Group's portfolio of investments.

Ongoing Charges

	Year to 31 March 2015 *£million*	Year to 31 March 2014 *£million*
Investment Adviser [1]	17.0	15.0
Auditors – KPMG, for the Group	0.3	0.2
Directors' fees and expenses	0.3	0.2
Other ongoing expenses	1.1	1.2
Total expenses	18.7	16.6
Average NAV	1,637.9	1,441.8
Ongoing Charges	1.14%	1.15%

1. Excludes acquisition fees of £*1.1*m (*2014*: £*2.2*m)

Ongoing Charges, in accordance with AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. On this basis, the Ongoing Charges Percentage is 1.14% (2014: 1.15%). There are no performance fees paid to any service provider.

Balance Sheet

Summary Balance Sheet

	Year to 31 March 2015 *£million*	Year to 31 March 2014 *£million*
Investments at fair value	**1,709.7**	**1,495.5**
Working capital	(10.3)	(8.7)
Net cash	33.5	42.7
Net assets attributable to Ordinary Shares	**1,732.9**	**1,529.5**
NAV per Ordinary Share (before distribution)	136.7p	126.7p
NAV per Ordinary Share (post distribution)	134.8p	123.1p

Investments at fair value were £1,709.7m (2014: £1,495.5m) net of £22.5m of future investment obligations on various projects in construction (2014: £5.1m). This is an increase from 31 March 2014 of £214.2m or 14%. Further detail on the movement in Investments at fair value is given in Section 2.5 – Valuation of the Portfolio.

The Group had cash at 31 March 2015 of £33.5m (2014: net cash of £42.7m) which, net of working capital, provides for the 1.87p fourth quarterly interim dividend due for payment in June 2015. An analysis of the movements in net cash is shown in the cash flow analysis below.

NAV per share was 136.7p before the final quarterly interim distribution of 1.87p (31 March 2014: 126.7p before the second semi-annual interim distribution of 3.6p). NAV per share has increased by 0.4p more than retained earnings per share over the year as a result of the 54.0m shares issued via tap issues in June 2014 and December 2014 at a premium to par.

Analysis of the Growth in NAV per Share

Pence per share			
NAV per share at 31 March 2014[1]			**123.1**p
Valuation movements			
Reduction in discount rates of 0.3%	4.5		
Revaluation of certain investments	1.7		
Reduction in UK tax rates by 1%	0.7		
Lower interest rates	(1.6)		
Forex movement	(0.6)		
		4.7p	
Portfolio Performance			
Expected NAV growth[2]	0.7		
Sale of Colchester Garrison	4.1		
Project outperformance	1.8		
		6.6p	
Accretive Tap Issuance of Ordinary Shares		0.4p	
NAV per share at 31 March 2015[1]			**134.8p**

1. *Post interim dividend declared; 1.87p for 31 March 2015 (in respect of the fourth quarterly interim dividend) and 3.6p for 31 March 2014 (in respect of the second semi-annual interim dividend)*
2. *Expected NAV growth is the Company's budget for the forecast growth in NAV in the financial year to 31 March 2015 adopted in February 2014*

Cashflow Analysis

Summary Cash Flow

		Year to 31 March 2015 *£million*		**Year to 31 March 2014** *£million*
Net cash at start of year		42.7		146.0
Cash from investments[1]	182.2		112.4	
Operating and finance costs outflow	(19.6)		(17.5)	
Net cash inflow before capital movements		**162.6**		**94.9**
Disposal of investments[2]		50.3		8.1
Cost of new investments		(204.1)		(251.2)
Share capital raised net of costs		75.1		107.7
Forex movement on borrowings/hedging[3]		9.4		4.3
Distributions paid:				
Relating to operational investments	(97.4)		(63.0)	
Relating to investments in construction	(5.1)		(4.1)	
Distributions paid		(102.5)		(67.1)
Net cash at end of year		**33.5**		**42.7**

1. *The year to 31 March 2015 includes £58.0m profit on disposal (2014: £1.1m) based on historic cost.*
2. *Historic cost of £50.3m and profit on disposal of £58.0m equals the proceeds from disposal of investments of £108.3m.*
3. *Includes amortisation of debt issue costs of nil (2014: £1.1m).*

Cash inflows from the portfolio increased to £182.2m (2014: £112.4m) or £124.2m excluding the profit on the sale of Colchester Garrison. The growth in cash generation excluding profits on disposal was driven by contributions from acquisitions combined with active cash management across the portfolio.

Cost of investments of £204.1m (2014: £251.2m) represents the cash cost of the nine new investments, the 10 incremental acquisitions, net of deferred consideration and acquisition costs of £1.7m (2014: £4.5m).

The £9.4m cash inflow (2014: £4.3m cash inflow) in foreign exchange rate hedging arises from the weakening of the Euro against Sterling in the year. The Group enters forward sales to hedge forex exposure in line with the Company's hedging policy as set out below.

The placing of 54.0m shares via tap issues in June 2014 and December 2014 at a premium to the prevailing NAV per share provided net cash receipts in the year of £75.1m (2014: £107.7m). The net proceeds from the share issues were used to pay down drawings on the Group's revolving credit facility.

Dividends paid increased £35.4m to £102.5m (2014: £67.1m) for the year, arising from both a higher dividend target compared with the prior year but, more significantly, from a shift to paying distributions to shareholders on a quarterly basis, which resulted in the payment of 15 months of dividends in the 12 month period (being the payment of 3.6p in June 2014, 1.81p in September 2014, 1.81p in December 2014 and 1.81p per share in March 2015). On a pro-forma basis, adjusting for 15 months of dividends, dividends paid were £82.0m, an increase of £14.9m. The cumulative interim dividends per share declared for the year to 31 March 2015 represent a total of 7.30p, compared with a target of 7.25p (2014: 7.1p).

The scrip dividend alternatives for the second interim dividend in respect of the year ended 31 March 2014, and for the first three quarterly interim dividends for the current financial year, resulted in an aggregate of 6.3m (2014: 7.4m) new shares being issued in June 2014, September 2014, December 2014 and March 2015.

Dividend cash cover, which compares operational cash flow excluding profits on disposal of £104.6m (2014: £93.8m) to dividends attributable to operational assets, was 1.34 times (2014: 1.51 times) on a pro-forma basis (as explained above). On an unadjusted basis, the dividend cash cover was 1.59 times. The proportion of the total dividend attributable to operational assets (95.0%) and construction assets (5.0%) is based on their respective share of the portfolio valuation during the year.

It remains the Board's intention to continue both the payment of dividends on a quarterly basis and to offer a scrip alternative. Further details of the scrip alternative will be provided in July when the first quarterly interim dividend is declared.

Group Debt Facility

The Group's multi-currency revolving credit facility ("RCF") is jointly provided by Royal Bank of Scotland, National Australia Bank, Lloyds Bank and Sumitomo Mitsui Banking Corporation. It is a £150m facility with a term that runs until May 2016 and a margin of 2.20%. It is available to be drawn in cash and letters of credit for future investment obligations.

As at 31 March 2015, the Group's drawings under the facility were nil by way of cash and £22.5m by way of letters of credit and guarantees.

The Association of Investment Companies ("AIC") has published guidance in relation to gearing disclosures which is defined for a company with net cash as the net exposure to cash and cash equivalents, expressed as a percentage of shareholders' funds after any offset against its gearing. It is calculated by dividing total assets (less cash/cash equivalents) by shareholders funds. On this basis, the Group had a net cash position of 1.2% at 31 March 2015 (2014: 2.1% net cash). This analysis excludes any debt in the Group's investments, which are typically leveraged.

In view of the current term of the RCF, the Company is able to confirm that sufficient working capital is available for the financial year ending 31 March 2016, without needing to refinance. The Investment Adviser will, however, consider refinancing options during the latter part of 2015 to ensure a timely arrangement of a new facility.

Foreign Exchange Hedging

Foreign exchange risk from non-Sterling assets has been managed by hedging investment income from overseas assets through the forward sale of the respective foreign currency (for up to 24 months) combined with balance sheet hedging through the forward sale of Euros and Canadian Dollars and by debt drawings under the Group's credit facility. This has minimised the volatility in the Group's NAV from foreign exchange movements. The hedging policy is designed to provide confidence in the near term yield and to limit NAV per share sensitivity to no more than 1% for a 10% forex movement.

2.5 Valuation of the Portfolio

Valuation Methodology and Approach Overview

InfraRed , as the Investment Adviser, is responsible for carrying out the fair market valuation of the Group's investments, which is presented to the Directors for their consideration and, if appropriate, approval. The valuation is carried out on a six-monthly basis as at 31 March and 30 September each year, with the result, the assumptions used and key sensitivities (see Valuation Assumptions and Sensitivities below) published in the interim and annual results.

As the Group's investments are in non-market traded investments, with underlying projects providing long-term contractual income and costs (see Section 2.3 – Business Model, Organisational Structure and Processes for details), investments are valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The discounted cash flow methodology is adjusted in accordance with the European Venture Capital Associations' valuation guidelines where appropriate to comply with IAS 39 and IFRS 13, given the special nature of infrastructure investments.

The key external factors affecting the forecast of each project's cash flows are the inflation rate, the deposit interest rate, and the local corporation tax rate. The Investment Adviser makes forecast assumptions for each of these external metrics, based on market data and economic forecasts. The Investment Adviser exercises its judgment in assessing the expected future cash flows from each investment based on the detailed concession life financial models produced by each project company and adjusting where necessary to reflect the Group's economic assumptions as well as any specific operating assumptions. The fair value for each investment is then derived from the application of an appropriate market discount rate (which varies on a project-by-project basis, depending on the specific risk profile of each project) to the investment's future cash flows to derive the present value of those cash flows.

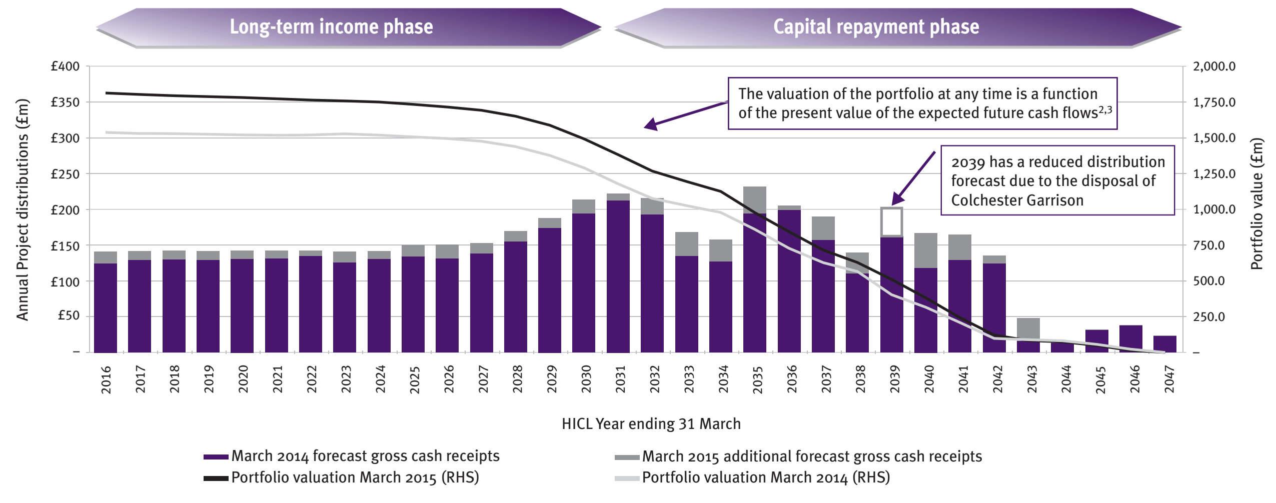
The Directors' valuation is the key component in determining the Company's NAV and so the Directors seek, from a third party valuation expert, an independent report and opinion on the valuation provided by the Investment Adviser.

This valuation methodology is the same as used at the time of the Company's launch and in each subsequent six month reporting period (further details can be found in the Company's New Ordinary Shares Prospectus of February 2013, available from the Company's website).

Investment Portfolio: Cash Flow Profile

The chart below shows the expected future cash flows to be received by the Group from the portfolio as at 31 March 2015 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions.

Illustration of expected future cash flows to be received by the Group from the current portfolio



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 0.72, a Canadian Dollar to Sterling Exchange rate of 0.53, an Australian Dollar to Sterling Exchange rate of 0.51 and a weighted average discount rate of 7.9% per annum. These assumptions and the valuation of the current portfolio may vary over time.*
3. *The cash flows and the valuation are from the portfolio of 101 investments as at 31 March 2015 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.*

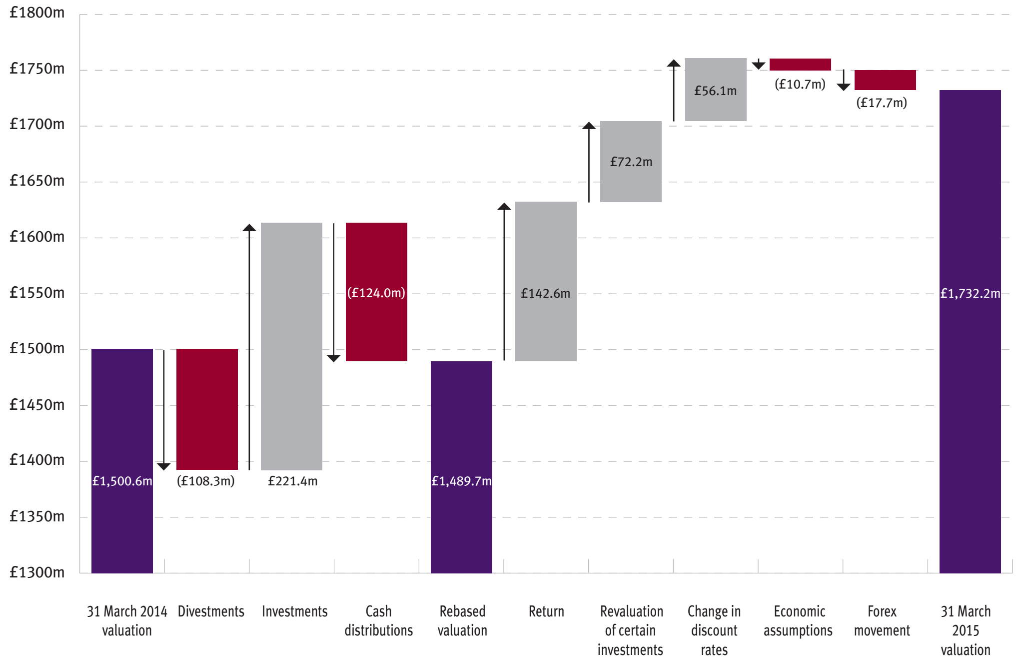
The chart shows the steady long-term nature of the cash flows from the portfolio, coupled with a stable portfolio valuation to 2029. The benefit of the new investments made in the year, increasing forecast cash flows and the valuation over time is also shown. From 2030, based on current forecasts, the 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 2047 when the last concession ends.

It is these forecast cash flows from the Group's current portfolio of investments that gives the Board the comfort that there should be sufficient cash cover for the revised target dividend of 7.45 pence per share for the year to 31 March 2016.

Director's Valuation at 31 March 2015

The Directors' Valuation of the portfolio as at 31 March 2015 was £1,732.2m. This valuation compares to £1,500.6m as at 31 March 2014 (up 15.4%). A reconciliation between the valuation at 31 March 2015 and that shown in the financial statements is given in Note 12 to the financial statements, the principal difference being the £22.5m outstanding equity commitments on the Centrale Supelec, N17/N18 Gort to Tuam Road, PSBP North East, RD 901 Road, University of Bourgogne, Willesden Hospital and Zaanstad Prison projects.

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



Valuation Movements during the year to 31 March 2015			£'m	Percentage change
Valuation at 31 March 2014			**1,500.6**	
Divestments	(108.3)			
Investments	221.4			
Cash receipts from investments	(124.0)			
		(10.9)		
Rebased valuation of the portfolio			**1,489.7**	
Return from the portfolio	142.6			9.6%
Revaluation of certain investments	72.2			4.8%
Change in discount rate	56.1			3.8%
Economic assumptions	(10.7)			(0.7%)
Forex movement on non-UK investments	(17.7)			(1.2%)
		242.5		16.3%
Valuation at 31 March 2015			**1,732.2**	

Allowing for the acquisitions during the year of £221.4m, the divestment of £108.3m (Colchester Garrison) and investment receipts of £124.0m, the rebased valuation was £1,489.7m. The growth in the valuation of the portfolio at 31 March 2015 over the rebased value was 16.3%.

The increase arises from a £142.6m return from the portfolio, £72.2m net valuation uplift from certain assets and £56.1m from a 0.3% decrease in the weighted average discount rate used to value the portfolio. The £72.2m comprises £50.6m from the sale of Colchester Garrison and £21.6m from the revaluation of certain investments where new data was available to reforecast the projects' cashflows. The revaluation included an impairment of a hospital project where it is expected that working capital may be required from shareholders to support the project in resolving some long-standing construction defects.

Return from the Portfolio

The return from the portfolio of £142.6m (2014: £126.5m) represents a 9.6% (2014: 9.5%) increase in the rebased value of the portfolio. As expected, the majority of this 'return' (8.0%, being the average) was generated by the unwinding of the weighted average discount rate used to value the portfolio in the year.

The remaining 1.6% (2014: 1.2%) of incremental value arose as a result of the net positive contributions from a number of factors including:

- Contributions from new investments;
- Acquisitions made at, or above, the portfolio discount rate;
- Net operational out-performance including savings from portfolio insurances; and
- UK actual inflation in the year being lower than the 2.75% p.a. valuation assumption.

Discount rates

The main method for determining the appropriate discount rate used for valuing each investment is based on the Investment Adviser's knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable of these markets and publicly available information on relevant transactions.

When there are limited transactions or information available, and as a second method and sense check, a "bottom up" approach is taken based on the appropriate long-term Government Bond yield and an appropriate 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.

In the current portfolio, the majority of projects are operational and so the number of investments with construction risk is small (7 as at 31 March 2015). An investment in a project under construction can offer a higher overall return (i.e. require a higher discount rate) compared to buying an investment in an operational project, but it does not usually yield during the construction period and there is the risk that delays in construction affect the investment value.

The discount rates used for valuing the Group's investments in the portfolio are as follows:

Discount rate	31 March 2015	30 September 2014	31 March 2014
Range	7.4% to 10.5%	7.6% to 11.0%	7.8% to 11.0%
Phase			
Operational phase	7.8%	8.0%	8.2%
Construction phase	9.1%	8.9%	8.9%
Portfolio – weighted average	**7.9%**	**8.0%**	**8.2%**

The average discount rate reflecting market pricing for an operational asset in the UK has been assessed as 7.8% – down 0.4% from the prior year – reflecting market conditions discussed in Section 2.7 – Market Trends and Outlook below.

The discount rates for investments under construction are higher than the prior year as there are more early-stage construction projects, including the new investments in France, Holland and Ireland.

An analysis of the weighted average discount rates for the investments in the portfolio analysed by territory, and showing movement in the period, is shown below:

Country	31 March 2015			31 March 2014 Discount rate	Movement
	Long-term Government Bond yield	Risk premium	Discount rate		
UK	2.2%	5.6%	7.8%	8.2%	(0.4%)
Australia	2.5%	5.7%	8.2%	n/a	n/a
Canada	2.0%	5.4%	7.4%	7.9%	(0.5%)
France	1.0%	9.1%	10.1%	10.6%	(0.5%)
Holland	0.6%	7.2%	7.8%	8.3%	(0.5%)
Ireland	1.0%	7.7%	8.7%	9.0%	(0.3%)
Portfolio	**2.1%**	**5.8%**	**7.9%**	**8.2%**	**(0.3%)**

In the UK, there is sufficient market data on discount rates and hence the risk premium is derived from this market discount rate for operational social and transportation infrastructure investments less the appropriate long-term Government Bond yield. For Australia, Canada and the Eurozone, where there is less market data, more emphasis is placed on the "bottom up" approach to determine discount rates. The Board discusses the proposed valuation with the third-party valuation expert to ensure that the valuation of the Group's portfolio is appropriate.

As long-term Government Bond yields in the UK, Australia, Canada and the Eurozone are currently low, this is reflected in higher country risk premium, which includes an allowance for increases from these historically low yields.

The 0.3% average reduction is attributable to a more competitive environment for social infrastructure assets. While there is a steady supply of new investment opportunities, new market entrants, attracted by the favourable risk-adjusted returns, have driven prices upwards, and hence caused discount rates to fall further during the year. This is a trend the Investment Adviser is still experiencing currently based on recent market transactions.

Valuation Assumptions

Apart from the discount rates, the other key economic assumptions used in determining the Directors valuation of the portfolio are as follows:

		31 March 2015	31 March 2014
Inflation	UK (RPI and RPIx) [1]	2.75% p.a.	2.75% p.a.
	Eurozone (CPI)	0% p.a. until 2017, 2.00% p.a. thereafter	2.00% p.a.
	Canada (CPI)	2.00% p.a.	2.00% p.a.
	Australia (CPI)	2.50% p.a.	n/a
Deposit Rates	UK	1.0% p.a. to March 2019, 3.0% p.a. thereafter	1.0% p.a. to March 2018, 3.5% p.a. thereafter
	Eurozone	1.0% p.a. to March 2019, 3.0% p.a. thereafter	1.0% p.a. to March 2018, 3.5% p.a. thereafter
	Canada	1.0% p.a. to March 2019, 2.5% p.a. thereafter	1.0% p.a. to March 2018, 2.5% p.a. thereafter
	Australia	2.6% p.a. with a gradual increase to 5.0% long-term	n/a
Foreign Exchange Rates	CAD/GBP	0.53	0.54
	EUR/GBP	0.72	0.83
	AUD/GBP	0.51	n/a
Tax Rate	UK	20%	21%
	Eurozone	Various (no change)	Various
	Canada	25% and 26% (no change)	25% and 26% (territory dependant)
	Australia	30%	n/a

1. *Retail Price Index and Retail Price Index excluding mortgage interest payments*

Valuation Sensitivities

The portfolio's valuation is sensitive to each of the macro-economic assumptions listed above. An explanation for the reason for the sensitivity and an analysis of how each variable in isolation (i.e. while keeping the other assumptions constant) impacts the valuation follows below. The sensitivities are also contained in Note 4 to the accounts.

Discount Rate

Whilst not a macro-economic assumption, the weighed-average discount rate that applies for the purposes of valuing the portfolio is arguably the single most important variable.

Discount rate	-0.5% change	Base Case 7.9%	+0.5% change
Directors' valuation	+£85.8m	£1,732.2m	-£79.4m
NAV per share (implied change) [1]	+6.8p/share		-6.3p/share

1. *NAV per share based on 1,268m Ordinary Shares as at 31 March 2015*

Inflation Sensitivity

The projects in the portfolio have contractual income streams derived from 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.

In the UK, RPI and RPIx were 0.9% for the year ending 31 March 2015. 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 2015 forecasts for RPI out to December 2016 range from 1.3% to 3.7% from 20 independent forecasters as compiled by HM Treasury, with an average forecast of 3.0%.

In addition to the prior years' sensitivity analysis of +/- 0.5% p.a. to the 'base case' UK inflation assumption, the Investment Adviser has prepared an additional inflation sensitivity for this year. The new sensitivity models 0% p.a. RPI and RPIX until 2020, before it reverts to the assumed long-term assumption of 2.75% for the remainder of the project concession lives.

Inflation assumption (UK)	0% p.a. until 2020, 2.75% thereafter	-0.5% p.a. change	Base 2.75% p.a.	+0.5% p.a. change
Directors' valuation	-£112.5m	-£52.9m	£1,732.2m	+£57.6m
NAV per share (implied change)	-8.9p/share	-4.2p/share		+4.5p/share

1. *NAV per share based on 1,268m Ordinary Shares as at 31 March 2015*
2. *Analysis based on the 20 largest investments, extrapolated for the whole portfolio*

The chart below provides a graphical illustration of how the expected future cash flows to be received by the Group from the current portfolio are sensitive to a reduction in the inflation assumption to 0% p.a. until 2020, before reverting to 2.75% for the remaining concession lives of all projects (red bars), compared to the base case (red and purple bars). Even in this unlikely scenario of zero inflation for five years, the Group would still be able to achieve the current level of distributions to shareholders.

In contrast to the low-inflation sensitivity shown above, by increasing the assumption for future inflation by 1.0% p.a. (i.e. from 2.75% p.a. to 3.75% p.a. for the UK investments) for all remaining periods has the effect of increasing the forecast return from the portfolio from 7.9% (being the weighted average discount rate) to 8.5%.

Deposit Rate Sensitivity

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

As at 31 March 2015, cash deposits for the portfolio were earning interest at a rate of 0.4% 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 2016 of 0.5% p.a.

The portfolio valuation assumes UK deposit interest rates are 1.0% p.a. to March 2019 and 3.0% p.a. thereafter. This extends the period of 1.0% deposit interest rates and applies a lower long-term rate compared to that applied in the March 2014 valuation, which assumed 1.0% deposit interest rates to March 2018 and 3.5% thereafter. These changes have reduced the portfolio valuation by approximately £19.9m and are included within the £10.7m aggregate decrease in portfolio value attributable to changes in Economic Assumptions.

A change of 0.5% p.a. to the assumed deposit rates would have the following effect on the valuation:

Cash deposit rate	-0.5% p.a. change	Base 1.00% p.a., then 3.00% p.a.	+0.5% p.a. change
Directors' valuation	-£19.8m	£1,732.2m	+£19.4m
NAV per share (implied change)	-1.6p/share		+1.5p/share

1. *NAV per share based on 1,268m Ordinary Shares as at 31 March 2015.*
2. *Analysis based on the 20 largest investments, extrapolated for the whole portfolio.*

Lifecycle and Tax Rate Sensitivities

Lifecycle (also called asset renewal or major maintenance) concerns the replacement of material parts of the asset to maintain it over the concession life. It involves larger items that are not covered by routine maintenance and for a building will include items like the replacement of boilers, chillers, carpets and doors when they reach the end of their useful economic lives.

The lifecycle obligation, together with the budget and the risk, is usually either taken by the project company (and hence the investor) or is subcontracted and taken by the FM contractor. The lifecycle sensitivities consider a +/-10% change to the projected budget for lifecycle where the risk is taken by the project company.

Of the 20 largest assets, 11 have lifecycle as a project company risk (i.e. not subcontracted to the supply-chain). This is broadly typical of the portfolio as a whole.

Lifecycle – 11 investments [1]	Change in assumption	-10% change p.a.	+10% change p.a.
	Directors' valuation NAV per share (implied change)	+£76.5m +6.0p	-£80.2m -6.3p
Lifecycle – 20 investments [2]	Change in assumption	-10% change p.a.	+10% change p.a.
	Directors' valuation NAV per share (implied change)	+£41.0m +3.2p	-£44.9m -3.5p

1. *Sensitivity on the 11 investments within the 20 largest investments where the project company retains the lifecycle obligation. The pence per share change is an extrapolation based on those 11 investments as a result of a 10% change (+/-) in the existing profiled lifecycle expenditure*
2. *Sensitivity from the impact on 20 largest investments as a result of a 10% change (+/-) in the existing profiled lifecycle expenditure and extrapolated across the whole portfolio.*

The profits of each UK project company are subject to UK corporation tax. The UK corporation tax assumption for the portfolio valuation is 20%, which has reduced by 1% from 21% at March 2014, to reflect the current rate of UK corporation tax. This change has increased the portfolio valuation by approximately £9.2m and is included within the £10.7m aggregate reduction in portfolio value attributable to changes in Economic Assumptions.

The tax sensitivity looks at the effect on changing the tax rates by +/- 5% each year and is provided to show that tax can be a material variable in the valuation of investments. The analysis to prepare this sensitivity was carried out on the 20 largest investments (58% of the portfolio by value) as at 31 March 2015.

Tax Rates [1]	Change in assumption	-5% change in rate p.a.	+5% change in rate p.a.
	Directors' valuation NAV per share (implied change)	+£32.0m +4.3p	-£32.0m -4.3p

1. *Sensitivity based on 20 largest investments and extrapolated across the whole portfolio*

Birmingham Hospital, Birmingham, England

2.6 INVESTMENT PORTFOLIO

An aspect of the Company's investment criteria is to provide investors with a diversified portfolio, containing a number of similarly sized investments and no dominance of any single investment, to mitigate risk. As at 31 March 2015, the largest investment (the Pinderfields and Pontefract Hospitals project) accounted for 6% (2014: the Home Office project, 7%) of the portfolio by value. The table below shows the key features of the Group's top ten investments:

Name	Location	Sector	Status as at 31 Mar 2015	Holding as at 31 Mar 2015	Value as a % of Portfolio as at 31 Mar 2015	Value as a % of Portfolio as at 31 Mar 2014
Allenby & Connaught	England	Accommodation	Under Construction	12.5%	4%	5%
AquaSure	Australia	Accommodation	Operational	9.3%	4%	n/a
Birmingham Hospitals	England	Healthcare	Operational	30.0%	3%	3%
Connect	England	Transport	Operational	33.5%	4%	4%
Dutch High Speed Rail Link	Netherlands	Transport	Operational	43.0%	4%	5%
Highland Schools	Scotland	Education	Operational	100.0%	3%	3%
Home Office	England	Accommodation	Operational	100.0%	6%	7%
Oxford John Radcliffe	England	Healthcare	Operational	100.0%	2%	2%
Pinderfields & Pontefract Hospitals	England	Healthcare	Operational	100.0%	6%	n/a
Queen Alexandra Hospital	England	Healthcare	Operational	100.0%	4%	5%

The Directors' view diversification in many dimensions, including by asset, sector, location (geography), public sector counterparties, supply chain contractors, and project company managers. The donut charts on page 37 show the make-up of the portfolio across these diversification metrics, as well as other key project characteristics, including revenue type, stage of construction/operation, concession length remaining and ownership percentage. Where appropriate, inner and outer rings have been used to provide investors with an overview of how the key portfolio attributes have evolved since 31 March 2014.

As at 31 March 2015, the Group had 13 investments in Scotland, accounting for 13.8% of the portfolio by value.

The Group's Investment Portfolio

as at 20 May 2015

Education	Barking & Dagenham Schools	Ecole Centrale Supelec	Manchester School	Salford & Wigan BSF Phase 2
	Boldon School	Edinburgh Schools	Newham BSF Schools	Renfrewshire Schools
	Bradford Schools 1	Falkirk Schools NPD	Newport Schools	Sheffield Schools
	Bradford Schools 2	Fife Schools	North Tyneside Schools	South Ayrshire Schools
	Conwy Schools	Fife Schools 2	Norwich Schools	University of Bourgogne
	Cork School of Music	Haverstock School	Oldham Schools	West Lothian Schools
	Croydon School	Health & Safety Labs	Perth & Kinross Schools	Wooldale Centre for Learning
	Darlington Schools	Helicopter Training Facility	PSBP NE Batch	
	Defence Sixth Form College	Highland Schools PPP	Rhondda Schools	
	Derby Schools	Irish Grouped Schools	Sheffield BSF Schools	
	Ealing Schools	Kent Schools	Salford & Wigan BSF Phase 1	

Health	Barnet Hospital	Central Middlesex Hospital	Oxford Churchill Oncology	South West Hospital Enniskillen
	Birmingham Hospitals	Doncaster Mental Health Hospital	Oxford John Radcliffe Hospital	Staffordshire LIFT
	Birmingham & Solihull LIFT	Ealing Care Homes	Pinderfields & Pontefract Hospitals	Stoke Mandeville Hospital
	Bishop Auckland Hospital	Glasgow Hospital	Queen Alexandra Hospital	Tameside General Hospital
	Blackburn Hospital	Lewisham Hospital	Redbridge & Waltham Forest LIFT	West Middlesex Hospital
	Blackpool Primary Care Facility	Medway LIFT	Romford Hospital	Willesden Hospital
	Brentwood Community Hospital	Newton Abbot Hospital	Salford Hospital	
	Brighton Hospital	Nuffield Hospital	Sheffield Hospital	

Fire, Law & Order	Addiewell Prison	Gloucester Fire & Rescue	South East London Police Stations
	Dorset Fire & Rescue	Greater Manchester Police Stations	Sussex Custodial Centre
	D & C Firearms Training Centre	Medway Police	Tyne & Wear Fire Stations
	Exeter Crown Courts	Metropolitan Police Training Centre	Zaanstad Prison

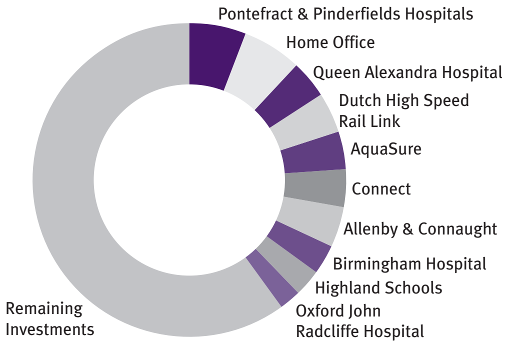
Transport	A249 Road	Dutch High Speed Rail Link	N17/N18 Road
	A92 Road	Kicking Horse Canyon P3	NW Anthony Henday P3
	Connect PFI	M80 Motorway DBFO	RD901

Accommodation	Allenby & Connaught MoD Accommodation	Health & Safety Headquarters	Newcastle Libraries	Royal School of Military Engineering
	AquaSure	Home Office	Northwood MoD HQ	University of Sheffield Accommodation
	Colchester Garrison	Miles Platting Social Housing	Oldham Library	

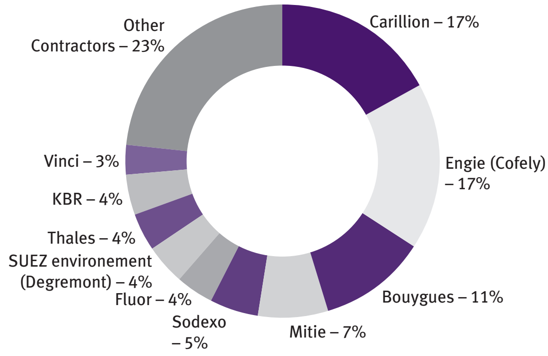
KEY:

Portfolio as at 31 March 2014	New investment since 31 March 2014	Sold since 31 March 2014	Incremental stake acquired

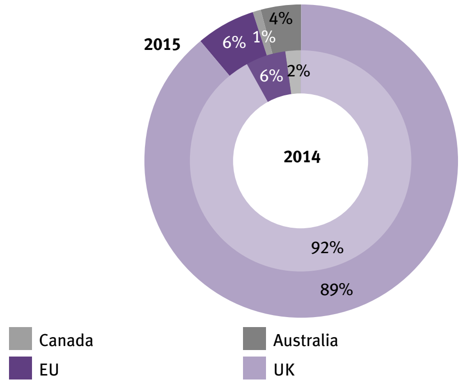
Ten assets by value



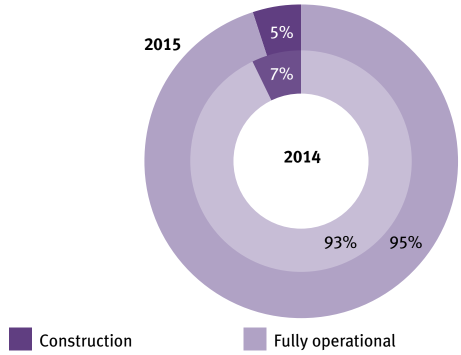
FM Counterparty



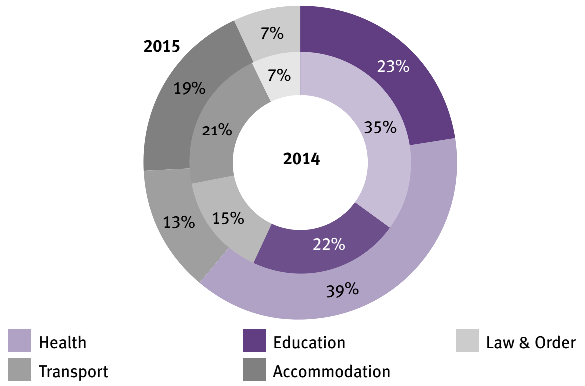
Geographic Analysis



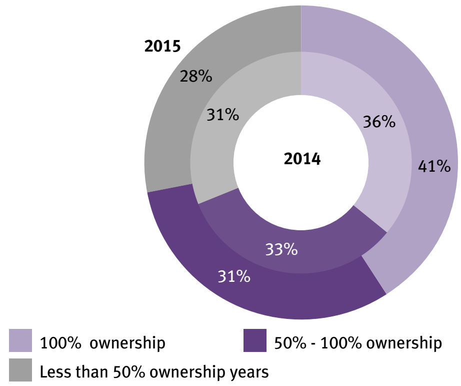
Investment Status



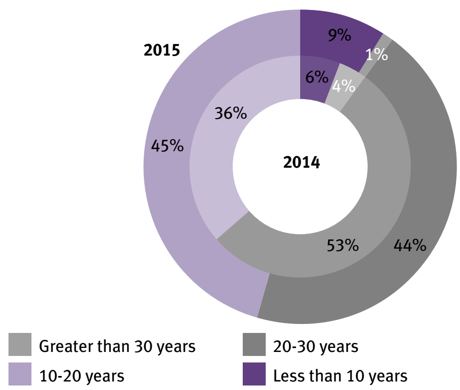
Sector



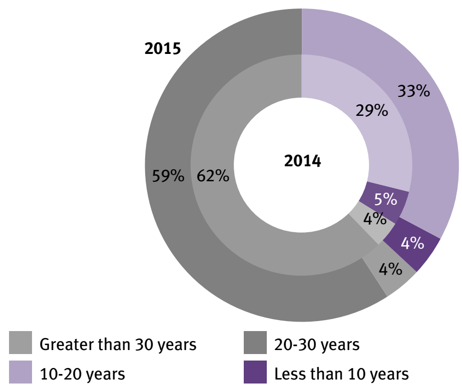
Ownerships Stake



Debt Tenor



Concession Length Remaining



Figures in charts may not sum to 100% due to rounding

2.7 MARKET TRENDS AND OUTLOOK

Infrastructure Market Developments – UK

The Company's focus has been on secondary, or operational, infrastructure assets, particularly in the UK which has a long history of public sector procurement and as a consequence it now has the largest number of operational social infrastructure projects of any global economy.

As noted already, with greater understanding of its investment attributes, more investors have been seeking to acquire operational assets in the secondary market. Although the Company was one of the first entrants to the market back in 2006, it has been followed by further listed and unlisted infrastructure funds and, more recently, by institutional investors making direct investments into the asset class. At the same time, the majority of the available equity stakes in the 600+ UK social and transportation infrastructure projects have been acquired by long-term, buy-and-hold investors. The result in the UK is a reduced supply of potential new investment opportunities and, as a consequence, a trend of increasing valuations attributed to investments sold.

Procurement of new infrastructure projects in the UK which are attractive investments for the Group to consider remains subdued with limited potential. However, as an exception to this general remark, the Group signed the first privately funded project to close under the new Private Finance 2 (PF2) framework, namely the Priority Schools Building Programme (PSBP) North East Batch. The Project is part of the wider PSBP, a centrally managed programme set up to address the needs of the schools most in need of urgent repair. Through the programme, 260 schools will be rebuilt or have their condition needs met by the Education Funding Agency (EFA). There may be another opportunity for the Group to secure an investment in a UK project due to reach financial close this calendar year.

With a new post-election UK Government, it will take some time before it is clear what the pipeline of new UK primary infrastructure will be, and whether it is suitable for the Group to consider.

During the year the Group participated in 12 auction processes and was successful in only two (one of which related to the combined sale of three investments acquired in the year), losing the remainder either through the bidding process or through pre-emption by another shareholder. Generally this has been because the winning bidder has bid a higher price based on a more optimistic view of various cost and economic assumptions, a view that the Group is not prepared to take. As stated previously and more so now, maintaining a disciplined approach to acquisition pricing is vital, and this is reviewed by the Board on a regular basis.

The remaining 15 investments that were made were secured via the Investment Adviser relationships and direct negotiations with vendors. Ten of these were follow-on incremental investments in existing projects. These transactions can proceed quickly, as only limited due diligence is necessary. Post-acquisition risk is lower due to our existing detailed knowledge of the project.

As already noted, certain sales of infrastructure investments are attracting prices well above what the Group and the Investment Adviser is prepared to pay, as was the case with the co-shareholder disposals of interests in Colchester Garrison and Fife Schools (see Section 2.4 – Operational and Financial Review, under the heading 'Disposals' for details), implying values that the Board believes are unachievable through continued ownership. As was the case for these two investments, the Directors will consider opportunistic disposals – especially where it believes the proceeds of any sale can be reinvested in new investments that will be value accretive to the portfolio.

If UK social infrastructure investments continue to be heavily competed, with prices rising accordingly, the rate at which further acquisitions are made by the Group in the UK is likely to reduce. However, even with this more intense competition, the Group is cautiously confident of sourcing new investments with similar risk-reward dynamics to the existing portfolio. This confidence stems from the Company's clear strategy, together with the dedicated team, knowledge and depth of relationships the Investment Adviser has with the key market participants in the target sectors, which have resulted in the opportunities that have been successfully completed in the financial year.

Infrastructure Market Developments – Europe, Australia and North America

Outside the UK, investment opportunities vary by country, but with a number of active procurement programmes in Europe, North America and Australasia, the number of potential new investment opportunities suitable for the Group continues to grow. The Group has made new investments in the year in Australia, France, Holland and Ireland, and has bid unsuccessfully in Canada. We believe the Group can successfully capitalise on these new procurement programmes through our existing relationships and those of the Investment Adviser, which is using its wide network to source new opportunities, through the InfraRed offices in New York, Paris and Sydney. Clearly any new investment needs to deliver an appropriate return that meets the Company's requirements and needs an appropriate premium for political, fiscal and currency risks.

The number of projects being procured in countries in Europe, such as France, Belgium and the Netherlands, continues to grow and the expectation is that further investment opportunities will also arise in the secondary markets of these territories as projects reach their operational phase. There is the possibility that several larger multi-jurisdictional portfolios will be marketed in due course as some unlisted funds mature and look to realise gains for their investors. Competition for these portfolios is expected to be fierce and the Company will continue to be cautious rather than risk overpaying.

Although the Group was unsuccessful bidding for an operational hospital PPP project in Australia in the year, this market continues to offer some promise. Whilst the Australian economy is well developed and political risk is low, the long-term foreign exchange and inflation rate risks relative to Sterling are less predictable. Nevertheless, provided new investments meet the investment criteria and objectives on a risk adjusted basis, further opportunities will be considered.

In North America, the largest PPP market remains Canada where there continues to be strong support for P3 procurement. Unfortunately, the tax breaks afforded to domestic pension funds make it challenging for foreign investors to compete for many operational infrastructure assets as demonstrated by a recent potential opportunity that the Group failed to secure, which has been attributed to this uncompetitive dynamic.

Currently, the Group is appraising an investment opportunity that is being sold by an unlisted investment fund managed by the Investment Adviser. If successful, and in line with previous stated practice and principles of good governance, the Board will table a shareholders' resolution at a shareholder meeting (likely to be during the Annual General Meeting in July) concerning the proposed purchase of the investment from the related party. Further details will be provided in a circular once details of the transaction are confirmed.

The US is a potentially much larger but longer-term opportunity. The pace of primary procurement is increasing and, as projects become operational, a secondary market of investment opportunities will develop.

The Group's Investment Pipeline and Acquisition Approach

As commented above, in the UK the imbalance between supply and demand has been driving up the pricing of social and transportation infrastructure investments. The Group has been unsuccessful in a number of auction processes in the last year with pricing levels that the Investment Adviser believes would dilute the Company's ability to meet the Group's return objectives. Typically these processes have related to larger investments where the scale of the opportunity attracts a broader universe of bidders. Participating in auction processes is time consuming and often fruitless, but it does provide valuable insight into how other parties are pricing investments: not just the yield they are prepared to accept but, to a degree, the underlying cash flows which they assume.

The Investment Adviser is successfully deploying an Acquisition Strategy built on long-established relationships and direct negotiations with potential vendors. Together with buying incremental stakes in existing projects, the Company has been able to make value-accretive acquisitions without compromising on returns or by making unrealistic assumptions on future forecast cash flows. The Group has also considered assets which some consider too small or too complex, but which can often offer attractive returns.

In addition, the Investment Adviser is actively exploring new investment opportunities outside the UK in developed markets. Only those which fit the Company's Investment Policy and pricing disciplines are considered. Significant due diligence is undertaken in-house by the Investment Adviser before any third-party costs are incurred.

As seen in the last year, the Group has successfully secured a number of new investments at the start or in their construction phase. This has been achieved by either joining a bidding consortium to bid for these new opportunities, or by acquiring an investment from the winning consortium. Whilst these investments have some construction risk (which can be mitigated by having appropriate contractual structures in place), they also have better returns and yield than acquiring an investment that is operational. It is likely that the Group will continue to seek investments in their construction phase this year.

Although there is no exclusive right-of-first-refusal in respect of investments being sold by other infrastructure funds managed by the Investment Adviser, the Company may benefit from these opportunities (such as the Canadian opportunity – described above), and the Board continues to ensure shareholders' interests are protected through establishment of a buy-side engagement committee and independent third-party valuation.

The Company's current portfolio mix geographically is not expected to alter materially in 2015, and similarly, the Group's exposure to investments under construction is unlikely to materially increase.

Overall, the Group still believes it will be able to make further investments in the UK and, selectively, overseas but the rate of growth will be determined by the extent to which price competition impacts value.

Failsworth School, Manchester, England

2.8 RISKS AND RISK MANAGEMENT

Overview

The Company has put a risk management framework in place covering all aspects of the Group's business. The Company is an Investment Company which has elected to be a self-managed AIF under AIFMD. The appropriate policies and procedures have been put in place to allow the Company to fulfil its obligations, and these include the formation of a Risk Committee.

The Risk Committee, which reports its findings to the Board, is tasked with the identification, assessment and management of risk for the Group, and ensuring that these are integral elements of the Investment Adviser's and the Operator's work in both the management of the existing portfolio and in seeking new investment opportunities.

The Risk Committee reviews the key risks affecting the Company at each regular quarterly meeting, by reference to a risk analysis matrix developed and monitored in conjunction with the Investment Adviser. This review includes consideration of any new circumstances which could arise creating additional risks for the Group. For each identified risk, a mitigation strategy is, where appropriate, developed and implemented, together with appropriate monitoring by the Investment Adviser and other key service providers (as appropriate).

The Company outsources key services to the Investment Adviser and other service providers. It therefore places reliance on these service providers' own systems and controls, details of which the Board has received and reviews annually.

The Board's Management Engagement Committee reviews the performance of the Investment Adviser (as well as all key service providers) at least annually and this review includes a consideration of the Investment Adviser's internal controls and their effectiveness. The Investment Adviser's risk and compliance team has developed a detailed self-assessment internal control report, and this is reviewed and debated on a quarterly basis by the Board. In addition, on an annual basis the Investment Adviser's risk and compliance team reviews compliance against the documented procedures and controls, and reports its findings to the Board.

Given the limited number of disposals from the portfolio and the similar risk profile of new investments compared to the existing portfolio (i.e. they are all social and transportation infrastructure projects and the majority are in the UK with broadly similar contractual structures), the type and nature of the risks in the Group do not materially change from year to year.

The Directors set out the material risks relating to the Group's portfolio and to individual investments in the Company as at 26 February 2013 in the Company's New Ordinary Shares Prospectus, which is available from the Company's website. These risks and possible mitigants are summarised below under four key risk areas – Business & Operational Model; Market and Political; Macro-Economic and Financial; Shareholder and Other Risks.

Business & Operational Model Risks		
Risk	**Description**	**Mitigant**
Asset Performance	**Operational Issues** Poor operational performance or the failure to meet the prescribed contractual service standards (as measured by 'key performance indicators', set as part of the project arrangements with the client at the outset), or the appearance of latent construction defects, reduce the Unitary Payments made by the public sector client to the project company. Reductions could be either a partial, or in the extreme, the full proportion of the Project's income. Beyond the financial cost that such reductions levy, there is the potential for an adverse reputational impact to the private sector consortium (including the Company) from any material operational issues.	Operational issues can be caused by a number of factors, the most likely of which is the underperformance of a service delivery partner. The Investment Adviser, through its Asset Management team, plays a pro-active oversight role, visiting projects and attending project company board meetings in a directorship capacity, to ensure any trends in performance are picked up early and, if necessary, corrected accordingly. Key findings are reported to the Investment Adviser's Investment Committee at quarterly update meetings. When problems do arise, the relevant Asset Manager will closely oversee the corrective steps and relevant stakeholder's actions in order to preserve good working relations with the client and thereby minimise any potential reputational damage. Any Unitary Payment deductions for periods of unavailability or poor service delivery are typically contractually passed-down to the sub-contractor who is at fault. In a severe case, the project company can terminate a subcontractor 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 also recovered from the previous supplier.

Business & Operational Model Risks *(continued)*		
Risk	**Description**	**Mitigant**
Asset Performance	**Termination** The public sector client is entitled to terminate the contract voluntarily or for default (typically where operational performance issues result from a force majeure event or a serious breach of contract), sometimes without compensation. Where compensation is payable, it may be lower than the market (carrying) value of the Group's equity interest 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. In any event, the Investment Adviser and Operator is strongly aligned to prevent such an occurrence and, as described above, proactively deals with issues before they become major concerns.
Counterparty Risk	**Supply Chain** The project company contracts with the client to deliver the infrastructure asset and the associated services. The project company sub-contracts the provision of the services to specialist providers (construction and facilities management companies). The failure of a supply chain provider would negatively impact the project company's ability to fulfil its contractual obligations with the client or, in the least, delay delivery. Unitary Payment deductions would then be made by the client as a result which would impact the Company's cashflow and therefore the valuation of the Group's portfolio.	As one of its key objectives (see Section 2.1 – Overview, Approach, Objectives, History and Structure), the Company provides investors with access to a balanced, diversified portfolio of investments (in terms of clients, funders and supply-chain contractors), thereby mitigating concentration risk and the impact of the default/non-performance by any single counterparty. In addition, counterparty credit risk is considered at regular intervals by the Investment Adviser's internal credit risk team. Section 2.6 – Investment Portfolio provides details of the Group's broad exposure to counterparts across the portfolio.
	Debt Providers Project Companies typically use debt at the outset to fund the construction of an infrastructure asset. In most instances, the interest rate is fixed through the use of a swap arrangement. The project company therefore assumes credit risk with the swap counterparty. Further, in the instance that a particular project faces operational issues (see above) and Unitary Payment deductions are made, the lender may have grounds to foreclose the loan or demand advance repayment, which could materially adversely affect the equity interest the Group has in the project company.	See mitigant response against 'Supply Chain' above. See Project Financing and Cash Deposits below in respect of cash reserves available to protect the interest of the lenders, which alleviates the need for premature remedial action. In addition, a chart in Section 2.6 – Investment Portfolio shows the breakdown of the ten largest investments (and the balance) to illustrate the low concentration risk any single project bears on the portfolio as a whole.

Business & Operational Model Risks *(continued)*		
Risk	**Description**	**Mitigant**
	Clients If a public sector client has financial difficulties and is unable to meet its obligations to pay the Unitary Payment under a concession agreement, this could have a material impact on that project's cashflows. There have been cases in the health sector, for a UK healthcare trust to find itself running a budget deficit and potentially unable to meet its ongoing liabilities. Where this occurs, the local health economy has typically been reorganised such that the PFI/PPP obligations are met by a solvent entity for the remainder of the contract. However, there is a risk that such situations may not always result in an outcome which is favourable to the project company.	The impact of any single client default to the overall Group is considered small. A chart in Section 2.6 – Investment Portfolio shows the breakdown of the ten largest investments (and the balance) in terms of weighting relative to the overall value of the portfolio. This acts as a good proxy for illustrating the low concentration risk the Group bears to any individual client. In the specific case of the Group's health projects and their NHS Trust clients, each project company also benefits from a 'Deed of Safeguard' or similar with the UK Government, whereby the project company is not left unpaid if an NHS Trust fails to perform its obligations under the contract (for example if the Trust became insolvent).
Operational Costs	The budget, and therefore the risk, of certain key operational costs associated with a project lies with the project company. Generally these relate to the MSA contract, the lifecycle costs and the insurance premium. In certain cases, the risk sits fully with the project company, whilst in other instances it may be partially or fully sub-contracted to the facilities management contractor. There is a risk that the budget proves to be insufficient.	As part of the due diligence process at the time of acquisition, all operating budgets are reviewed to determine if they are adequate. In the case of insurance, there is often some protection through contractual premium risk-sharing agreements with the public sector client such that, when an agreed cap is met, the client mostly, or wholly, assumes the increased premium. The Investment Adviser regularly assesses the adequacy of lifecycle budgets where the risk sits with the project companies. The portfolio's sensitivity to the largest of these risks, the lifecycle costs, is set out in Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities'.

Business & Operational Model Risks *(continued)*		
Risk	**Description**	**Mitigant**
Asset and Portfolio Management and Transaction Execution	The Company is heavily reliant upon the Investment Adviser to implement the strategies (see Section 2.2 – Strategy and Investment Policy) and, as a result, deliver its objectives. Broadly speaking, the different functions within the investment Adviser's team – Asset Management, Portfolio Management and Origination – are responsible for each of the asset management, value enhancement and investment selection and pricing disciplines, respectively, discussed in Section 2.2 – Strategy and Investment Policy. A performance deterioration of any of these functions would have a material impact on the Company's performance.	The Investment Adviser has a track record of investing and managing infrastructure investments over a period of more than 20 years. It has developed a depth of resource and knowledge in the asset class, as well as appropriate and detailed sets of policies, procedures, compliance systems, and risk controls (e.g. the use of an Executive Committee and Investment Committee for appropriate decision-making). Each functional area benefits from a group of individuals possessing relevant qualifications, relationships and experience for their roles (e.g. members of the Asset management team will typically have a background in PFI/PPP construction or facilities management). The Investment Adviser has recruited additional infrastructure staff over recent years, increasing the size, skills and experience of the team on which the Group relies. The Board is satisfied that there is sufficient depth of expertise within the Investment Adviser's team for the Group not to be reliant on any single 'key man'. The Investment Adviser is supported by specialist advisers (e.g. lawyers, technical consultants, and tax advisers) who are retained to carry out specific due diligence on potential acquisitions to minimise transaction risk, or provide advice on ad hoc issues for projects under management.

Market & Political Risks		
Risk	**Description**	**Mitigant**
Acquisition Pipeline	Investor appetite for infrastructure assets is at an all-time high. This desire is driven by the inherent attractive characteristics of the asset class and the historically low yields (high prices) for long-dated government bonds (a reference point for the pricing of infrastructure assets with reliable, government-backed income streams). As a consequence, the sourcing of new investments for the Group is increasingly difficult given the levels of competitive demand.	The Board is confident that the Investment Adviser, via its network of established relationships, is able to continue enjoying access to opportunities in the UK. It is also selectively considering opportunities abroad where an investment offers satisfactory value upside for the additional risk that is assumed when introducing further foreign investments into the portfolio.
Political and Regulatory	**Stringent Contractual Interpretation** In the UK PFI health sector, certain public sector clients are applying some stringent interpretation of contract terms, leading to material Unitary Payment deductions for the related projects. These deductions are often disputed, requiring time and money to achieve a resolution through processes which can leave the value of the investment impaired.	The Investment Adviser does not currently believe this risk to be wide spread. A recent note from Moody's rating agency accords with this view, but a watching brief is in place. The Group's investment assumption remains that PFI contracts are both fair and balanced in protecting the interests of the respective parties. Furthermore, a continuation of the policy is unlikely as it would adversely affect investors' appetite to make future commitments to infrastructure assets, thereby impacting the public sector's ability to raise private financing for necessary new projects.

Market & Political Risks *(continued)*		
Risk	**Description**	**Mitigant**
	Change in Policy A change in policy or sentiment toward private financing is likely to affect the levels of procurement of new development/ greenfield projects. This would in due course impact the availability of new transactions in the secondary market in which the Company is most active. More unlikely, but not impossible, would be a public sector client reneging on the terms of the project agreement and failing – partly or in whole – to make the contracted Unitary Payments. Although the Company (and, in all likelihood, other infrastructure investors) would mount a legal challenge if such an aggressive change in policy were attempted, the legal processes and means for redress would require considerable resources and money. This would undoubtedly impact the value of the Group's investment portfolio and affect the Company's ability to meet target distributions.	Studies show that the need for new infrastructure and the repair of existing is a huge spend requirement globally, requiring sums of money that governments will find it difficult to raise. It is therefore likely that private sector capital will continue to be used to fund infrastructure investment and that there will continue to be suitable projects from the Group to invest in. Each of the Group's projects is structured with a legally binding contract with a public sector client. Most social and transportation infrastructure 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. Finally, such a development would have wide ranging, adverse implications for all private sector investors and supply chain stakeholders, and therefore acts as a natural deterrent against such an approach.
	Indirect Legal/Regulatory changes Various indirect, ancillary or wide-reaching legal and regulatory changes may adversely impact the Group. This could take the form of legislation impacting the supply chain or contractual costs or obligations to which project companies (and therefore the equity investor) are exposed. In addition, legal and regulatory changes in the form of the new Alternative Investment Fund Managers Directive, the UK Listing Rules, the Guernsey Financial Services Commission and the Guernsey Company Law are likely to have a direct impact on the Investment Adviser and the Company.	The Company, the Investment Adviser and their advisers continually monitor any potential or actual changes to regulations to ensure both the Group and its service providers remain compliant. Where appropriate, the Investment Adviser will participate in consultation processes, often in lobbying groups, to ensure that the legislature hears the concerns and views of the Company, in its capacity as a private sector investor.

Macro-Economic & Financial		
Risk	**Description**	**Mitigant**
Inflation	The project revenue, being the Unitary Payment made by the public sector client, typically has partial or full inflation-linkage. Similarly, the project outflows, such as the operating, lifecycle and debt-capital costs are generally inflation-linked or fixed throughout the life of the project. The consequence is that the net inflow from the project to the project company (i.e. after all costs) has positive inflation correlation. However, if the UK were to enter an environment of falling inflation, such that RPI was below 2.75% p.a. on average for the remainder of the current projects' lives, or there were periods of deflation, the valuation of the portfolio would be adversely impacted, and in a period of sustained deflation, projects could suffer defaults under their loan arrangements as the free cashflows to service debt in a deflation period would decline in nominal terms.	Whilst UK RPI and RPIx (the two reference measures for the inflation-linkage on UK projects) are relatively low at the present time, the two indicators have been positive during the last 15 years, other than a brief spell where UK RPI turned negative during 2009. The Investment Adviser believes that the long-term average forecast for UK inflation of 2.75% p.a. remains appropriate, but investors are provided with an analysis of the portfolio's sensitivity to inflation in Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities'.
Interest Rates	**Discount Rates** A discounted cashflow methodology is used to value the Group's investments. The appropriateness of the selected discount rate for each project (and therefore the weighted average discount rate for all projects) is key to deriving a fair and reasonable valuation for the portfolio. The rate is established by reference to the yield on long-dated government bonds (a proxy for the 'risk-free' rate) plus an adequate risk-premium (to reflect the additional risk associated with owning an equity interest in a 'real' asset). All else being equal, an increase in interest rates would imply an increase to the discount rate (because of its reference back to the risk-free rate, as described above). The mathematical impact of applying a higher discount rate to the future cashflows of the projects would be a reduction in the net present value of the overall portfolio.	The key mitigant to an increase in the appropriate discount rate (implied by an increase in interest rates) is that the two variables do not move in isolation. Interest rates and inflation are also correlated over the long-term – however, by contrast, they exhibit a positive relationship. Therefore, an increase in interest rates over the long term tend to result in both a higher discount rate and a higher inflation rate – factors which materially offset one another in the context of a portfolio valuation exercise. Further, an interest rate increase would have a positive impact on deposits held on account – see 'Project Financing and Cash Deposits' below for details – thereby mitigating the impact of a discount rate hike on the portfolio value. Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities' provides some analysis of the impact of the portfolio's sensitivity to these variables. Finally, aside from the general correlation of variables discussed above, in the present environment the risk-free rate is at historically low levels. However, the level of the discount rate applied by market participants for valuing secondary, availability-based infrastructure investments (such as those held in the portfolio) has remained remarkably robust in recent years. The implication is that the risk-premia for the asset class is relatively high. It could therefore support a downward trend to its long-term mean, should the risk-free rate rise, without impacting the overall discount rate.

Macro-Economic & Financial *(continued)*		
Risk	**Description**	**Mitigant**
	Revolving Credit Facility The Company benefits from the use of a revolving credit facility (RCF), so as to avoid holding materials amounts of uninvested cash in excess of what is needed to meet outstanding equity commitments for existing investments or to fund potential acquisitions in the near term. New equity issuances programmes are used from time to time to raise capital which can be used to pay down the facility. The Company is therefore subject to interest rate risk in respect of the RCF commitments.	To manage interest rate risk, the Group may use interest rate swaps to hedge drawings under the Group's debt facility, depending on the how long the debt is likely to be drawn. The Investment Adviser plans to approach both existing and prospective new lenders this year, ahead of the expiry of the existing facility, to ensure there is sufficient time to negotiate terms for a new facility. The current facility is provided by four lenders to minimise the Company's exposure to/reliance upon any single bank.
	Project Financing and Cash Deposits Each project is typically leveraged with amortising debt with a tenor that tends to match the concession life. A requirement of the debt funding terms is that sufficient cash deposits are maintained at project company level to support the repayments to the senior lenders. In addition, cash reserves are held back in bank accounts to meet contingent liabilities and the anticipated expenditure that falls to the project company (e.g. life cycle costs). The deposits are generally held in short term interest-bearing accounts. A fall in interest rates below the level assumed in the portfolio valuation model would reduce the anticipated cash flow to the Company and therefore its net asset value.	Adverse interest rate movements cannot be prevented or fully mitigated. The Company aims to be realistic in its interest rate assumptions, thereby ensuring that cash deposits are appropriately accounted for in the portfolio valuation exercise. Investors are provided with an illustration of the portfolio's sensitivity to interest rate movements in Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities'. Debt financing for PFI/PPP/P3 projects have fixed-rate or inflation-linked interest rate hedges in place on their borrowings for the full-term to minimise interest volatility.
Taxation	**Corporate Tax Rates** Recent reductions in the UK corporation tax rate has positively impacted the portfolio's valuation, however, there is no assurance that this rate will remain in place (or decrease further) in the future. By contrast, subsequent Governments or a change in policy might lead to an increase in the corporate tax rate and a corresponding reduction in the portfolio's value. Equivalent risks arise in respect of the Group's overseas projects.	Changes in UK (or overseas) corporation tax rates cannot be prevented or mitigated. The Company aims to be realistic in its tax rate assumptions. Investors are provided with an illustration of the portfolio's sensitivity to changes in tax rates in Section 2.5 – Valuation of the Portfolio, under the heading 'Valuation Sensitivities'.

Macro-Economic & Financial *(continued)*		
Risk	**Description**	**Mitigant**
	Cross-border Tax Treatment The tax treatment of income received by the Group may be adversely impacted from a change in cross-border tax rules, including BEPS.	Relevant tax rules are closely monitored by the Investment Adviser, the Company and their advisers for any potentially adverse changes to the Group.
	Base Erosion and Profit Shifting ('BEPS') The OECD has announced an action plan in respect of certain international tax practices which, if drawn up in a wide ranging fashion and subsequently implemented, could have a material impact on tax including the deductibility of the interest costs from the debt used to finance projects. This action would undermine the structuring typically used for private finance investments, such as those held by the Group (and other infrastructure investors), leading to a material impact on the Group's future cash flows and therefore the portfolio's valuation.	A consultation process on the BEPS action plan is being undertaken by the OECD, with a number of representatives from the infrastructure sector highlighting the risk to private financing investment unless suitable concessions are made for infrastructure. The Board and the Investment Adviser are monitoring developments and contributing to the consultation through industry bodies. Currently, it is too early to assess how or if the implementation of changes from this initiative will affect the Group or its investments. However, the overriding public need (both in the UK and abroad) to utilise private financing as a procurement model for new infrastructure projects is expected to be a strong deterrent to introducing new tax standards that would have a penal impact on infrastructure investments presently held by investors.
Foreign Exchange	As the Company owns a number of investments in jurisdictions outside the UK, where the income generated from the project is denominated in a foreign currency, the investment return is received in a currency other than Sterling.	To mitigate the foreign exchange risk, the Group has used a combination of balance sheet hedging, through multi-currency drawings under its credit facility or through rolling forward sales of the respective currency, and hedging prospective income on a short-term basis through outright forward currency sales. Project costs are incurred, and project-level financing secured in the local currency, and so these are not subject to foreign currency exchange risk.
Accounting	Accounting policies and practices change from time to time and any such amendment could adversely affect the levels of distributable profits that may be available to the Company from the project investment and holding entities.	A significant proportion of the equity return to the Company takes the form of shareholder debt interest income, which is not subject to distributable profit assessments.
Cyber-Attack	A cyber-attack could affect the Group's, the Investment Adviser's or a project company's IT systems, causing theft or loss of data, or potentially damage to a building's control systems and equipment. This would have negative legal, operational and reputational repercussions.	The Group has no dedicated IT systems as it relies on those of its services providers. The Investment Adviser has IT systems designed to withstand a cyber-attack and these systems have been subject to successful annual tests by a specialist third party. Project Companies tend not to have their own IT systems and rely on their subcontractors and management companies. Data is normally backed up and the risk, should data be corrupted or stolen, is considered low.

Shareholder and Other Risks		
Risk	**Description**	**Mitigant**
Share Price Premium/ Discount to NAV	The Company's shares may trade at a premium or discount to the last published NAV per share.	The Company publishes a NAV per share twice a year. The method of valuing the Group's investments is described in detail in Section 2.5 – Valuation of the Portfolio. To assist in managing the share price premium or discount to NAV, the shares via tap issues or full equity raisings, as appropriate. However, there is no guarantee that these measures will minimise the discount or premium to NAV.
Financial Objectives	The Company may fail to deliver on its target financial objectives of maintaining and growing its annual dividend and its NAV.	The Company, together with its Investment Adviser, has delivered the targeted distribution profile, as well as capital growth in excess of target, since its IPO, and has the longest track record amongst its peers. Further, due to the contractual nature of both the projects' revenues and operational costs, the Company has high levels of certainty over the investment cashflows, which directly supports its ability to achieve its financial objectives.
Valuation Sensitivities and Financial Modelling	The sensitivity analysis does not show a comprehensive picture of all potential scenarios. Further, variables do not tend to move in isolation, nor in a uniform or consistent manner, and the analysis does not show the potentially infinite number of permutations, and resultant impacts, that might arise in reality as a consequence. Financial models, either for the Group or the underlying project companies, may contain errors of a numerical, formulaic or logical nature, or incorrect inputs, resulting in inaccurate outputs. These could adversely impact the assessment of the Company's financial position.	Sensitivity analysis is a tool with limitations; it seeks to illustrate to investors the impact that certain key variables have on the portfolio's valuation. It cannot provide a comprehensive assessment of all of the risks and should be treated accordingly. Financial models are managed by an experienced team who are adept at managing them in a manner than seeks to minimise the introduction of errors (of any type). A substantive deviation of a project's investment performance from its associated financial model would indicate a requirement to re-examine the model for inaccuracies and/or errors. Such instances are rare and therefore provide the Investment Adviser and the Board with comfort that the models are behaving as designed.

2.9 CORPORATE SOCIAL RESPONSIBILITY

The business of the Company is to make investments via the Group 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 responsibly with respect to all the Group's stakeholders.

Principles of Responsible Investment

The Investment Adviser is a signatory to the Principles for Responsible Investment (the "Principles"), formerly known as the United Nations Principles for Responsible Investment, which are widely recognised and regarded around the world. The principles can be summarised as follows:

- To incorporate Environmental, Social and Governance ("ESG") checks into investment analysis and decision-making
- To be active owners and incorporate ESG controls 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 the Principles within the investment industry
- To report on activities and progress towards implementing the Principles

The Investment Adviser has incorporated the Principles within its business where relevant. As part of this, it has also been using the Group's role as a shareholder in each project to request that each project company report against the Group's approved ESG policies. The Board believes the Group's ESG policies are appropriate for a company investing in infrastructure assets and conform to current good practice in relation to corporate responsibility. ESG is discussed at each Board meeting and the Group is monitored against is ESG policies.

Environmental, Social and Governance Policies

All of the Group's investments are in project companies which provide services to their clients and which subcontract the provision of these services to specialist facilities management companies. The Group is entitled to appoint at least one director to the board of each project company and these positions have all been filled by a person nominated by the Group. Board meetings are not quorate without the Group's nominated director being present and this self-imposed stipulation is reflective of the Group's active oversight of the underlying investments.

The governance structures also provide for matters which are reserved for 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. In circumstances where it is not possible to achieve board representation on the underlying investment company with appropriate voting rights and reserved matters to properly manage the investment and achieve the projected returns, it is unlikely that the investment will be approved.

Importantly, for alignment of interests and transparency, all directors' fees paid by the projects are for the benefit of the Group, and not the Investment Adviser.

On a routine basis, supported by a comprehensive annual audit, the Investment Adviser undertakes a review to ensure that each key contractor (or their group) has appropriate ESG policies in place, that these are being adhered to in the delivery of the services to the project and that there have been no material breaches. To achieve this end, the Investment Adviser has developed a proprietary system, including bespoke questionnaires, for monitoring compliance which are filled in by each project company from its perspective. The results of the 2014-15 audit indicated that a couple of specific items required an action plan and focus, but no issues of concern were flagged.

In parallel with the questionnaires, the Investment Adviser has developed a set of 30 KPIs for monitoring project companies' ESG credentials. The results of each metric are appropriately weighted to derive a single grade for the project from a four-point scoring system. Whilst the evaluation process is still ongoing, there has been a 100% response rate and zero failures from all the projects within the process up to the end of 2014, and two-thirds were awarded one of the top two categorisations of 'leader' or 'performer'.

As part of the detailed due diligence carried out by the Investment Adviser, a potential investment will be assessed to ensure compliance with the Group's ESG policies and that there have been no materials breaches in respect of the project. Where there have been significant failings and it is not possible to get comfortable with either a key contractor's ESG record or the project's ESG performance to date, the investment will not be made.

Health and Safety performance of each investment is monitored and each year a number of Health and Safety audits are carried out by Health and Safety consultants to ensure appropriate procedures and policies are in place and being adhered to. Information on Health and Safety is reported to the Board (via the Risk Committee) on a quarterly basis. On a typical routine reporting basis, this takes the form of an eponymous 'RIDDOR' report, which relates to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and the duties it imposes.

Rather than being project-specific, the Company's ESG policies and procedures have been implemented across the whole 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.
- Health and Safety compliance
- Cost saving and/or efficiency programme initiatives
- Risk controls and mitigants

With the enactment of the UK Bribery Act 2010, the Investment Adviser has developed appropriate polices and ensures that these are adopted by all project companies in which the Group has invested.

The Board has reviewed its performance and the performance of its service providers over the last 12 months and can confirm compliance with the Company's ESG policies. On the basis of the Investment Adviser's recommendations, the Directors have considered the existing ESG policies relative to good industry practice as applicable to an infrastructure Investment Company and believe that they are current and appropriate.

Specific ESG Initiatives in the Year

Each individual project is responsible for developing environmental and social projects that match with the community needs of the client, the users and wider community that benefits from the project's facilities. As a result, the range and variation of initiatives across the portfolio is very wide. The activities are promoted within a project by the Group's nominated director (typically a member of the Investment Adviser's Asset Management team) and the initiatives include not only activities delivered or sponsored directly by the project company, but also by the whole supply chain linked with the relevant project, and working in conjunction with the client. For the purposes of describing specific activities below, the term 'project' or 'project company' will be used to reference this wider group. Set out below are selected activities that illustrate this range and have been supported across the Group's portfolio during the year.

Social

The requirements relating to a school are different from those of a hospital and therefore the type of initiatives carried out across the portfolio can be considerably different. In a hospital project, a common initiative is to provide sponsorship of awards which are organised by the Trust to reward excellence and dedication on the part of their staff. Measures such as these, that improve the performance, standards and reputation of the end client, help to reflect well on the project overall and are therefore worthy of support by the project company. Staff awards were sponsored by the project companies at Tameside General Hospital NHS Foundation Trust (Tameside General Hospital), Birmingham & Solihull Mental Health Foundation Trust (Birmingham New Hospitals Project), as well as East Lancashire Hospitals NHS Trust (Blackburn Hospital Project).

Hospitals are generally significant employers in their local area and many of the employment opportunities relate to services that are provided by the project company and its supply chain. At Oxford John Radcliffe Hospital, the project company supported a wider Trust initiative with the Princes Trust (a youth charity which organises programmes to offer engagement, confidence, life skills and personal development for those who are unemployed, struggling at school and/or at risk of exclusion) to generate work experience opportunities and training opportunities for mentees of the charity. In a similar vein at Bradford Schools, the project company provided support to a Careers Fair for students at the schools, while at the Miles Platting Housing project in Manchester, a "back to work" club for the residents of the project's housing is just one of many initiatives organised for the benefit of the local community. At Edinburgh Schools, the service provider recruited a sixth-form leaver as a trainee facilities manager who will, as part of their formal training, undertake the industry-standard 'British Institute of Facilities Management' accreditation.

In addition to the employment initiative mentioned above, at Oxford John Radcliffe Hospital the project company and supply chain supported a "Posters of Promises" project run by the Trust. The purposes of the initiative was to illustrate and communicate to young patients and their families the nursing and midwifery standards developed by the Trust through the installation of posters on each level of the hospital. The project also took part in a sponsored 'Oxford Male Five Mile Fun Run' around Blenheim Palace, raising funds for the hospital's charity to support treatment at the onsite Children's Hospital.

At the University of Sheffield, the project commenced a new initiative in the year, namely the 'Catalyst Scholarship'. The programme offers free accommodation for the year to a student who has suffered a difficult home life situation. The Company was delighted to receive a letter from the current recipient, in which she outlined the very positive impact the bursary has had for her – namely, relieving her from the time commitment of pursuing work to support her studies, thereby enabling her to participate in a host of voluntary work, competitions and other worthwhile extracurricular activities, alongside her demanding legal studies.

In addition to the Catalyst Scholarship, the project continues to sponsor the University of Sheffield's 'Elite Sports Performance Scheme' by providing an accommodation bursary for a student selected by the University for their 'gold level' award. To be eligible for selection, the student must be at a level where they represent the country in one of Sport England's recognised sports – in this instance, speed climbing. Sport is particularly important to the University of Sheffield and the project supports a number of initiatives run by Sport Sheffield, the University's sports department, which enable students to engage with, and contribute to, the wider community through sport.

The project company for the Dutch High Speed Rail Link has, in conjunction with other partners, provided funding for a local basketball team that offers access to sport for deprived children.

At Salford Royal Hospital, the project company provided sponsorship of the sportswear used by the Trust's team for their participation in the 'NHS Games'.

At the Northwood MOD Headquarters, the project company hosts a local food bank as part of a wider 'Business in the Community Programme' run in collaboration with the client.

At Queen Alexandra Hospital, the project company provides financial and volunteered labour support for the restoration of a disused community centre and outdoor community swimming pool, as well as to a charity dedicated to providing short-respite holidays to families with children suffering from terminal or life-threatening illness.

Extra-curricular activities – predominantly motivational and physical enhancement programmes – form an important part of the education for the students at the Defence Sixth Form College, who are on sponsorship programmes with one of the three Armed Services (or Defence-related Government Departments). The project company uses funds generated from the sale of the old laptops previously issued to former students to support worthy pupils who would not otherwise be able to partake in such activities. In the year to 31 March 2015, 14 students were supported in taking part in a range of outdoor pursuits.

Support was provided to a fire safety session provided by the client at Dorset Fire and Rescue for children from a local primary school, including a trip to Poundbury Fire Station and a screening of 'How to Train Your Dragon II' (a light-hearted film), to foster links in the community.

Environment

At Kicking Horse Canyon in Canada, wildlife crossings were introduced to facilitate safe passage for the many bears, moose, wolves, elk, deer, and mountain goats that live in the area. In addition, works were undertaken to establish a 'Compensation Habitat', creating 8,000 m^2 of riparian habitat, 2,000 m^2 of in-stream fish habitat, planting of 6,000 new trees, and reclaiming of an abandoned highway to be reused as a recreational trail. Partner agencies on these endeavours include the Pacific Salmon Foundation, who perform ongoing monitoring of the operation to ensure that environmental objectives are being met.

Energy consumption levels associated with projects are often significant and schemes to reduce the carbon footprint and thereby reduce cost are frequently carried out. A recent example was the installation of energy-efficient LED lighting at Cork School of Music in a drive to help the school to achieve an energy accreditation.

At West Middlesex Hospital, the project company is exploring a potential initiative to use standby generators – a necessary and standard safety requirement in hospitals – as a means to provide intermittent power to the National Grid when they are not required locally. In an era of increasing 'green' energy production from natural resources such as wind and solar, where output is susceptible to the vagaries of the weather system, the use of intermittent power generators are a necessary balancing tool for the National Grid to manage the country's electricity supply and demands at all time. This initiative is therefore a small but worthy effort to help the nation's gradual shift towards its renewable energy generation targets. It is hoped that, if successful, the learning from this exercise would be used for the benefit of other projects.

A recycling awareness competition was supported by the project company at Newport School and the grounds' facilities were used to support a St David's Foundation Charity run. At South Ayrshire Schools, the project company donated funds to buy ornaments for a pupil garden, the development and budget for which was managed by pupils. At the same project, wood from a diseased Scots Pine tree that had to be removed for landscaping reasons was used to create furniture for the external play areas. An eco-garden was created at one of the schools within the Renfrewshire, Schools project in Scotland, in relation to which the project company contributed 50% of the costs. At another school (a nursery) in the project, an area suitable for the cultivation was created as part of a learning and experience exercise for the children. In a similar vein a proposal to create a conservation garden to be maintained by the pupils is being developed at Boldon School.

The Allenby and Connaught Ministry of Defence Accommodation project has a charity support culture that focuses on military charities. It encompasses direct contributions from the project as well as direct contributions from supply chain partners. There is extensive voluntary support by the local project management team including local community activity across schools, scout groups and a bird sanctuary. As part of the estate redevelopment programme, micro combined heat and power units and solar thermal systems have been included in the latest phases that have resulted in combined savings of approximately 1,300 tonnes of carbon dioxide per annum.

Section 3: Board of Directors

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

Mr Graham Picken (66) – 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. He is also chairman of Hampshire Trust Bank and a non-executive director of Skipton Building Society and of Connells Ltd, the estate agency group. 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.

Mrs Sally-Ann Farnon (55)

Appointed to the Board on 1 May 2013

Sally-Ann Farnon (known as Susie) (British), resident in Guernsey, is a fellow of the Institute of Chartered Accountants in England and Wales and qualified in 1983. She was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The Guernsey Public Accounts Committee and a Commissioner of The Guernsey Financial Services Commission. She is a non-executive director of a number of property and investment companies.

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

Breedon Aggregates Limited (listed on AIM)
Dexion Absolute Limited
Ravenscroft Ltd (formerly Cenkos Channel Islands Ltd, listed on CISE)
Standard Life Investments Property and Income Trust Limited
Threadneedle UK Select Trust Limited

Mrs Sarah Evans (59)

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 the Guernsey subsidiary of a global bank. 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 she ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982 to 1988 she 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)
Harbourvest Senior Loans Europe Limited
JPMorgan Senior Secured Loan Fund Limited

Mr John Hallam (66) – Senior Independent Director

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 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 in London, Bermuda and Dubai)
NB Distressed Debt Investment Fund Ltd (listed on SFM London)
NB Private Equity Partners Limited
(listed on SFM London and Amsterdam)
Partners Group Global Opportunities Limited (listed in Ireland)

Mr Frank Nelson (63)

Appointed to the Board 1 June 2014

Frank Nelson (British), resident in the UK, is a qualified accountant. He has over 25 year of experience in the construction, contracting, infrastructure and energy sectors, and was Finance Director of construction and house-building group Galliford Try plc from 2000 until October 2012. He was previously Finance Director of Try Group plc from 1987, leading the company through its floatation on the London Stock Exchange in 1989 and the subsequent merger with Galliford in 2001. Following his retirement from Galliford Try, he took on the role of interim CFO of Lamprell plc in the UAE, where he helped to complete a complex refinancing and turnaround, before leaving in October 2013. Following his return from the Middle East, he joined McCarthy and Stone as a non-executive director and, in 2014 and early 2015, he joined the boards of Telford Homes and Eurocell where he is the Senior Independent Director.

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

Eurocell plc
Telford Homes plc (listed on AIM)

Mr Chris Russell (66)

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 UK, Hong Kong and Guernsey. He is Chairman of F&C Commercial Property Trust Ltd and a director of the UK Investment Companies' 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 and Wales.

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

JP Morgan Japan Smaller Companies Investment Trust plc
Macau Property Opportunities Fund Limited

Mr Ian Russell (62)

Appointed to the Board on 1 May 2013

Ian Russell CBE (British), is resident in the UK and is a qualified accountant. He worked for Scottish Power plc between 1994 and 2006, initially as Finance Director and from 2001 as its CEO. Prior to this he spent eight years as Finance Director at HSBC Asset Management in Hong Kong and London.

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

Johnston Press plc
British Polythene Industries plc
The Mercantile Investment Trust plc
BlackRock Income Strategies Trust plc
(formerly British Assets Trust plc)

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

Section 4: 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 which 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 management report (comprising the Chairman's Statement, the Strategic Report and Report of the Directors) includes 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.

The annual report and consolidated financial statements when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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 or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the 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
20 May 2015

Registered Office:
1 Le Truchot, St Peter Port, Guernsey, Channel Islands GY1 1WD
Section 5: Report of the Directors

Section 5: Report of the Directors

The Directors present their report and accounts of the Group for the year to 31 March 2015.

Principal Activity

The Company is an Authorised Closed-Ended investment company incorporated in Guernsey. It is subject to certain ongoing obligations to the Guernsey Financial Services Commission as a result of its regulatory status as an Authorised Closed-Ended Investment Scheme. 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.

Results

The results for the year are summarised in the Section 2.4 – Operational and Financial Review of the Strategic Report and set out in detail the audited financial statements.

Distributions and Share Capital

The Company declared four quarterly interim dividends, totalling 7.30p per share, for the year ended 31 March 2015 as follows:

- 1.81p declared on 23 July 2014, to shareholders on the register as at 20 August 2014, paid on 30 September 2014;
- 1.81p declared on 14 November 2014, to shareholders on the register as at 27 November 2014, paid on 31 December 2014;
- 1.81p declared on 18 February 2015, to shareholders on the register as at 26 February 2015, paid on 31 March 2015; and
- 1.87p declared on 14 May 2015, to shareholders on the register as at 28 May 2015, to be paid on 30 June 2015.

The Company has one class of share capital, ordinary shares (referred to as simply 'shares' throughout this report), of which there were 1,207,428,625 in issue as at 31 March 2014. This number increased to 1,267,744,626 as at 31 March 2015 as a result of tap issuance and scrip dividends during the year, as follows:

On 18 June 2014 and 22 December 2014, a total of 54,039,192 new shares were issued by way of tap issues at 137.0p and 147.0p per share respectively, representing a premium to the prevailing NAV per share.

At the Annual General Meeting on 22 July 2014, shareholders renewed their approval to the Board, at its discretion, to offer a scrip dividend alternative. This alternative was offered to shareholders for the second interim dividend for the financial year ending 31 March 2014 and the three quarterly interim dividends declared (and paid) for the year ended 31 March 2015. Shares issued in the year in respect of scrip dividend alternative were as follows:

- As a result of the scrip dividend alternative announced on 13 May 2014, the Company issued 2,642,805 new shares on 30 June 2014, in lieu of the 3.60p dividend (the second interim dividend for the financial year ending 31 March 2014), to those shareholders who had elected to receive the same.
- As a result of the scrip dividend alternative announced on 23 July 2014, the Company issued 1,338,956 new shares on 30 September 2014, in lieu of the 1.81p dividend (the first quarterly interim dividend for the financial year ending 31 March 2015), to those shareholders who had elected to receive the same.
- As a result of the scrip dividend alternative announced on 14 November 2014, the Company issued 1,214,345 new shares on 31 December 2014, in lieu of the 1.81p dividend (the second quarterly interim dividend for the financial year ending 31 March 2015), to those shareholders who had elected to receive the same.
- As a result of the scrip dividend alternative announced on 18 February 2015, the Company issued 1,080,703 new shares on 31 March 2015, in lieu of the 1.81p dividend (the third quarterly interim dividend for the financial year ending 31 March 2015), to those shareholders who had elected to receive the same.

A scrip dividend alternative is presently available in respect of the fourthly quarterly interim dividend for the year ended 31 March 2015 declared on 14 May 2015. The Board is proposing to seek shareholder approval for renewal of the scrip authority at the Annual General Meeting on 21 July 2015.

As at 20 May 2015, there were 1,267,744,626 shares in issue.

Directors

The Directors who held office during the year to 31 March 2015 were:

Director	Date of Appointment	Years of Service
Mr G Picken	12 January 2006	9 years 2 months
Mrs S Evans	9 June 2008	6 years 10 months
Mrs S Farnon	1 May 2013	1 year 11 months
Mr J Hallam	12 January 2006	9 years 2 months
Mr F Nelson	1 June 2014	10 months
Mr C Russell	1 June 2010	4 years 10 months
Mr I Russell	1 May 2013	1 year 11 months

Mr F Nelson appointed to the Board on 1 June 2014 was endorsed by shareholder approval at the Annual General Meeting on 22 July 2014.

Biographical details of each of the Directors are shown in Section 3 – Board of Directors.

Corporate Governance

Section 6 – Corporate Governance Statement sets out in detail the code of corporate governance against which the Company reports and its compliance, or otherwise with the individual principles. It includes detail on the various committees of the Board, their composition and their terms of reference.

Investment Adviser and Operator

InfraRed Capital Partners Limited (the "Investment Adviser" or "IRCP") is authorised and regulated by the Financial Conduct 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 17 to the accounts.

IRCP is an independent investment management group owned 80.1% by its 26 partners and 19.9% by HSBC Holdings plc following the completion of a management buy-out in April 2011. Further details about IRCP and the InfraRed Group are available in Section 2.3 – Business Model, Organisational Structure and Processes.

The Management Engagement Committee met in February 2015 to consider the performance of, and services provided by, IRCP. This took the form of a written paper in which the Investment Adviser explained its activities in the year and summarised its performance against the agreed targets set by the Group as part of its annual budget and strategy approval process. The Committee discussed the paper with the Investment Adviser, noted the internal assurance work IRCP performs, and received feedback from other service providers, shareholders and advisers.

The fee arrangements between the Group and IRCP are as follows (having been reduced in March 2014 to reflect the growth of the portfolio):

Advisory fee for advice to Board	£100,000 p.a.
Operator fee for Assets under Management[1] ("AUM")	
■ For AUM up to £750m	1.1% p.a.
■ For AUM between £750m and £1,500m	1.0% p.a. of incremental AUM
■ For AUM between £1,500m and £2,250m	0.9% p.a. of incremental AUM
■ For AUM over £2,250m	0.8% p.a. of incremental AUM
Acquisition fee (paid on acquisitions from third parties)	1.0% of acquisition price

1. Meaning the fair market value of the Group's investments, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations

The Investment Advisory Agreement can be terminated with 12 months' notice.

After careful consideration of IRCP's performance, primarily in terms of advice, managing the portfolio, securing additional investments, and communicating effectively with all stakeholders, the Committee recommended to the Board that it would be in the best interests of the Company that IRCP continue on the same agreed contractual terms. This was approved by the Board.

Broker, Administrator and Company Secretary

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

Substantial Interests in Share Capital

As at 20 May 2015, the Company has received notification in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in 5% or more of the Company's shares to which voting rights are attached (at the date of notification):

Percentage	Number of Ordinary Shares Held	Held
Investec Wealth and Investment Limited	86,768,858	6.97%
Newton Investment Management Limited	61,313,440	5.08%

Donations

The Company made no political donations during 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.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2 – the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Section 2.4 – Operational and Financial Review of the Strategic Report. In addition, Notes 1 to 4 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 given the current 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 shares for cancellation was granted to the Directors on 22 July 2014 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 on 21 July 2015.

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 gives 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.

While there are currently no shares held in treasury the Board would only authorise the resale of such shares from treasury at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). If such a measure were to be implemented, this would result in a positive overall effect on the Company's net asset value.

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

Section 6: Corporate Governance Statement

Introduction

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the UK Listing Authority as well as other relevant bodies such as the Guernsey Financial Services Commission and the Association of Investment Companies ("AIC") of which the Company is a member. 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 and other stakeholders as is reasonably possible within the boundaries of client and commercial confidentiality.

Guernsey Regulatory Environment

On 30 September 2011, the Guernsey Financial Services Commission (the 'Commission') issued the GFSC Finance Sector Code of Corporate Governance (Guernsey Code). 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 specific businesses will lead to differing approaches to meeting the Code. Companies which report against the UK Corporate Governance Code or the AIC 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 AIC Code of Corporate Governance

As a member of the AIC, the Company has been reporting against the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") and the accompanying AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). In these financial statements, the Company is reporting against the February 2013 AIC Code and AIC Guide which take into account updates made to the UK Corporate Governance Code in September 2012. The February 2015 AIC Code and AIC Guide take into account updates made to the UK Corporate Governance Code in September 2014, which applies to accounting periods beginning on or after 1 October 2014 and will therefore be adopted in the Group's March 2016 financial statements.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the revised AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The remainder of this Corporate Governance Statement addresses each of the 21 principles of the AIC Code in turn under the three main areas of The Board; Board Meetings and the Relationship with the Manager; and Shareholder Communications.

The Board

Principle 1. The chairman should be independent.

The Chairman, Mr G Picken, met the independence criteria upon appointment and has continued to meet this condition throughout his term of service (although, having now served as Chairman for over nine years, shareholders should note the points raised in Principle 4 below). As per the AIC's recommendations the chairman has no relationships that may create a conflict of interest with shareholders.

Although not a requirement of the AIC Code, in accordance with guidance in Principle 1, the Board has a Senior Independent Director ("SID"), Mr J Hallam, who was appointed as SID on 11 February 2010. In his role as the SID, Mr J Hallam takes the lead in the annual evaluation of the Chairman at which the Chairman's performance and continuing independence is discussed.

Principle 2. A majority of the board should be independent of the manager.

Following the appointment of Mr F Nelson as a Director on 1 June 2014, the Board consists of seven non-executive Directors, all of which are independent of the Investment Adviser. None of the Directors sit on the Boards of other entities managed by the Investment Adviser.

The independence of each of the Directors is considered during the annual self-evaluation of the Board. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to any Board discussion. Finally, the tri-annual external evaluation of the Board's performance, which was conducted by an independent consultant, Trust Associates, in February 2015 (the 'Trust Associates Board Evaluation Report'), confirmed having observed strong challenges and independence on the part of the Board, but also a strong sense of collegiality and mutual trust.

Principle 3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.

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.

As a general policy, a Director of the Company who retires at an annual general meeting may, if willing to act, be re-appointed. The Directors are not subject to automatic re-appointment.

At the most recent AGM of 22 July 2014, all of the serving Directors retired and offered themselves for re-election. All six were re-elected with at least 98% of the votes cast in every case approving the re-election. In addition, Mr F Nelson received the endorsement of over 98% of the votes cast in respect of his initial term as a Director.

As in previous years, all seven Directors intend to retire and offer themselves for re-election at the forthcoming AGM on 21 July 2015. The Board is supportive of the re-election of each of the Directors for the new financial year, subject to the comments made regarding Mr G Picken and Mr J Hallam under Principle 4 below.

Principle 4. The board should have a policy on tenure, which is disclosed in the annual report.

As the Company was formed in 2006, two Directors, Mr G Picken (Chairman) and Mr J Hallam (SID), have now served in office for more than nine years. Their continued involvement and service as members of the Board over this time has provided continuity and depth of experience, qualities that have been especially beneficial not just to shareholders, but also to the new members of the Board who necessarily required time to develop a full awareness and a detailed understanding of the business of the Company.

The Board believes that long serving Directors should not automatically be prevented from forming part of an independent majority of the Board upon reaching nine years' service. As a general rule, if a Director has served more than nine 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' Report.

In the present case, the Board (including Mr G Picken and Mr J Hallam) has concluded that it has now reached an appropriate size with solid integration and understanding amongst the Directors, and that it is now appropriate for Mr G Picken and Mr J Hallam to retire from the Company by no later than 30 June 2016. Accordingly, it is intended that at the forthcoming AGM on 21 July 2015 all the Directors will retire and offer themselves for re-election. Mr G Picken and Mr J Hallam will not be standing for re-election at the AGM in July 2016. The Directors will utilise the intervening period to complete an orderly handover of responsibilities. The Board considered the independence of Mr G Picken and Mr J Hallam, as they have served nine years, and concluded that an orderly handover of their roles was important for the success of the Company and that they remained independent.

Principle 5. There should be full disclosure of information about the board.

The biographies of the Directors, including length of service, are set out in Sections 3 – Board of Directors and Section 5 – Report of the Directors, together with a list of other public company directorships for each Director. No Director has a shareholding in any company in which the Company also has an investment.

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 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 Broker. 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. The Acquisition Strategy and the Investment Policy, which are set out in the Section 2.2 – Strategy and Investment Policy, are also reviewed regularly with the Investment Adviser giving regard to market conditions and feedback from shareholders and, additionally, a minimum of a full day is dedicated to this review annually.

As well as regular Board meetings, the following committees also met during the course of the year (as set out in the table below): Audit, Management Engagement, Nomination, Remuneration and (newly-formed) Risk. Terms of reference for each Committee have been approved by the Board and are on the Company's website.

The Chairman and members of each committee as at 31 March 2015 are as follows:

	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee	Risk Committee
Chairman	Mr J Hallam	Mrs S Evans	Mr G Picken	Mr C Russell	Mr I Russell
Members	Mrs S Evans	Mrs S Farnon	Mrs S Evans	Mrs S Evans	Mrs S Evans
	Mrs S Farnon	Mr J Hallam	Mrs S Farnon	Mrs S Farnon	Mrs S Farnon
	Mr F Nelson	Mr F Nelson	Mr J Hallam	Mr J Hallam	Mr J Hallam
	Mr C Russell	Mr G Picken	Mr F Nelson	Mr F Nelson	Mr F Nelson
	Mr I Russell	Mr C Russell	Mr C Russell	Mr G Picken	Mr G Picken
		Mr I Russell	Mr I Russell	Mr I Russell	Mr I Russell

Mr F Nelson was appointed to each of the Committees at the Board Meeting held on 23 July 2014.

The attendance record of Directors for the year to 31 March 2015 is set out below:

	Formal Board Meetings	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee	Risk Committee
Number of meetings	6	4	1	2	2	3
Meetings Attended:						
Mr G Picken	6	N/A	1	2	2	3
Mr J Hallam	6	4	1	2	2	3
Mrs S Evans	6	4	1	2	2	3
Mrs S Farnon	6	4	1	2	2	3
Mr F Nelson	4	2*	1	1	1*	2*
Mr C Russell	6	4	1	2	2	3
Mr I Russell	6	4	1	2	2	3

** Mr F Nelson was present for one additional meeting of each of these committees, but had not been formally appointed as a member of each of the committees at the relevant time.*

The six formal Board meetings held in the year comprised the four quarterly meetings, a special Board meeting in April to discuss and approve matters relating to AIFMD and the formation of the Risk Committee, together with the Board meeting for the Strategy day in September. A further eight ad hoc Board/Committee meetings were held to deal with other matters, principally of an administrative nature, and these were attended by those Directors available.

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.

The respective reports of the Remuneration Committee, the Risk Committee and the Audit Committee are set out in Sections 7, 8 and 9, respectively, of this Annual Report.

The Nomination Committee and the Management Engagement Committee are discussed in Principle 9 and Principle 15, respectively.

The formal terms of reference for each of the committees of the Board are available to view on the Company's website at http://hicl.com/investor-relations/publications under the 'Corporate Documents' section.

A statement of the Directors' responsibilities is set out in Section 4.

Principle 6. The board should aim to have a balance of skills, experience, length of service and knowledge of the company.

Following the appointment of the two additional Directors in May 2013, and a third in June 2014, the Board believes that the balance of skills, gender, experience and knowledge, coupled with the mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard. Moreover, the Directors believe that any changes to the Board's composition can be managed without undue disruption, including the planned retirement of the Mr G Picken and Mr J Hallam, as noted in Principle 4 above.

The findings of the Trust Associates Board Evaluation Report affirmed the Board's belief that it reflected a suitable mix of skills and experience. In particular, it commented that the good spread of skills on the Board had been enhanced with the appointment of new Directors with good construction and infrastructure management experience. Further, the report acknowledged a good level of knowledge of Guernsey regulatory requirements and regulations, generally, as well as a number of Directors with accounting qualifications and a good understanding of investment companies.

As a general remark, the Board has chosen not to adopt a definitive policy with quantitative targets for board diversity. However, gender, knowledge, skills, experience, residency and governance credentials are all considered by the Nominations Committee when recommending appointments to the Board and in formulating succession plans.

Principle 7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
The Board believes that the composition of the Board and its Committees reflects a suitable mix of skills and experience, and that the Board, as a whole, and its Committees functioned effectively during the last 12 months. Nevertheless, the Board believes a regular evaluation is important.

While an internal evaluation is conducted most years, in the year to 31 March 2015, an external review was commissioned as part of the triannual independent review. The Trust Associates Board Evaluation Report remarked that the Board, as a whole, and its Committees are functioning effectively, that discussions are well informed and give valuable challenge to the Investment Adviser, especially with the strengthened recruitment of Directors with good construction and infrastructure management experience. The report also remarked that the fact that each committee is chaired by a different Director was good practice, as it allows each chair to focus on a specific area.

In the period between external performance evaluations, the Board conducts its own internal evaluation, considering the performance, tenure and independence of each Director. The annual self-evaluation is completed by the Chairman and takes the form of one-to-one interviews with each Director holding office in the year. The Chairman then presents a summary of the conclusions to the Board. Comments on the Chairman are collated by the Senior Independent Director who then provides feedback to the Chairman.

Principle 8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.
The remuneration of the Directors and the Directors' remuneration policy are set out in the Directors' Remuneration Report in Section 7.

Principle 9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.
The Board has a Nomination Committee, the terms of reference of which are available on the Company's website http://hicl.com/investor-relations/publications under 'Corporate Documents'. It is composed of all seven Board Directors and chaired by Mr G Picken, who is also the Board Chairman. All seven members are independent. A summary of the main terms of reference of the Committee are:

- to 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);
- to give full consideration to succession planning for Directors taking into account the challenges and opportunities facing the Company; and
- to 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 had two meetings in the year to 31 March 2015. The first recommended the recruitment of one additional Director (Mr F Nelson) to the Board. The second concerned the initial stages of succession planning in relation to an orderly handover of Mr G Picken's position as Chairman and Mr J Hallam's position as SID and chair of the Audit Committee, and as Directors of the Company.

Principle 10. Directors should be offered relevant training and induction.
As with the two new Directors appointed to the Board in the financial year ended 31 March 2014, Mr F Nelson undertook a formal induction process upon his appointment in June 2014, including individual meetings with the Investment Adviser at which detailed discussions on the Company, its business model, strategy, policies and portfolio took place.

Regular anti-bribery and anti-money laundering training is undertaken. The Investment Adviser also arranged for all Directors to visit at least one of the Company's investments during the year. These included the Brighton Children's Hospital, Defence Sixth Form College, Gravesend Police Training Centre, London Underground Connect Project, Northwood MOD Headquarters, Queen's (Romford) Hospital, Salford Hospital and Tameside General Hospitals. This programme of visits is ongoing.

During these site visits with the Investment Adviser's asset management team, Directors had the opportunity to tour the asset and meet various stakeholders including the client, the users, the management team and the various facilities management subcontractors. Some visits included attending the project company board meeting to observe governance of the investment.

These visits allow Directors to gain a deeper understanding of the actual operation of the investments concerned and the role of the various parties, including the Investment Adviser's asset management team who are appointed directors to the investments' project company boards.

Principle 11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.
As the Company was listed in March 2006, the Board do not believe it is necessary to comment on this principle.

Board Meetings and the Relationship with the Manager

Principle 12. Boards and managers should operate in a supportive, co-operative and open environment.
The Board has delegated the following areas of responsibility, within clearly defined frameworks.

- 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 of Adviser includes reporting on the performance of the investment portfolio, preparing the semi-annual valuations, the statutory accounts, the management accounts, business plans, presenting results and information to shareholders, co-ordinating all service providers to the Group and giving the Board general advice and feedback.

The role of Operator includes managing the partnership and taking direct responsibility, within parameters set by the Board, for the decisions relating to the day-to-day management 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 Executive and Investment Committees for consideration and determination.

Representatives of the Investment Adviser and the Company Secretary and Administrator attend all Board meetings and, when requested by the respective Chairman, meetings of the Audit, Management Engagement, Nomination, Remuneration and Risk committees.

The Trust Associates Board Evaluation Report contained two particularly noteworthy comments on this front. Firstly, when dealing with the Investment Adviser, strong challenge and independence are observed on the part of the Board, but that there is also a strong sense of collegiality and mutual trust between the two bodies. Secondly, that the Directors reported that the Investment Adviser always explains its thinking in detail, that it respects the Board's views and highlights issues that the Board may not have thought of unprompted.

Principle 13. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.
In addition to the statutory matters discussed at each quarterly Board meeting, the principal focus is on the reports provided by the Investment Adviser, as well as those put forward by the Company's Broker and Financial PR Agent. These are all standing agenda items.

Papers are sent to Directors normally at least a week in advance of the Board meetings by the Company Secretary. Board papers include:

- A review of the infrastructure market detailing key developments
- Investment activity in the period and the pipeline of potential new investment opportunities
- A review of portfolio performance in the period with material issues identified and discussed
- A review of any Health and Safety matters in the period
- A detailed financial review, including detailed management accounts, valuation, and treasury matters
- Reports from the Broker and from the Financial PR company

Matters relating to Company's risk management and internal control systems (including associated stress tests), which were previously considered by the Board, are now considered by the Risk Committee (which, in turn, reports any significant matters/findings to the Board) and are covered in Principle 16 below and are set out in more detail in Section 8 – Risk Committee Report.

The Board regularly requests further information on topics of interest to allow informed decisions to be taken.

On a semi-annual basis, the Board, through the Audit Committee, also considers the interim and annual reports as well as the detailed valuation of the investment portfolio prepared by the Investment Adviser and the third party expert opinion on the proposed valuation. On at least an annual basis, the Board considers more detailed analysis of the Group's Budget and Business Plan for the prospective year.

Principle 14. Boards should give sufficient attention to overall strategy.
The Board considers a formal strategy report prepared by the Investment Adviser at a separate meeting at least once a year. In the year ended 31 March 2015, a one-day Board meeting was held in September, with the Investment Adviser, which was dedicated to reviewing and determining the overall strategy of the Group; in particular the scope and relevance of the current Acquisition Strategy. The exercise involved a fundamental analysis of certain market segments to ensure they are complementary or additive to the existing portfolio. The Acquisition Strategy, which has been consistently applied since May 2009, has been reaffirmed subject to some small changes in emphasis which were driven by market conditions. See Section 2.2 – Strategy and Investment Policy, under the heading 'Acquisition Strategy' for details.

In addition to the strategy day, adherence to the Acquisition Strategy is discussed regularly at Board meetings. As well as considering acquisitions, the Board also considers disposals, portfolio performance, levels of gearing and likely achievable dividend growth.

Principle 15. The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).

The Management Engagement Committee ("MEC") of the Board is responsible for reviewing all major service providers to the Group, which includes in particular the Investment Adviser. The terms of reference of this committee include a review of the relationships between the Company and its main service providers, including their performance, compliance with their contracts, and levels of fees paid. The Committee typically meets once a year and its recommendations are given to the Board for consideration and action.

The MEC met once in the year to 31 March 2015, to review the performance of the key service providers. 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.

Principle 16. The board should agree policies with the manager covering key operational issues.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. To help achieve this end, the Board established a designated Risk Committee which first met in July 2014. It follows 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 and mitigate those risks. A scoring based on 1 to 5 for Likelihood and 1 to 5 for Impact is used and these are multiplied together to give a total score. Mitigation is considered on a scale of 1 to 5 and this leads to the derivation of a residual risk rating. The matrix is updated quarterly and the Risk Committee is provided with regular reports highlighting all material changes to the Group's risks and their ratings and the action which has been, or is being taken.

The key findings and updates from the Risk Committee are, as with the other committees, reported to the Board after the relevant meeting.

At each Board meeting, the Board also monitors the Group's investment performance in comparison to its stated objectives 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. The pipeline of new potential opportunities is considered and the prices paid for new or incremental investments during the quarter are also reviewed.

Further, the Risk Committee receives regular reports from the Company Secretary and Administrator in respect of compliance matters and duties performed by them on behalf of the Company.

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 albeit, from time to time, independently conducted assurance assignments may be commissioned by the Board.

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 performance measures, coupled with cash projections and investment valuations, are submitted to the Board and the relevant committees at each quarterly meeting.

Principle 17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.

Through detailed quarterly reports, the Board monitors the Company's share price, share register and discount/premium to NAV per share. Since April 2009, the share price has been trading at a premium to NAV per share due to strong and sustained demand from the investment community. As a result of this demand the Board has encouraged the Investment Adviser to source new investments which meet the Company's investment criteria. Although initially funded by borrowings under the Group's revolving debt facility, these are typically refinanced within a matter of months by way of new equity issuance. The issuance of new shares is the principal tool available to the Board to manage the premium. However, as the Board is wary of the drag on returns that results from holding uninvested cash, new equity is only raised following an investment or when an investment is imminent.

Should the Company's shares trade at a discount at some point in the future, the Board's authority to purchase shares for cancellation was renewed at the Annual General Meeting on 22 July 2014. The Directors are proposing that it is tabled for renewal when it otherwise expires at the forthcoming Annual General Meeting on 21 July 2015.

Principle 18. The board should monitor and evaluate other service providers.

As outlined in Principle 15, the Management Engagement Committee (MEC) of the Board is responsible for reviewing all major service providers to the Group at least once a year.

The MEC meeting for the financial year occurred in February 2015, when a comprehensive review of the Investment Adviser, Administrator, PR Agency, Broker, Transfer Agent, Luxembourg Administrator, Valuation Expert and Lawyers was undertaken. Overall, the feedback on performance throughout the year was that service had been delivered to a very high standard and the committee resolved that the continued appointment of all providers be recommended to the Board for approval, which was duly granted.

Shareholder Communications

Principle 19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.

The Company welcomes the views of shareholders and places great importance on communication with its shareholders.

Ahead of each quarterly Board meeting, the Board commissions a specialist report which analyses the shareholdings, collating them into holdings by investment group to determine the largest shareholders on the register as well as by trading activity to identify the largest buyers or sellers in the previous quarter.

This data is reviewed by the Investment Adviser and the Company's Broker in the context of discussions which have taken place with shareholders in the prior quarter. The conclusions are discussed with the Board and where appropriate, follow up actions are agreed. The Company's Financial PR Company provides the Board with a quarterly report on press and media coverage of the Company and the sectors in which it invests. All reports also reference the peer group for comparison purposes.

The Board makes every effort to engage with shareholders and other stakeholders in the Company. The Company reports formally to shareholders twice a year and normally holds an Annual General Meeting in Guernsey in July. 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.

The Investment Adviser produces a regular factsheet which is available on the Company's website and senior members of the Investment Adviser make themselves available at all reasonable times to meet with principal shareholders and key sector analysts to assist them with their understanding of the sector and the Company in particular. Feedback from these meetings is provided to the Board on a regular basis.

Two Quarterly Update Statements (formerly Interim Management Statements) are published each year and any material new information is published via a Regulatory News Release ("RNS") announcement.

During the year, the Chairman held individual meetings with certain large shareholders, facilitated by the Company's Broker. It is the Board's intention to continue to meet with shareholders periodically so that open two-way communication on the development of the Company is maintained.

Shareholders may contact any of the Directors via the Company Secretary – including any in his or her capacity as chairman of one of the Company's committees, as appropriate – whose contact details are on the Company's website (www.hicl.com).

Principle 20. The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.

In line with its obligations under the Listing Rules, the Company publishes an RNS whenever there is a material development. All Directors review and discuss the draft before publication and a Director approves the final RNS for release by the Secretary.

All Company-related information is only published following consultation with, and approval by, the Board. As such, the Directors have full knowledge and ability to draft, comment upon and approve the content of any communication.

The Board wishes to provide sufficient disclosure and reporting of the Company's performance and strategic intentions to inform shareholders of Company activities. 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 Quarterly Update Statements (formerly, Interim Management Statements) a year
- Announcements of all material acquisitions
- Meetings and lunches with shareholders, attended by the Directors and the Investment Adviser
- Case studies and investor events

The Company's website (www.hicl.com) has further information on each investment and copies of all publications, together with prospectuses and circulars. The 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 has been expanded and refined in order to assist in a full and fair analysis of the Company and its investments.

Principle 21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.

The Board, in conjunction with the Investment Adviser, has endeavoured to educate shareholders and prospective investors on the Company's business and the risks and rewards associated with investing in the Company's shares.

This is an ongoing process and the Board seeks to provide as much disclosure and transparency as possible about the activities of the Company and the associated risks and rewards, albeit within the boundaries of commercial sensitivities and client confidentiality.

The Board has hosted site visits and shareholder events to provide a deeper understanding of the Company and its investment portfolio. Case studies and other materials, along with constitutional documents and committee terms of reference, are all available from the Company's website.

As a regular issuer of further share capital, the Company has published a number of prospectuses with detailed information on the investment portfolio and the potential risks. The most recent prospectus, the February 2013 New Ordinary Shares Prospectus, is available on the Company's website, http://hicl.com/investor-relations/publications under the 'Prospectuses' section.

Section 7: Directors' Remuneration Report

I chair the Remuneration Committee, which operates within clearly defined terms of reference and comprises all the Directors including the Chairman of the Board, all of whom are independent and non-executive. It met twice in the year to 31 March 2015.

The terms of reference of the Committee (which are available to view on the Company's website at http://hicl.com/investor-relations/publications under Corporate Documents) 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 such as the issuance of new shares.

During the year the Committee engaged Trust Associates to carry out a review of Directors remuneration and make recommendations, details of which are set out below.

I, or another member of the Remuneration Committee, will be available at the Annual General Meeting to respond to any questions from shareholders regarding our activities.

Chris Russell
Remuneration Committee Chairman

20 May 2015

This Directors' Remuneration Report complies with Listing Rule 9.8.8 of the UK Listing Authority's rules which require certain information to be disclosed in the annual report.

Directors' Remuneration Policy Report

The Remuneration Committee receives independent professional advice in respect of the Directors' roles, responsibilities and fees as and when appropriate.

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

- no service contracts with the Company;
- no annual bonus or short-term incentives;
- no long-term incentive schemes;
- no pension 'rights';
- no options or similar performance incentives; and
- no expense 'allowance' or other taxable benefits.

In accordance with Principle 8 of the AIC Code, the Remuneration Committee is tasked with ensuring that Directors' remuneration:

- reflects their duties, responsibility, experience, time commitment and position on the Board;
- allows the Chairman, the Chairman of the Risk Committee 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;
- includes remuneration for additional, specific corporate work which shall be carefully considered and only become due and payable on completion of that work; and
- be reviewed by an independent professional consultant with experience of Investment Companies and their fee structures, at least every three years.

Statement of the Chairman of the Remuneration Committee

As all Directors of the Company are non-executive they receive an annual fee appropriate for their responsibilities but no other incentive programmes or performance-related emoluments.

In view of the time passed since the prior formal review of the Directors' remuneration (in May 2012), the growing size of the Company and the challenging market conditions, the Remuneration Committee decided to appoint an independent professional consultant in February 2014 to conduct an interim review of the Directors' remuneration. The review was performed by Trust Associates and its findings, which were set out in the Annual Report & Consolidated Financial Statements for the year ended 31 March 2014, and approved by shareholder resolution at the AGM on 22 July 2014, were adopted for the year ended 31 March 2015.

In February 2015, a formal review of the Directors' remuneration was undertaken, which was also performed by Trust Associates. They were briefed by the Chairman of the Board and spoke with the Chairman of the Remuneration Committee in order to understand specific factors affecting the Company.

The Remuneration Committee has considered the findings of this formal review (set out below), agrees with the conclusions and has recommended to the Board that the independent advisor's recommendations be implemented subject to shareholder approval.

Directors' Current and Proposed Remuneration Report

As mentioned above, a formal review of the Directors' remuneration was undertaken by Trust Associates in February 2015. A noteworthy comment made by the consultant in their review was that their 2014 recommendations were based on comparisons with levels of remuneration paid to directors of investment companies for company years ending between July 2012 and June 2013 and as disclosed in their Annual Reports – and that, over the last year or so, there had been a growing tendency for boards to publish levels of fees that they propose to pay directors for the year ahead, as well as those paid over the previous year. Therefore, it was now possible to base their review on more current fee levels.

The conclusions of Trust Associates' report were that:

- there has been a strong rise in investment company board remuneration generally since their previous review three years ago;
- the effect of size continues to have a significant impact on the level of remuneration and the Company is now one of the largest London-listed investment companies (having grown from £1.06 billion market capitalisation at the time of 2012 review, to £1.6 billion at the time of the 2014 interim assessment, to £1.9 billion at the time of the 2015 review); and
- the work load and time involved had increased since the last review (driven not just by the increasing in size and complexity of the Company and its operations, but also regulatory changes such as the Company becoming a self-managed AIF).

Taking account of these factors and the remuneration paid to directors of investment companies of a similar size and with similar characteristics, Trust Associates recommended the following changes to remuneration for routine business:

- Directors' fees to be increased to £38,500 for the 2015-16 year.
- The Chairman of the Audit Committee's fee to rise to £46,500 for the 2015-16 year, reflecting a £6,000 premium to the Directors' fees for the role, inclusive of a £2,000 additional fee for the role of Senior Independent Director.
- The Chairman of the Risk Committee to receive £42,000 for the 2015-16 year, a £4,000 premium to the Directors' fees, to recognise the additional responsibility.
- The Chairman of the Board's fee to rise to £64,000 for the 2015-16 year, reflecting a 66% premium to the Directors' fees, in recognition not only of the considerably greater weight of responsibility but also his involvement in a number of meetings with shareholders and potential investors each year as well as hosting events on behalf of the Company.

In addition, Trust Associates re-affirmed that the current practice, pursuant to which each Director who also acts as a director of the two Luxembourg subsidiary company boards receives an additional £5,000 annually for such role, was appropriate and should therefore continue for the future.

It should be noted that the above fee recommendations relate to the role, and not to the individual who is currently performing the function. This comment is made specifically in view of the expected change in roles, following the planned retirement of Mr G Picken and Mr J Hallam by no later than 30 June 2016, as communicated to shareholders in Section 6 – Corporate Governance Statement.

For comparative purposes the table below sets out the Directors' remuneration approved and actually paid for the year to 31 March 2015 as well

Director*	Role	Total fees proposed for year ending 31 March 2016	Total remuneration paid in year ended 31 March 2015	Total fees approved for year ended 31 March 2015
Mr G Picken	Chairman	£64,000	£58,000	£58,000
Mr J Hallam	SID	£46,500 [1]	£42,000	£42,000
Mrs S Evans [2]	Director	£43,500	£40,000	£40,000
Mr I Russell	Director	£42,500 [3]	£35,000	£35,000
Mrs S Farnon	Director	£38,500	£35,000	£35,000
Mr F Nelson	Director	£38,500	£29,167 [4]	£35,000
Mr C Russell	Director	£38,500	£35,000	£35,000
	TOTAL	**£312,000**	**£274,167**	**£280,000**

1. *The figures (proposed and paid) for Mr J Hallam are based on his Chair of the Audit Committee and as SID.*
2. *The figures (proposed and paid) for Mrs S Evans include an additional £5,000 for work in connection with the two Luxembourg subsidiaries.*
3. *The figure for Mr I Russell is based on his Chair of the Risk Committee (established in 2014).*
4. *The figure for Mr F Nelson for the year ended 31 March 2015 is based on £35,000 pro-rated for the 10-month period from 1 June 2014 to 31 March 2015.*

* *See comment above regarding fee recommendations being based on the role performed, not on the individual per se. In the instance where a Director resigns from his/her position during the year, the successor would be entitled to the same fee level (albeit on a pro rata basis to reflect the proportion of the year in service).*

As in previous years, should the Company require Directors to work on specific corporate actions such as further equity raising (other than scrip dividend alternative or tap issues), or should a Director undertake incremental work such as that currently undertaken by Mrs S Evans in relation to the Luxembourg subsidiaries, then this is remunerated appropriately as determined by the Remuneration Committee. In the year to 31 March 2015, apart from the £5,000 to Mrs S Evans as noted above, no additional fees were paid. Finally, the committee considered and then approved that if and when the Senior Independent Director is not also the Chairman of the Audit Committee, then the Senior Independent Director should receive an additional £2,000 p.a. for performing this role.

The effect of the above recommendation for the year ending 31 March 2016 is to increase aggregate Directors' fees (including the subsidiary company fee) to a level which is approximately 0.0159% of the Company's market capitalisation as at 31 March 2015. Trust Associates confirmed that, in percentage terms, this is towards the low end of the range of investment companies.

Trust Associates also remarked that generally fees should be increased by a moderate amount each year, rather than being held steady for a few years, with the need to then increase them sharply to bring them back into line. A further recommendation was that the Remuneration Committee should review how the sector is developing each year, including a review of the fees paid in the sector by competitors, and make decisions on fee levels in light of then-current information. The Remuneration Committee, through the Board, will report to shareholders in the Annual Report, and seek their approval at the Annual General Meeting, in respect of proposed future rises.

A remuneration payment or payment for loss of office can only be made to a current or former Director with approval of the Remuneration Committee, subject to the Company's Articles unless approved by a separate shareholder resolution.

The total fees paid to Directors in the year were within the annual fee cap of £350,000, which was approved by shareholders at the AGM on 23 July 2013. The Remuneration Committee is now proposing an increase to the annual fee cap to £450,000 effective from the beginning of the Company's financial year on 1 April 2015. This higher cap is considered desirable to permit the implementation of Trust Associate's recommendations, as set out above, including the moderate adjustments that may be necessary for subsequent years and to provide contingency for any additional fees associated with non-routine business.

Statement of implementation of remuneration policy in the current financial year

The Remuneration Committee has considered the recommendations of the independent consultant and recommended them to the Board. The Board has approved the proposed increase and the change to the annual fee cap, and is seeking shareholder approval for the Directors' Remuneration Policy at the AGM on 21 July 2015 with a view to implementing it back-dated to 1 April 2015.

Other disclosures

The Directors of the Company on 31 March 2015, and their interests in the shares of the Company, are shown in the table below.

	31 March 2015 Ordinary	**31 March 2014 Ordinary**
Mr G Picken*	250,086	236,663
Mrs S Evans**	251,496	251,496
Mrs S Farnon	19,743	19,000
Mr J Hallam	119,099	117,736
Mr F Nelson	25,000	n/a
Mr C Russell***	93,895	93,895
Mr I Russell	39,265	37,880

* *of which 117,017 were held by his spouse*

** *of which 181,665 were held by her spouse*

*** *of which 31,930 were held by his family*

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.

At the last AGM held on 22 July 2014, the following resolutions relating to the Directors' remuneration were approved. The number of votes cast and the percentage of votes cast for, against or withheld are stated below:

9. Ordinary Resolution — Directors Remuneration

To approve the Directors' remuneration report including the proposed annual remuneration of each Director for routine business of the Company, for the year ended 31 March 2015, as set out in the Annual Report.

The Chairman reported that the following votes had been received:

For	405,734,684	98.18%
Against	7,518,583	1.82%
Withheld	45,911	Nil

Performance graph

In setting the Directors' remuneration, consideration is given to the size and performance of the Company. The graph below highlights the comparative total shareholder return (share price and dividends) ("TSR") for an investment in the Company for the 9 year period from inception at the end of March 2006 until 31 March 2015 compared with an investment in the FTSE All Share Index over the same period. During that period the TSR for the Company was 11.1% p.a. compared with the FTSE All Share Index which was 9.3% p.a.

Outperformance of HICL against the FTSE All Share Index

Source: Thomson Reuters.

By order of the Remuneration Committee
Authorised signatory
Dexion Capital (Guernsey) Ltd
Company Secretary
20 May 2015

Registered Office:

1 Le Truchot
St Peter Port
Guernsey
Channel Islands GY1 1WD

North Inch Community Campus, Perth and Kinross, Scotland

Section 8: Risk Committee Report

I chair the Risk Committee which has been in operation throughout the year since its inaugural meeting held in July 2014 and operates within clearly defined terms of reference (available on the Company's website). It comprises all the Directors and it met three times in the year to 31 March 2015. Going forward, it intends to meet four times a year, to coincide with the quarterly Board meetings.

The duties of the Risk Committee in discharging its responsibilities comprise defining a risk appetite for the Group and a robust assessment and monitoring of all matters relating to the risks to which the Group is exposed and their management and mitigation, in particular, in respect of risk exposure and controls, stress and scenario planning, regulatory compliance, project company controls, tax policies and matters and the three lines of defence.

I, or another member of the Risk Committee, will be available at the Annual General Meeting to respond to any questions from shareholders regarding our activities.

Ian Russell
Risk Committee Chairman

20 May 2015

Main Duties and General Approach

The main duties of the Risk Committee are:

- ensuring that the Company implements an effective risk governance structure and control framework which envelops key risk areas with appropriate reporting;
- considering on an annual basis and recommending for approval by the Board the Group's risk appetite, taking account of the current and prospective macroeconomic and financial environment;
- reviewing, challenging and approving, at least on an annual basis, risk limits and tolerances, inter alia by asset type, by geography (sovereign risk), by counterparty exposure, for interest rate exposure, for currency exposure, and for borrowing at the Group level;
- confirming ongoing regulatory compliance where appropriate, e.g. FATCA;
- overseeing the Group risk profile, challenging the assessment and measurement of key risks whilst monitoring the actions taken to manage them;
- reviewing and recommending scenario assumptions for inclusion in business planning (Corporate Plan) and receive the results of stress and scenario analysis to determine whether proposed mitigation is sufficient to manage the business risk profile within the Board's appetite;
- making recommendations to the Board having taken advice from the Investment Adviser, on material changes to investment and strategy, treasury policy and operational risk policy.

Statement of the Chairman of the Risk Committee

The Company has put a risk management framework in place covering all aspects of the Group's business. As the Company is an Investment Company, it outsources key services to the Investment Adviser and other service providers. It therefore places reliance on these service providers' own systems and controls, details of which the Board has received and reviews annually.

The risk management framework utilises 'three lines of defence', being cascading approaches by which the interests of the Company and its shareholders are effectively safeguarded and protected. The first line is the development of systems – essentially the day-to-day management of risk through effective controls as documented in, e.g., the Company's and the Investment Adviser's Policies and Controls Manuals. The second line is that of oversight, namely the challenge mechanism that is provided by the Risk Committee which reviews, challenges and monitors to ensure that policies are up-to-date and delegated authorities are respected/complied with, and responds to new strategic priorities and emerging or changing risks. The third and final defence is third party assurance which is utilised to provide an independent challenge to the risk management framework of the Company, an audit of key controls and guidance as to best practice, with the results reported to the Audit Committee.

Under direction from the Board, the identification, assessment and management of risk are integral elements of the Investment Adviser's and the Operator's work in both the management of the existing portfolio and in seeking new investment opportunities. This is the so-called first line of defence, described above.

The Risk Committee 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. This review, which forms part of the second line of defence, includes consideration of any new circumstances which could arise creating additional risks for the Group. For each identified risk, a mitigation strategy is, where appropriate, developed and implemented, together with appropriate monitoring by the Investment Adviser and other key service providers (as appropriate).

Significant Activities in the Year

The Company has a risk policy principle to ensure that all significant risks are identified, assessed, and their likelihood and impact effectively mitigated within acceptable levels. Part of the Company's risk management processes include a risk appetite statement, approved at a Board Meeting held to consider the implementation of AIFMD in April 2014, which the Committee considered at its inaugural meeting in July 2014 and forms a standing agenda item at each subsequent meeting. The statement is designed to articulate the risks that the Company is prepared to accept to generate the targeted returns for shareholders, as set in the Company's Objectives – see Section 2.1 – Overview, Approach, Objectives, History and Structure. Further, it is designed to reflect the Company's investment mandate, as per the Acquisition Strategy and Investment Policy (see Section 2.2 – Strategy and Investment Policy, under the heading 'Investment Selection and Pricing' for details), the current economic and business environment in which the Group operates, the Company's strategic objectives (see Section 2.2 – Strategy and Investment Policy) and business plans; and investors' expectations.

The Committee considered and noted compliance with the 'Approved Delegation Parameters' (ADPs), which are a component of the Company's risk management processes. The ADPs, which necessarily operate within the limits of the Investment Policy, are designated thresholds pre-agreed with the Risk Committee (and approved by the Board which retains ultimate responsibility for Risk Management) from time to time, in view of the Company's risk appetite, within which the Investment Adviser may make specific, unilateral investment and asset management decisions. They provide the Board with comfort on the delegation of the investment management functions as they are designed to optimise risk and return by empowering the Investment Adviser for the more conventional investment operations of the Group, whilst reserving Board approval for other matters exceeding the ADP limits.

As a result of counterparty analysis and portfolio development, an additional segmentation of the sector weighting ADP was made during the year. In addition, in July, the committee considered a memorandum prepared by the Investment Adviser concerning a specific investment opportunity in Australia which would exceed the then current ADP threshold for the territory. On the basis of the risk-reward dynamics presented by the opportunity, and the small relative change a successful consummation of the transaction would have in terms of geographic exposure to Australia, the Committee recommended and the Board approved an amendment to the ADP to permit the Investment Adviser to proceed. Ultimately however, the bid was unsuccessful.

At the Committee's first meeting, a programme of various potential stress scenarios for the Company, and the related analyses, to be presented to the Committee by the Investment Adviser were agreed. As stated by the risk appetite statement, the principal aim is to ensure that, in the relevant stress scenario, the Company retains the ability to generate sufficient cash flow to cover targeted dividends and grow the net asset value per share.

In particular, during the year, the Committee received analysis and considered the hypothetical implications of:

- the voluntary termination of one of the Group's projects;
- a change to Gilt rates;
- the insolvency of any one of the facilities management contractors;
- a reduction to residual values (although few investments have embedded residual value);
- the impact of adverse foreign exchange movements; and
- the Group's current tax environment, including in the latter case, the OECD's base erosion and profit shifting project ('BEPS') which was endorsed by the G20 in July 2013.

The Committee, recognising the impact the BEPS project could have on the Group's future cash flows, agreed that the Investment Adviser should engage, on behalf of the Company and through The Infrastructure Forum, in consultation with the OECD and monitor the progress of the BEPS project.

At each meeting, the Investment Adviser provided the Committee with a project and risk review. The content included, inter alia, an analysis of counterparty exposure and portfolio concentration, a summary of pertinent fund matters and the Company's financial risk management policies and status, together with commentary on specific project issues warranting discussion with the Board. The Committee noted that in the majority of instances where specific project issues had arisen, the problems related to residual construction defects affecting operational performance. An action arising from this review is how to improve areas of due diligence during the acquisition process to spot any potential defects which could subsequently cause performance issues.

In February, the Investment Adviser provided the Committee with a progress update and outline plan on the control environment at the project companies in which the Group invests, prepared with a view to ensuring there is an appropriate standard level of controls across the Group's portfolio of investments. The conclusion of the prior assessment work was that there were generally adequate control environments, though some weaknesses were identified and a number of recommendations are currently being implemented. In accordance with Company's third line of defence, the Committee may consider engaging a third party to carry out some assurance work to test this control environment further in due course.

The Committee also discussed the risk of cyber-attacks. Comfort was taken that the Company's key service provider had appropriate IT systems and policies in place. It was noted that the Investment Adviser had confirmed that its IT systems, particularly its firewalls, had been subject to annual penetration testing by a specialist third party recently, and had passed.

The debate also covered the project companies in which the Group invests and whether any of the buildings (such as schools and hospitals) had building management systems (BMS) connected to the internet. If these systems are connected (to allow for remote monitoring and resetting), these systems are at risk of attack. The Committee has asked the Investment Adviser to investigate how many BMS systems are connected to the internet, with a view to taking expert advice on the potential risk, and ways it can be mitigated.

The Committee was informed that the Company had received notification from the Financial Conduct Authority in the UK on 22 August 2014, and from the Central Bank of Ireland on 20 October 2014, that it was registered as a self-managed non-EEA Alternative Investment Fund (AIF), and would be able to market into the UK and the Republic of Ireland, respectively, for new issues of shares. At the time of writing, the Company is applying for a marketing licence for Sweden, so that it is authorised to do the same in that territory. The Committee was also notified that the Company is registered and ready to commence reporting as required by the newly adopted FATCA regime.

The Committee considers, at each meeting, various regulatory compliance reports from the Investment Adviser and from the Administrator. No significant action points or notable comments arose in respect of these regular reviews.

The Committee is committed to the continued development of stress scenario testing and the use of other risk management tools to supplement its current practice and the adoption of best practice. Further assurance work will also be considered as and when it is appropriate to do so.

Kicking Horse Canyon, Canada

Section 9: Audit Committee Report

The following pages set out the Committee's report on its activities in respect of the year ended 31 March 2015. I chair the Audit Committee which has been in operation throughout the year and operates within clearly defined terms of reference (available on the Company's website). It comprises all the Directors except for Mr G Picken, Chairman of the Board and it met four times in the year to 31 March 2015.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the valuation of the Group's investment portfolio, the system of internal controls, and the terms of appointment of the external auditors together with their remuneration. It is also the formal forum through which the external auditors report to the Board of Directors and meets at least twice yearly. The objectivity of the external 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.

We have reviewed the independence, objectivity and effectiveness of the Company's independent auditors and recommended to the Board that KPMG Channel Islands Limited be reappointed in respect of the coming financial year.

I or another member of the Audit Committee will continue to be available at each Annual General Meeting to respond to any questions from shareholders regarding our activities.

John Hallam
Audit Committee Chairman

20 May 2015

The main duties of the Audit Committee are:

- giving full consideration 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;
- reviewing and approving the external auditors' plan for the following financial year, including a review of appropriateness of proposed materiality levels;
- 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 expert are invited to attend the Audit Committee meetings at which the Annual and Interim Reports are considered and at which they have the opportunity to meet with the Audit Committee without representatives of the Investment Adviser being present. The Audit Committee has direct access to the external auditors and to key senior staff of the Investment Adviser and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company.

Significant Issues Considered

After discussions with both the Investment Adviser and the external auditors, the Audit Committee determined that the key risks of material misstatement of the Group's financial statements related to:

1. Valuation of investments – key forecast assumptions
2. Valuation of investments – valuation discount rates

Valuation of Investments

As outlined in Note 12 to the financial statements, the total carrying value of financial assets at fair value at 31 March 2015 was £1,709.7m. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements to be made as further explained in Note 3 and Note 4 to the financial statements.

The Audit Committee discussed the valuation process and methodology with the Investment Adviser in July 2014 and November 2014 as part of the review of the Interim Report and again in February 2015 and May 2015 as part of the review of the Annual Report and Accounts. The Investment Adviser carries out a valuation semi-annually and provides a detailed valuation report to the Company. The Audit Committee also receives a report and opinion on the half-year and year-end valuation from a third party valuation expert.

The Audit Committee met with the external auditors at the time at which the Audit Committee reviewed and agreed the external auditors' Group audit plan in February 2015 and also at the conclusion of the audit of the financial statements in May 2015 and in particular discussed the audit approach to the valuation.

Valuation of Investments – key forecast assumptions

The Audit Committee considered in detail those assumptions that are subject to judgement that have a material impact on the valuation. The key assumptions are considered to be future inflation rates, deposit interest rates and tax rates. These assumptions are set out and explained in Section 2.5 – Valuation of the Portfolio and Note 4 of the financial statements. In addition a more detailed cashflow analysis was undertaken for certain investments by the Investment Adviser. This review considered new data that was used to reforecast project cashflows across a number of investments, resulting in a net £21.6m increase in the value of the portfolio.

The Audit Committee reviewed the Investment Adviser's report, in conjunction with a report and opinion on the valuation from a third party valuation expert. The Investment Adviser confirmed to the Audit Committee that the valuation assumptions were consistent with those used for acquisitions and the third party valuation expert confirmed that the valuation assumptions were within a range of acceptable outcomes.

The Investment Adviser provided sensitivities showing the impact of changing these assumptions and these have been considered by the Audit Committee and the auditors. The auditors considered the judgements on these assumptions using their own expertise and experience and comparisons to observable market data. On the basis of their audit work there were no adjustments proposed.

The Audit Committee concluded that the Investment Adviser's valuation process was robust, a consistent valuation methodology had been applied throughout the year and that the key forecast assumptions applied were appropriate.

Valuation of Investments – Discount rates

The discount rates adopted to determine the valuation are selected and recommended by the Investment Adviser. The discount rate is applied to the expected future cash flows for each investment's financial forecasts derived adopting the assumptions explained above to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Investment Adviser is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The Investment Adviser sets out the discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate in Section 2.5 – Valuation of the Portfolio and Note 4 of the financial statements.

In particular, the Audit Committee considered in detail the two reductions of 0.2% (0.4% in total) in the reference discount rate applied at 31 March 2015 compared with that applied respectively in the 30 September 2014 and 31 March 2014 valuations. The Investment Adviser explained this was principally as a consequence of increased competition in the secondary market for social and transportation infrastructure assets, which had been seen during bidding and general market activity. This was also corroborated by the third party valuation expert.

The Audit Committee challenged the Investment Adviser on their material judgements and also compared this to feedback from the third party valuation expert. The Audit Committee was satisfied that the range of discount rates were appropriate for the valuation carried out by the Investment Adviser.

The auditors explained the results of their audit and that on the basis of their audit work there were no adjustments proposed that were material in the context of the financial statements as a whole.

Investment Entities Accounting Standard

The Audit Committee discussed the Investment Entities standard which the Company early adopted for the March 2014 financial statements and considered it appropriate to continue applying the standard for the March 2015 financial statements, consistent with prior year.

At the meeting of the International Accounting Standards Board ("IASB") in October 2014, Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014 – a revision to the existing standard that states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value.

This revision to the Investment Entities standard does not become effective to the Company until the financial year ending in March 2017. The potential impact on the Company's financial statements is unclear at this point, though it is not expected to impact either earnings or net assets materially. A further assessment is however required on which subsidiaries can be consolidated, if any, and whether financial information will require different presentation, including the use of pro-forma statements.

The Audit Committee debated the timing and potential impact of the application of the revised standard with the Investment Adviser and auditors. The Audit Committee concluded that the current application of the standard remains the clearest way to present the current financial performance and position of the Group to stakeholders and that potential changes as a result of the revised standard will not be effective until the financial year ending in March 2017.

Tender of the external audit

KPMG Channel Islands Limited ("KPMG") has been the external auditors for the HICL Group since the Company listed on the London Stock Exchange in March 2006. The lead audit director has changed once, in 2010, to Mr Stormonth, in accordance with audit director rotation arrangements.

During the year, the Audit Committee initiated and completed the process of tendering the external audit for the financial year ending March 2016. The intention to tender was first stated in the March 2014 Audit Committee Report and took into consideration best practice in light of the revisions to the 2012 UK Corporate Governance Code and the 2013 AIC Code of Corporate Governance.

Feedback on the proposed tender process was obtained from a number of major shareholders. The Audit Committee then issued a request for a proposal to four firms in November 2014 following a review by the Audit Committee to determine which firms to invite to tender.

Mr J Hallam, as Chair of the Audit Committee, and Mrs S Evans, together with representatives from the Investment Adviser, met in December 2014 with all four firms who were invited to tender. Proposals were submitted subsequently from three firms whilst the fourth firm decided to withdraw from the process.

Following an Audit Committee review of the submissions, the Committee members resolved to recommend the continuing appointment of KPMG as auditors, deeming this course of action to be in the best interests of shareholders, by virtue of the strength of the KPMG audit team and a lack of demonstrable differentiation shown by the challengers.

Assessment of the external auditors

The objectivity of the external auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors may be appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its effectiveness and the independence and objectivity of the external auditors, with particular regard to any non-audit work that the auditors may undertake. In order to safeguard auditors 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 auditors outside of these areas which are above £20,000 in aggregate in any year require the consent of the Audit Committee before being initiated. The external auditors 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 Audit Committee reviews the scope and results of the audit, its effectiveness and the independence and objectivity of the external auditors, with particular regard to the level of non-audit fees. Total fees paid amounted to £0.7m for the year ended 31 March 2015 (2014: £0.7m) of which £0.3m related to audit and audit related services to the Group, £0.3m related to the audit of the Group's project subsidiaries (which are paid to the UK associate of KPMG Channel Islands Limited) and other audit related services, and £0.1m was in respect of taxation advisory and non-audit services.

Notwithstanding such non-audit 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.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee considered:

- changes in audit personnel in the audit plan for the current year;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditors and its associates.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the Investment Adviser evaluating the performance of the audit team; and
- the Financial Reporting Council's annual report on audit quality inspections.

The Audit Committee is satisfied with KPMG's effectiveness and independence as auditors having considered the degree of diligence and professional scepticism demonstrated by them.

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the consolidated financial statements (the "financial statements") of HICL Infrastructure Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2015 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 European Union ("EU"). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of unlisted investments (£1,709.7m)

Refer to pages 75 to 77 of the Audit Committee Report, Note 2 accounting policies and Note 4 financial instruments

The Risk:

- 98% of the Group's total assets (by value) are held in investments where no quoted market price is available. The Group measures its investments in PFI/PPP/P3 projects at fair value. The valuations are performed using forecast cashflows generated by each project over a long-term period and by selecting key assumptions such as the discount rate and macroeconomic assumptions such as inflation, interest and tax rates. The Directors received a report and opinion on the Investment Advisor's valuation from an independent third party valuation expert. The estimates of long-term forecast cashflows and the selection of appropriate values for assumptions surrounding uncertain future events are key judgements made by the Directors. The risk is that inappropriate cash flow assumptions and the selection of inappropriate values for the key assumptions may result in a materially different valuation of the unlisted investments.

Our response:

- Our audit procedures with respect to the valuation of unlisted investments included, testing the Group's controls over the challenge and approval of the valuation process. We communicated directly with the project entities and asset managers for each investment to identify circumstances which may materially impact the underlying cash flow forecasts. On this basis, we critically assessed the reasonableness of the cash flow forecasts.

  We also challenged the key assumptions to the valuation using our own valuation specialists and performed benchmarking and sensitivity tests in relation to these assumptions. We evaluated the competency of the Group's external valuation expert in the context of their ability to generate a reliable estimate of the fair value, by assessing their professional qualifications, experience and independence from the Group. We also held discussions with the external valuation expert and considered whether their findings were consistent with the results of the audit work we had performed.

We considered the adequacy of the Group's disclosures in respect of the fair value of the unlisted investments, specifically the estimates and judgements taken by the Group in arriving at the fair value of the unlisted investments. We also considered the disclosure of the degree of sensitivity when a reasonably possible change in a key assumption could give rise to a change in the fair value of the unlisted investments.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgement in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £17 million. This has been calculated using a benchmark of the Group's gross assets (of which it represents approximately 1%) which we believe is the most appropriate benchmark as gross assets is considered to be one of the principal considerations for members of the Company in assessing the financial performance of the group.

In addition we applied a materiality of £1 million to interest and dividend income and fund expenses in the Consolidated Income Statement as we believe for these specific items misstatements of lesser amounts than the £17 million materiality as a whole could reasonably be expected to influence the economic decisions of the members of the Company in respect of these specific items.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.85 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single operating entity based on the aggregated set of financial information for the Group. The audit was performed using the materiality levels set out above and covered 100% of total Group revenue, Group profit before taxation and total Group assets.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on which we are required to report by exception

Under International Standards on Auditing [ISAs] (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

We have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is:

- fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required 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.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on Pages 59 to 66 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. 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 Directors' Responsibilities Statement set out on Page 55, 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 ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Steven D. Stormonth
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

20 May 2015

The maintenance and integrity of the HICL Infrastructure Company Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

for the year ended 31 March 2015

	Note	Year ended 31 March 2015 Total £million	Year ended 31 March 2014 Total £million
Investment income	5	243.0	169.3
Total income		243.0	169.3
Fund expenses	6	(20.4)	(19.6)
Profit before net finance costs and tax		222.6	149.7
Finance costs	7	(2.2)	(2.3)
Finance income	7	10.6	6.4
Profit before tax		231.0	153.8
Income tax expense	8	(0.2)	(0.2)
Profit for the year		230.8	153.6
Attributable to:			
Equity shareholders of the parent		230.8	153.6
		230.8	153.6
Earnings per share – basic and diluted (pence)	9	18.6	13.1

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 2015

	Note	31 March 2015 £million	31 March 2014 £million
Non-current assets			
Investments at fair value through profit or loss	*12*	1,709.7	1,495.5
Total non-current assets		1,709.7	1,495.5
Current assets			
Trade and other receivables		0.7	1.1
Other financial assets		1.9	0.8
Cash and cash equivalents		33.5	42.7
Total current assets		36.1	44.6
Total assets		1,745.8	1,540.1
Current liabilities			
Trade and other payables	*14*	(12.3)	(10.1)
Other current financial liabilities		(0.6)	(0.5)
Total current liabilities		(12.9)	(10.6)
Total liabilities		(12.9)	(10.6)
Net assets		1,732.9	1,529.5
Equity			
Ordinary Share capital	*16*	0.1	0.1
Share premium	*16*	1,194.2	1,110.0
Retained reserves		538.6	419.4
Total equity attributable to equity shareholders of the parent		1,732.9	1,529.5
Total equity		1,732.9	1,529.5
Net assets per Ordinary Share (pence)	*11*	136.7	126.7

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 20 May 2015, 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 2015

	Year ended 31 March 2015		
	Attributable to equity holders of the parent		
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*
Shareholders' equity at 1 April 2014	1,110.1	419.4	1,529.5
Profit for the year	–	230.8	230.8
Distributions paid to Company shareholders in cash	–	(102.5)	(102.5)
Distributions paid to Company shareholders by scrip issue	–	(9.1)	(9.1)
Total distributions paid to Company shareholders in the year	–	(111.6)	(111.6)
Ordinary Shares issued for cash	75.7	–	75.7
Ordinary Shares issued for scrip dividend	9.1	–	9.1
Total Ordinary Shares issued in the year	84.8	–	84.8
Costs of issue of Ordinary Shares	(0.6)	–	(0.6)
Shareholders' equity at 31 March 2015	1,194.3	538.6	1,732.9

	Year ended 31 March 2014		
	Attributable to equity holders of the parent		
	Share capital and share premium *£million*	**Retained reserves** *£million*	**Total shareholders' equity** *£million*
Shareholders' equity at 1 April 2013	992.5	342.2	1,334.7
Profit for the year	–	153.6	153.6
Distributions paid to Company shareholders in cash	–	(67.1)	(67.1)
Distributions paid to Company shareholders by scrip issue	–	(9.3)	(9.3)
Total distributions paid to Company shareholders in the year	–	(76.4)	(76.4)
Ordinary Shares issued for cash	109.0	–	109.0
Ordinary Shares issued for scrip dividend	9.3	–	9.3
Total Ordinary Shares issued in the year	118.3	–	118.3
Costs of issue of Ordinary Shares	(0.7)	–	(0.7)
Shareholders' equity at 31 March 2014	1,110.1	419.4	1,529.5

Consolidated Cash Flow Statement

for the year ended 31 March 2015

	Year ended 31 March 2015 £million	Year ended 31 March 2014 £million
Cash flows from operating activities		
Profit before tax	231.0	153.8
Adjustments for:		
Investment income	(243.0)	(169.3)
Finance costs	2.2	2.3
Finance income	(10.6)	(6.4)
Operator acquisition investment fees	1.1	2.3
Operating cash flow before changes in working capital	(19.3)	(17.3)
Changes in working capital:		
Decrease/(Increase) in receivables	0.4	(0.9)
Increase in payables	2.2	2.1
Cash flow from operations	(16.7)	(16.1)
Interest received on bank deposits	0.1	0.1
Interest paid	(1.6)	(1.1)
Corporation tax paid	(0.1)	(0.7)
Interest received on investments	75.2	70.7
Dividends received	30.9	28.3
Fees and other operating income	11.3	7.4
Loanstock repayments received	6.6	4.9
Net cash from operating activities	105.7	93.5
Cash flows from investing activities		
Proceeds from disposal of investments (including dividends received of £52.4m in respect of disposal of investment)	108.3	9.2
Purchases of investments	(204.1)	(251.2)
Net cash used in investing activities	(95.8)	(242.0)
Cash flows from financing activities		
Proceeds from issue of share capital	75.1	107.7
Loan drawdowns	207.7	89.6
Repayment of loan drawdowns	(207.7)	(118.0)
Distributions paid to Company shareholders	(102.5)	(67.1)
Net cash (used in)/from financing activities	(27.4)	12.2
Net decrease in cash and cash equivalents	(17.5)	(136.3)
Cash and cash equivalents at beginning of year	42.7	172.9
Exchange gains on cash	8.3	6.1
Cash and cash equivalents at end of year	33.5	42.7

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 2015 comprise the Company and its consolidated subsidiaries (see Note 21), together referred to as the "Consolidated Group" and together with its investments, the "Group".

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and the three essential criteria specific in the standard and therefore the Company continues to apply Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). In addition, certain subsidiaries provide specific investment management services and undertake investment activities that require the results of those subsidiaries to be consolidated in the Group financial statements.

The three essential criteria are that the entity must:

1. Obtain funds from one or more investors for the purpose of providing these investors with professional investment management services;
2. Commit to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and
3. Measure and evaluate the performance of substantially all of its investments on a fair value basis.

At 31 March 2014, Infrastructure Investments Holdings Limited was included in the Consolidated Group. The involvement of Infrastructure Investments Holdings Limited in bidding activities has changed since 31 March 2014 and hence it no longer provides investment related services and is no longer eligible for consolidation by the Company and therefore no longer forms part of the Consolidated Group, effective from 1 April 2014.

Following the meeting of the International Accounting Standards Board ("IASB") in October 2014, Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014. This is a revision to the Investment Entity Amendment currently applied by the Company and states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value and in effect could result in no subsidiaries being consolidated. The potential impact on the Company's financial statements is unclear at this point, although should HICL Infrastructure 1 SARL, HICL Infrastructure 2 SARL and Infrastructure Investments Limited Partnership no longer be consolidated by the Company, it is not expected to impact either earnings or net assets materially when the amendments become applicable to the Company's financial statements in the financial year ending 31 March 2017.

In accordance with section 244(5) of the Companies (Guernsey) Law, 2008, as the Directors have prepared consolidated financial statements for the period, they have not prepared individual statements for the Company in accordance with section 243 for the period.

2. Key accounting policies

(a) Basis of preparation

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 May 2015.

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 financial instruments classified at fair value through profit or loss are stated at their fair values. The accounting policies have been applied consistently in these consolidated financial statements. 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 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.

The Consolidated Group's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2.2 and 2.3 on pages 10 to 18. The financial position of the Consolidated Group, its cash flows, liquidity position and borrowing facilities are described in Sections 2.4 and 2.5 on pages 18 to 26. In addition, Notes 1 to 4 of the financial statements include the Consolidated 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.

2. Key Accounting Policies *(continued)*

(a) Basis of preparation *(continued)*

The Consolidated Group has considerable financial resources together with long – term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Consolidated Group. As a consequence, the Directors believe that the Consolidated Group is well placed to manage its business risks successfully.

The Directors believe that the Consolidated 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.

New standards effective for the current year

The Consolidated Group early adopted IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), IFRS 11 and IFRS 12 in its financial statements as at and for the year to 31 March 2014, all of which have been applied again consistently in the current year.

Standards not yet applied

The Consolidated Group notes the following amended and improved published standards and interpretations which were in issue at the date of authorisation of these Financial Statements:

- Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) (effective for annual periods beginning on or after 1 January 2016) (see also Note 1)
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

(b) Basis of consolidation

In these consolidated financial statements the Company applied IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other entities'. The IASB has also issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) which requires entities that meet the definition of an investment entity to fair value relevant subsidiaries through the profit or loss rather than consolidate their results. The Company has adopted the Investment Entities amendment such that those entities that provide investment related services or activities to the Company continue to be consolidated, consistent with the prior year.

The consolidated financial statements of the Consolidated Group include the financial statements of the Company and its subsidiaries, except those required to be held at fair value, up to 31 March 2015. Subsidiaries are those entities controlled by the Company. The Company has control of an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee as defined in IFRS 10 'Consolidated Financial Statements'. The financial statements of subsidiaries, except those held at fair value, are included in the consolidated financial statements on a line by line basis from the date that control commences until the date control ceases.

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, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit or loss.

Intra-Consolidated Group receivables, liabilities, revenue and expenses are eliminated in their entirety when preparing the consolidated financial statements. Gains that arise from intra-Consolidated 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-Consolidated 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) Financial instruments

Financial assets and liabilities are recognised on the Consolidated Group's balance sheet when the Consolidated Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the contractual rights to the cash flows from the instrument expire or the asset or liability 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, 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 hereafter.

2. Key Accounting Policies *(continued)*

(c) Financial instruments *(continued)*

Investments in equity and debt securities

Investments in the equity and loanstock of entities engaged in infrastructure activities which are not classified as subsidiaries of the Consolidated Group or which are subsidiaries not consolidated in 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 consolidated income statement.

Loans and borrowings

Loans and 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 consolidated 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 Consolidated Group holds derivative financial instruments to mitigate its foreign currency risk exposure. 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 consolidated income statement as part of finance costs or finance income. Fair value is based on price quotations from financial institutions active in the relevant market. The Consolidated Group does not use hedge accounting.

(iii) Fair values

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 relevant long term government bond yields, 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 financial asset's or financial liability's carrying amount.

(d) Share capital and share premium

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

(e) 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. Cash equivalents, including demand deposits, are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Revenue

Interest income is recognised in the consolidated income statement as it accrues on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated on acquisition or origination date.

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

Fees and other operating income are recognised when the Consolidated Group's rights to receive payment have been established. Gains on investments relates solely to the investments held at fair value.

(g) Income tax

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. 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.

2. Key Accounting Policies *(continued)*

(h) Foreign exchange gains and losses

Transactions entered into by the Consolidated Group in a currency other than its 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.

(i) Segmental and geographical reporting

The Chief Operating Decision Maker (the "CODM") is of the opinion that the Consolidated 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 Consolidate Group derives revenue materially from the United Kingdom but none from Guernsey. The Consolidated Group has no single major customer.

The financial information used by the CODM to allocate resources and manage the Consolidated Group presents the business as a single segment comprising a homogeneous portfolio.

(j) Expenses

All expenses, including the profit share of the General Partner of Infrastructure Investments Limited Partnership (refer to Note 17), are accounted for on an accruals basis. The Consolidated Group's investment management and administration fees, finance costs and all other expenses are charged through the consolidated income statement.

(k) Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the Annual General Meeting. 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.

(l) 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.

(m) 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.

Following formal implementation of the Alternative Investment Fund Managers Directive ("AIFMD"), the Company took advantage of the transitional provisions which extended the deadline for authorisation or registration until 22 July 2014. The Company is regarded as an Alternative Investment Fund ("AIF"), and the Company registered as a self-managed AIF in July 2014.

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.

Investments at fair value through profit or loss

By virtue of the Company's status as an investment fund and the exemption provided by IAS 28 and IFRS 11 as well as the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), investments 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 relevant long term government bond yields, 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 weighted average discount rate applied in the March 2015 valuation was 7.9% (2014: 8.2%). The discount rate is considered one of the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the investments at fair value through profit or loss.

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

The other material impacts on the measurement of fair value are inflation rates, deposit rates and tax rates which are further discussed in Note 4 and include sensitivities to these key judgements.

4. Financial instruments

Fair value estimation

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

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 relevant long term government bond yields, the specific risks of each investment and the evidence of recent transactions.

Note 2 discloses the methods used in determining fair values on a specific asset or 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 2015 *£million*	31 March 2014 *£million*
Financial assets		
Investments designated at fair value through profit or loss	1,709.7	1,495.5
At fair value through profit or loss		
Other financial assets (fair value of derivatives)	1.9	0.8
Financial assets at fair value through profit or loss	1,711.6	1,496.3
Trade and other receivables	0.7	1.1
Cash and cash equivalents	33.5	42.7
Financial assets – loans and receivables	34.2	43.8
Financial liabilities		
At fair value through profit or loss		
Other financial liabilities (fair value of derivatives)	(0.6)	(0.5)
Financial liabilities at fair value through profit or loss	(0.6)	(0.5)
Trade and other payables	(12.3)	(10.1)
Other financial liabilities	(12.3)	(10.1)

The Directors believe that the carrying values of all financial instruments are equal to their fair values.

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)*

	As at 31 March 2015			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 12)	–	–	1,709.7	1,709.7
Other financial assets (fair value of derivatives)	–	1.9	–	1.9
	–	1.9	1,709.7	1,711.6
Other financial liabilities (fair value of derivatives)	–	(0.6)	–	(0.6)
	–	(0.6)	–	(0.6)

	As at 31 March 2014			
	Level 1 *£million*	**Level 2** *£million*	**Level 3** *£million*	**Total** *£million*
Investments at fair value through profit or loss (Note 12)	–	–	1,495.5	1,495.5
Other financial assets (fair value of derivatives)	–	0.8	–	0.8
	–	0.8	1,495.5	1,496.3
Other financial liabilities (fair value of derivatives)	–	(0.5)	–	(0.5)
	–	(0.5)	–	(0.5)

There were no transfers between Level 1, 2 or 3 during the year.

Level 2

Valuation methodology

The Directors have satisfied themselves as to the methodology used for the valuation of Level 2 financial assets and liabilities. All financial assets and liabilities are valued using a discounted cashflow methodology, consistent with the prior period. The key inputs to this methodology are foreign currency exchange rates and foreign currency forward curves. Fair value is based on price quotations from financial institutions active in the relevant market.

Valuations are performed on a 6 monthly basis every September and March for all financial assets and liabilities.

Level 3

Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with those used in the prior period. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a 6 monthly basis every September and March for all investments.

For the valuation of investments, the Directors have also obtained an independent opinion from a third party with experience in valuing these type of investments, supporting the reasonableness of the valuation.

Investments – The key valuation assumptions and sensitivities for the valuation are:

Discount rates

Judgement is used in arriving at the appropriate discount rate for each investment based on the Investment Adviser's knowledge of the market, taking into account intelligence gained from bidding activities, discussions with financial advisers knowledgeable of these markets and publicly available information on relevant transactions.

The discount rates used for valuing each infrastructure investment can be considered as the appropriate long-dated government bond yield and a risk premium. The risk premium varies on a project-by-project basis and 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.

4. Financial Instruments *(continued)*

The discount rates. used for valuing the projects in the portfolio are as follows:

Period ending	Range	Weighted average
31 March 2014	7.8% to 11.0%	8.2%
30 September 2014	7.6% to 11.0%	8.0%
31 March 2015	**7.4% to 10.5%**	**7.9%**

A change to the weighted average rate of 7.9% by plus or minus 0.5% has the following effect on the valuation.

Discount rate	-0.5% change	Total portfolio value	+0.5% change
Directors' valuation	**+£85.8m**	**£1,709.7m**	**-£79.4m**
Implied change in Net Asset Value per Ordinary Share [1]	**+6.8 pence**		**-6.3 pence**

1. Net Asset Value per Ordinary Share based on 1,268 million Ordinary Shares at 31 March 2015

Inflation rates

All 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 long term UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as used at 30 September 2014 and 31 March 2014. For non-UK investments, long term CPI of 2.0% per annum is used for Holland, Ireland, Canada and France – the same assumption as used at 30 September 2014 and 31 March 2014 – and 2.5% for Australia – the same assumption as used at 30 September 2014. The near term inflation assumption to March 2017 in the Eurozone is 0.0% per annum.

A change to the inflation rate by plus or minus 0.5% has the following effect on the valuation:

Inflation assumption [1]	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	**-£52.9m**	**£1,709.7m**	**+£57.6m**
Implied change in Net Asset Value per Ordinary Share [2]	**-4.2 pence**		**+4.5 pence**

1. Analysis is based on the Consolidated Group's 20 largest investments, pro-rata for the whole portfolio

2. Net Asset Value per Ordinary Share based on 1,268 million Ordinary Shares at 31 March 2015

Deposit rates

Each PFI/PPP/P3 project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 31 March 2015 cash deposits for the portfolio were earning interest at a rate of 0.4% per annum on average.

The March 2015 portfolio valuation assumes UK deposit interest rates are 1% p.a. to March 2019 and 3.0% p.a. thereafter, changed from September 2014 and March 2014 when the assumption was 1% p.a. to March 2018 and 3.5% p.a. thereafter.

Each project's interest costs are either inflation-linked or fixed rate. This is achieved through fixed rate or inflation-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 required as part of the project funding.

4. Financial Instruments *(continued)*

A change to the deposit rate by plus or minus 0.5% has the following effect on the valuation:

Cash deposit rate Base case is 1.0% p.a. til March 2019, then 3.0% p.a.	-0.5% p.a. change	Total portfolio value	+0.5% p.a. change
Directors' valuation	**-£19.8m**	**£1,709.7m**	**+£19.4m**
Implied change in Net Asset Value per Ordinary Share [1, 2]	**-1.6 pence**		**+1.5 pence**

1. *This analysis is based on the Consolidated Group's 20 largest investments, pro-rata for the whole portfolio*
2. *Net Asset Value per Ordinary Share based on 1,268 million Ordinary Shares at 31 March 2015*

Tax rates

The profits of each UK PFI project company are subject to UK corporation tax. On 1 April 2014 the prevailing rate of corporation tax fell from 23% to 21%. The Finance Act 2013 enacted a further reduction of 1% to 20% effective from 1 April 2015. The UK corporation tax assumption for the portfolio valuation at 31 March 2015 was 20% for all future periods – the same assumption as used at 30 September 2014 and changed from March 2014 when it was 21%.

A change to the tax rate by plus or minus 1.0% has the following effect on the valuation:

Tax rate assumption [1]	-1% p.a. change	Total portfolio value	+1% p.a. change
Directors' valuation	**+£11.0m**	**£1,709.7m**	**-£11.0m**
Implied change in Net Asset Value per Ordinary Share [2]	**+0.9 pence**		**-0.9 pence**

1. *This analysis is based on the Consolidated Group's 20 largest investments, pro-rata for the whole portfolio*
2. *Net Asset Value per Ordinary Share based on 1,268 million Ordinary Shares at 31 March 2015*

Risk management

Market risk

Returns from the Consolidated 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.

Financial risk management

The objective of the Consolidated 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 which has documented procedures designed to identify, monitor and manage the financial risks to which the Consolidated Group is exposed. This Note presents information about the Consolidated Group's exposure to financial risks, its objectives, policies and processes for managing risk and the Consolidated Group's management of its financial resources.

The Consolidated Group owns a portfolio of investments predominantly in the subordinated loanstock and 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 Consolidated 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 Consolidated 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.

4. Financial Instruments *(continued)*

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

The Consolidated 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.

Inflation risk

The Consolidated 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 Consolidated Group's overall cashflows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Consolidated 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 to inflation is shown in Note 4.

Currency risk

The projects in which the Consolidated Group invests, all conduct their business in the United Kingdom and pay loan interest, loan principal, dividends and fees in sterling other than its investments in France, Holland and Ireland (comprising 6% (2014: 6%) of the portfolio by value), which conduct their business and pay their loan interest, loan principal, dividends and fees in Euros, its investments in Canada (comprising 1% (2014: 2%) of the portfolio by value), which conduct their business and pay loan interest, loan principal, dividends and fees in Canadian dollars and its investment in Australia (comprising 4% of the portfolio by value), which conduct its business and pays loan interest, loan principal, dividends and fees in Australian dollars.

The Consolidated 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 Consolidated Group expects to receive 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 dollar, Australian dollar and other currency denominated borrowings. The Consolidated Group at 31 March 2015 hedged its currency exposure through Euro, Canadian dollar and Australian dollar forward contracts. This has minimised the volatility in the Net Asset Value from foreign exchange movements.

The hedging policy is designed to provide confidence in the near term yield and to limit Net Asset Value per share sensitivity to no more than 1% for a 10% foreign exchange movement.

Credit risk

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

The Consolidated Group's key direct counterparties are the project companies in which it makes investments. The Consolidated Group's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying to the cash flow forecasts 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 Consolidated Group's investment and subsidiary entities receive revenue from government departments, and public sector or local authority clients. Therefore a significant portion of the Consolidated Group's investments' revenue is with counterparties of good financial standing.

The Consolidated Group is also reliant on each 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.

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 Consolidated Group's largest credit risk exposure to a project at 31 March 2015 was to the Pinderfields & Pontefract Hospitals project (6% of portfolio by value) and the largest subcontractor counterparty risk exposure was to subsidiaries of the Carillion group which provided facilities management services in respect of 17% of the portfolio by value.

4. Financial Instruments *(continued)*

Credit risk (continued)

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 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 Consolidated Group's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

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 Consolidated Group will not be able to meet its financial obligations as these fall due. The Consolidated 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 Consolidated 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 Consolidated Group investments are predominantly funded by share capital and medium term debt funding.

The Consolidated 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 Consolidated Group's investments have third party borrowings which rank senior to the Consolidated 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 Consolidated Group.

The Consolidated 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 Consolidated Group's bankers in favour of the senior lenders to the investment companies. Such subscription obligations are met from the Consolidated Group's cash resources when they fall due. Such obligations totalled £22.5 million (2014: £5.1 million) and the Consolidated Group also has a contingent commitment of €16.8 million at the year end (Note 18).

Unconsolidated subsidiaries are subject to contractual agreements that may impose temporary restrictions on their ability to distribute cash. Such restrictions are not deemed significant in the context of the Consolidated Group's overall liquidity.

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 2015	Less than 1 year *£million*	Between 1 and 2 years *£million*	Between 2 and 5 years *£million*	More than 5 years *£million*
Trade and other payables	12.3	–	–	–
Other financial liabilities	0.6	–	–	–
Total	12.9	–	–	–

31 March 2014	Less than 1 year *£million*	Between 1 and 2 years *£million*	Between 2 and 5 years *£million*	More than 5 years *£million*
Trade and other payables	10.1	–	–	–
Other financial liabilities	0.5	–	–	–
Total	10.6	–	–	–

4. Financial Instruments *(continued)*

Capital management

The Consolidated Group has a £150 million revolving acquisition facility which had no cash drawings 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.

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

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

	31 March 2015 *£million*	31 March 2014 *£million*
Outstanding drawings		
Bank borrowings	–	–
Letter of credit facility	22.5	5.1
	22.5	5.1
Adjusted Gross Asset Value		
Portfolio valuation (Note 12)	1,732.2	1,500.6
Cash and cash equivalents	33.5	42.7
	1,765.7	1,543.3
Borrowing ratio	1.3%	0.3%

From time to time the Company issues its own shares to the market, the timing of these issuances 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 Consolidated Group's approach to capital management during the year.

5. Investment income

	For year ended 31 March 2015 *Total* *£million*	For year ended 31 March 2014 *Total* *£million*
Interest from investments	74.4	60.2
Dividend income from investments	79.4	22.2
Fees and other operating income	11.8	7.4
Gains on investments (Note 12)	77.4	79.5
	243.0	169.3

Dividend income from investments includes a gain on disposal of £50.6 million (Note 13). Included within the gains on investments is an unrealised exchange loss of £17.7 million on the Consolidated Group's Euro, Australian and Canadian investments (2014: £6.7 million loss). This loss is partly offset by a foreign exchange hedging gain of £10.5 million (2014: £6.3 million gain) – see Note 7.

The following exchange rates were used at the year-end:

	31 March 2015	31 March 2014
Euro	0.72	0.83
Canadian Dollar	0.53	0.54
Australian Dollar	0.51	n/a

6. Fund Expenses

	For year ended 31 March 2015 Total £million	For year ended 31 March 2014 Total £million
Fees payable to the Consolidated Group's auditors for the audit of the Consolidated Group accounts	0.2	0.2
Fees payable to the Consolidated Group's auditors and its associates for other services:		
Audit-related assurance services	0.1	0.1
Operator fees (Note 17)	16.9	14.9
Investment fees (Note 17)	1.2	2.3
Directors' fees (Note 17)	0.3	0.2
Project bid costs	0.5	0.7
Professional fees	1.1	1.0
Other costs	0.1	0.2
	20.4	19.6

In addition to the above an amount of £0.8 million (2014: £0.6 million) was paid by project companies to associates of the Consolidated Group's auditors in respect of audit and tax services provided to project companies (and therefore not included within consolidated fund expenses) of which £0.3 million (2014: £0.3 million) related to the audit of the Group's project subsidiaries.

The Consolidated Group had no employees during the year.

7. Net finance income

	For year ended 31 March 2015 Total £million	For year ended 31 March 2014 Total £million
Interest on bank loans	(0.5)	(0.2)
Other finance costs	(1.7)	(2.1)
Total finance costs	(2.2)	(2.3)
Interest on bank deposits	0.1	0.1
Foreign exchange gain	10.5	6.3
Total finance income	10.6	6.4
Net finance income	8.4	4.1

8. Income tax

Guernsey

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.

Overseas tax jurisdictions

The income tax expense in the Consolidated income statement relates to the tax charge for the three subsidiaries of the Company which form the Consolidated Group, of which two are subject to taxes in Luxembourg and one in the UK.

The Consolidated financial statements do not include the tax charges for any of the Consolidated Group's 101 (2014: 93) investments as these are held at fair value. All of these investments are subject to taxes in the countries in which they operate.

9. 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.

	2015	2014
Profit attributable to equity holders of the Company	£230.8 million	£153.6 million
Weighted average number of Ordinary Shares in issue	1,243.5 million	1,170.4 million
Basic and diluted earnings per Ordinary Share	18.6 pence	13.1 pence

Further details of shares issued in the year are set out in Note 16.

10. Dividends

	For year ended 31 March 2015 *Total £million*	For year ended 31 March 2014 *Total £million*
Amounts recognised as distributions to equity holders during the year:		
Second interim dividend for the year ended 31 March 2014 of 3.6p (2013: 3.575p) per share	43.5	34.9
First quarterly interim dividend for the year ended 31 March 2015 of 1.81p per share (2014 semi-annual: 3.5p)	22.6	41.5
Second quarterly interim dividend for the year ended 31 March 2015 of 1.81p per share	22.6	–
Third quarterly interim dividend for the year ended 31 March 2015 of 1.81p per share	22.9	–
	111.6	**76.4**
Amounts not recognised as distributions to equity holders during the year:		
Fourth quarterly interim dividend for the year ended 31 March 2015 of 1.87p (2014 semi-annual: 3.6p) per share	23.7	43.5

In the year the Company changed from semi-annual to quarterly dividends with the first quarterly dividend paid on 30 September 2014 for the quarter ending June 2014.

The fourth quarterly interim dividend was approved by the Board on 14 May 2015 and is payable on 30 June 2015 to shareholders on the register as at 29 May 2015. The fourth quarterly interim dividend is payable to shareholders as a cash payment or alternatively as a scrip dividend. The fourth quarterly interim dividend has not been included as a liability at 31 March 2015.

The 2014 second interim dividend of 3.6p and the first three 2015 quarterly interim dividends of 1.81p each are included in the consolidated statement of changes in shareholder equity.

	Year ending 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2010
Interim dividend for the 3 month period ending 30 June	1.81p					
Interim dividend for the 3 month period ending 30 September	1.81p					
Interim dividend for the 3 month period ending 31 December	1.81p					
Interim dividend for the 3 month period ending 31 March	1.87p					
Interim dividend for the 6 month period ending 30 September		3.5p	3.425p	3.35p	3.275p	3.2p
Interim dividend for the 6 month period ending 31 March		3.6p	3.575p	3.5p	3.425p	3.35p
	7.3p	7.1p	7.0p	6.85p	6.7p	6.55p

11. Net assets per Ordinary Share

	2015 £million	2014 £million
Shareholders' equity at 31 March	1,732.9	1,529.5
Less: fourth interim dividend (2014: second interim dividend)	(23.7)	(43.5)
	1,709.2	**1,486.0**
Number of shares at 31 March (million)	**1,267.7**	**1,207.4**
Net assets per share after deducting fourth interim dividend (2014: second interim dividend)	**134.8p**	**123.1p**
Add fourth interim dividend (2014: second interim dividend)	**1.87p**	**3.6p**
Net assets per Ordinary Share at 31 March	**136.7p**	**126.7p**

12. Investments at fair value through profit or loss

	2015 £million	2014 £million
Opening balance	1,495.5	1,200.4
Investments in the year	203.3	234.1
Disposals in the year	(57.7)	(9.4)
Accrued interest	5.8	(2.3)
Repayments in the year	(18.0)	(23.9)
Subscription obligations	–	12.7
Gains on valuation	78.5	80.7
Other movements	2.3	3.2
Carrying amount at year end	1,709.7	1,495.5
This is represented by:		
Less than one year	–	–
Greater than one year	1,709.7	1,495.5
Carrying amount at year end	1,709.7	1,495.5
Gains on valuation as above	78.5	80.7
Less: transaction costs incurred	(1.1)	(1.2)
Gains on investments (Note 5)	77.4	79.5

The gains on investment have been included in Investment income presented in the consolidated income statement.

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2015. 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 experience in valuing these types 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 7.4% to 10.5% (weighted average of 7.9%) (2014: 7.8% to 11.0% (weighted average of 8.2%)).

12. 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%
Eurozone inflation rates	0.0% to March 2017 and 2.0% thereafter
Australia inflation rate	2.5%
Canada inflation rate	2.0%
UK deposit interest rates	1% to March 2019 and 3.0% thereafter
UK corporation tax rate	20%
Euro/Sterling exchange rate	0.72 for all future periods
Aus$/Sterling exchange rate	0.51 for all future periods
Can$/Sterling exchange rate	0.53 for all future periods

The economic assumptions for the year ended 31 March 2014 were as follows:

UK inflation rates	2.75%
Holland, Ireland and Canada long term inflation rates	2.0%
UK deposit interest rates	1% to March 2018 and 3.5% thereafter
UK corporation tax rate	21%
Euro/Sterling exchange rate	0.83 for all future periods
Can$/Sterling exchange rate	0.54 for all future periods

The valuation of the Consolidated Group's portfolio at 31 March 2015 reconciles to the Consolidated balance sheet as follows:

	31 March 2015 *£million*	**31 March 2014** *£million*
Portfolio valuation	1,732.2	1,500.6
Less: future commitments	(22.5)	(5.1)
Investments per Consolidated balance sheet	1,709.7	1,495.5

Investments are generally restricted on their ability to transfer funds to the Consolidated 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.

12. Investments at fair value through profit or loss *(continued)*

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

	Percentage Holding					
	31 March 2015			31 March 2014		
Investments (project name)	**Equity**	**Subordinated debt**	**Mezzanine debt**	**Equity**	**Subordinated debt**	**Mezzanine debt**
A249 Road	50.00%	50.00%		50.00%	50.00%	
A92 Road	50.00%	50.00%		50.00%	50.00%	
Addiewell Prison	33.30%	33.30%		33.30%	33.30%	
Allenby & Connaught PFI Project	12.50%	12.50%		12.50%	12.50%	
AquaSure Desalination [6]	9.30%	–		–	–	
Barking and Dagenham Schools [1]	100.00%	100.00%		85.00%	100.00%	
Barnet Hospital [1]	100.00%	100.00%		100.00%	100.00%	
Birmingham and Solihull LIFT	60.00%	60.00%		30.00%	44.00%	
Birmingham Hospitals	30.00%	30.00%		30.00%	30.00%	
Bishop Auckland Hospital	36.00%	37.00%	100.00%	36.00%	37.00%	100.00%
Blackburn Hospital [1]	100.00%	100.00%		100.00%	100.00%	
Blackpool Primary Care Facility	75.00%	75.00%		75.00%	75.00%	
Boldon School [1]	100.00%	100.00%		100.00%	100.00%	
Bradford BSF Phase 1	29.20%	35.00%		–	–	
Bradford BSF Phase 2	34.00%	34.00%		34.00%	34.00%	
Brentwood Community Hospital	75.00%	75.00%		75.00%	75.00%	
Brighton Hospital	50.00%	50.00%		50.00%	50.00%	
Central Middlesex Hospital [1]	100.00%	100.00%		100.00%	100.00%	
Colchester Garrison [7]	–	–		56.00%	56.00%	
Connect PFI	33.50%	33.50%		33.50%	33.50%	
Conwy Schools [1]	90.00%	90.00%		90.00%	90.00%	
Cork School of Music [2]	50.00%	50.00%		50.00%	50.00%	
Croydon Schools [1]	100.00%	100.00%		100.00%	100.00%	
Darlington Schools	50.00%	50.00%		50.00%	50.00%	
Defence Sixth Form College	45.00%	45.00%		45.00%	45.00%	
Derby Schools [1]	100.00%	100.00%		100.00%	100.00%	
Doncaster Mental Health	50.00%	50.00%		50.00%	50.00%	
Dorset Fire and Rescue [1]	100.00%	100.00%		100.00%	100.00%	
Durham and Cleveland Police Tactical Training Centre [1]	72.90%	72.90%		72.90%	72.90%	
Dutch High Speed Rail Link [3]	43.00%	43.00%		43.00%	43.00%	
Ealing Care Homes	84.00%	84.00%		84.00%	84.00%	
Ealing Schools	50.00%	50.00%		50.00%	50.00%	
Ecole Centrale Supelec [5]	85.00%	85.00%		–	–	
Edinburgh Schools [1]	100.00%	100.00%		100.00%	100.00%	
Exeter Crown Court [1]	100.00%	100.00%		100.00%	100.00%	
Falkirk NPD Schools	29.10%	29.10%		29.10%	29.10%	
Fife Schools 2 PPP	30.00%	30.00%		30.00%	30.00%	
Fife Schools [8]	50.00%	50.00%	100.00%	50.00%	50.00%	100.00%
Glasgow Hospital	25.00%	25.00%		25.00%	25.00%	
Gloucestershire Fire and Rescue	75.00%	75.00%		75.00%	75.00%	
Greater Manchester Police Authority [1]	72.90%	72.90%		72.90%	72.90%	
Haverstock School	50.00%	50.00%		50.00%	50.00%	
Health and Safety Executive (HSE) Merseyside Headquarters	50.00%	50.00%		50.00%	50.00%	
Health and Safety Laboratory	80.00%	90.00%		80.00%	90.00%	
Helicopter Training Facility – AssetCo [1]	86.60%	7.20%		86.60%	7.20%	
Helicopter Training Facility – OpCo	23.50%	74.10%		23.50%	74.10%	
Highland Schools [1]	100.00%	100.00%		100.00%	100.00%	
Home Office Headquarters [1]	100.00%	100.00%		100.00%	100.00%	
Irish Grouped Schools [2]	50.00%	50.00%		50.00%	50.00%	
Kent Schools PFI	50.00%	50.00%		50.00%	50.00%	
Kicking Horse Canyon Transit P3 [4]	50.00%	–		50.00%	–	

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

	Percentage Holding					
	31 March 2015			31 March 2014		
Investments (project name)	**Equity**	**Subordinated debt**	**Mezzanine debt**	**Equity**	**Subordinated debt**	**Mezzanine debt**
Lewisham Hospital [1]	100.00%	100.00%		100.00%	100.00%	
M80 DBFO	50.00%	50.00%		50.00%	50.00%	
Manchester School	50.00%	50.00%		50.00%	50.00%	
Medway LIFT	60.00%	60.00%		60.00%	60.00%	
Medway Police [1]	100.00%	100.00%		100.00%	100.00%	
Metropolitan Police Specialist Training Centre [1]	72.90%	72.90%		72.90%	72.90%	
Miles Platting Social Housing	50.00%	33.30%		33.30%	33.30%	
Newcastle Libraries	50.00%	50.00%		50.00%	50.00%	
Newham BSF	80.00%	80.00%		–	–	
Newport Schools [1]	100.00%	100.00%		100.00%	100.00%	
Newton Abbot Hospital [1]	100.00%	100.00%		100.00%	100.00%	
North Tyneside Schools	50.00%	50.00%		50.00%	50.00%	
Northwest Anthony Henday Ring Road P3 [4]	50.00%	50.00%		50.00%	50.00%	
Northwood MoD HQ	50.00%	50.00%		50.00%	50.00%	
Norwich Area Schools PFI Project	75.00%	75.00%		75.00%	75.00%	
Nuffield Hospital	25.00%	25.00%		25.00%	25.00%	
N17/N18 Road [2]	10.00%	–		–	–	
Oldham Library [1]	90.00%	90.00%		50.00%	50.00%	
Oldham Secondary Schools PFI Project	75.00%	75.00%		75.00%	75.00%	
Oxford Churchill Oncology	40.00%	40.00%		40.00%	40.00%	
Oxford John Radcliffe PFI Hospital [1]	100.00%	100.00%		100.00%	100.00%	
PSBP (North East Batch Schools)	45.00%	45.00%		–	–	
Perth and Kinross Schools [1]	100.00%	100.00%		100.00%	100.00%	
Pinderfields and Pontefract Hospitals [1]	100.00%	100.00%		50.00%	50.00%	
Queen Alexandra Hospital Portsmouth [1]	100.00%	100.00%		100.00%	100.00%	
Queen's (Romford) PFI Hospital	66.70%	66.70%		66.70%	66.70%	
RD901 Road, France [5]	90.00%	–		90.00%	–	
Redbridge & Waltham Forest LIFT	60.00%	60.00%		60.00%	60.00%	
Renfrewshire Schools	30.00%	30.00%		30.00%	30.00%	
Rhonnda Cynon Taf Schools [1]	100.00%	100.00%		100.00%	100.00%	
Royal School of Military Engineering PPP Project	26.00%	32.10%		26.00%	32.10%	
Salford Hospital	50.00%	50.00%		50.00%	50.00%	
Salford & Wigan Phase 1 BSF [9]	40.00%	40.00%		–	–	
Salford & Wigan Phase 2 BSF [9]	40.00%	40.00%		–	–	
Sheffield BSF	59.00%	59.00%		40.00%	40.00%	
Sheffield Hospital	75.00%	75.00%		75.00%	75.00%	
Sheffield Schools	37.50%	37.50%		37.50%	37.50%	
South Ayrshire Schools [1]	100.00%	100.00%		100.00%	100.00%	
South East London Police Stations	50.00%	50.00%		50.00%	50.00%	
South West Hospital, Enniskillen	39.00%	39.00%		39.00%	39.00%	
Staffordshire LIFT	60.00%	60.00%		30.00%	44.00%	
Stoke Mandeville Hospital [1]	100.00%	100.00%		100.00%	100.00%	
Sussex Custodial Services [1]	100.00%	100.00%		100.00%	100.00%	
Tameside General Hospital	50.00%	50.00%		50.00%	50.00%	
Tyne and Wear Fire Stations [1]	100.00%	–		100.00%	–	
University of Bourgogne, France [5]	85.00%	–		85.00%	–	
University of Sheffield	50.00%	50.00%		50.00%	50.00%	
West Lothian Schools	75.00%	75.00%		75.00%	75.00%	
West Middlesex Hospital [1]	100.00%	100.00%		100.00%	100.00%	
Willesden Hospital [1]	100.00%	100.00%		50.00%	50.00%	
Wooldale Centre for Learning	50.00%	50.00%		50.00%	50.00%	
Zaanstad Prison [3]	75.0%	–		–	–	

12. Investments at fair value through profit or loss *(continued)*

1. The project is a subsidiary that has not been consolidated.
2. The project is located in Ireland.
3. The project is located in the Netherlands.
4. The project is located in Canada.
5. The project is located in France.
6. The project is located in Australia.
7. The investment was sold in January 2015 (see Note 13).
8. The investment was sold in April 2015 (see Note 19).
9. A further 40% equity and loan interest was acquired in April 2015, see Note 19

13. Investments – acquisitions and disposals

The Group announced the following acquisitions and disposals for the year ending 31 March 2015:

Acquisitions

- In May 2014 the Group acquired 10% interest in the N17/N18 Gort to Tuam PPP Scheme (the "N17/N18 Project"). The financial commitment to the N17/N18 Project comprises an obligation to subscribe for 10% of shareholder loans at the end of the construction works and a conditional commitment to acquire a further 32% interest, expected in 2019.
- The Group also acquired in May 2014 a further 16.7% equity interest in the Miles Platting Social Housing PFI Project taking the total interest to 50%.

The total investment for the initial 10% interest in the N17/N18 Project and the additional 16.7% interest in the Miles Platting Social Housing Project was approximately £5.1 million.

- In May 2014 the Group acquired a 5.85% equity interest in the AquaSure Desalination PPP Project, a desalination project in Victoria, Australia, for a consideration of Australian $84.5 million (£47.0 million).
- In May 2014 the Group acquired a 29.2% equity and 35% loan note interest in the Bradford Schools BSF (Phase I) project for a consideration of £6.5 million.
- In September 2014 the Group acquired a further 19% equity and loan interest in the Sheffield BSF Schools project – which took the Group's ownership to 59% – for a consideration of £3.2 million.
- In September 2014 the Group acquired a further 40% equity and loan interest in the Oldham Library PFI Project for a consideration of £1.9 million in conjunction with an existing joint venture partner, Kajima Partnerships Limited. The Company and Kajima Partnerships Limited have established a new joint venture holding company, Redwood Partnership Ventures 3 Limited ("Redwood 3") in which the Company has a 90% shareholding. Following the incremental acquisition, Redwood 3 now owns 100% of Oldham Library, increasing the Group's ownership from 50% to 90%.
- In October 2014 the Group acquired a further 50% equity and loan interest in the Pinderfields and Pontefract Hospitals PPP Project ("P&P"). The incremental stake takes the Group's ownership in P&P to 100%. The total consideration was £61.5 million.
- In October 2014 the Group acquired a further 3.4% equity and loan interest in the AquaSure Desalination PPP Project. The incremental stake takes the Group's ownership to approximately 9.3%. The total consideration was Australian $46.0 million (£25.2 million).
- In November 2014 the Group acquired a further 30% equity and 25% loan interest in two PFI projects held through Prime LIFT Investments Limited ("Birmingham and Solihull LIFT" and "Staffordshire LIFT"). The incremental stakes take the Group's ownership to 60%. The total consideration for Birmingham and Solihull LIFT and Staffordshire LIFT was £16.9 million.
- In January 2015 the Group acquired a further 15% equity in Barking and Dagenham Schools PFI Project. The incremental stake takes the Group's ownership in Barking and Dagenham to 100%.
- In January 2015 the Group acquired a further 50% equity and remaining loan notes in Willesden Hospital PFI Project, bringing the total holding of the project to 100%.

The total investment for Barking and Dagenham Schools and Willesden Hospital was £8.1 million.

13. Investments – acquisitions and disposals *(continued)*

- In February 2015 the Group acquired an 85% stake in the Ecole Centrale Supelec PPP Project. The project reached Financial Close on 16 February 2015 and consists of the design, construction, finance and maintenance of a new facility for the Ecole Centrale Supelec on plateau de Saclay, near Paris, France as well as a shared teaching and research facility, an underground carpark and a hotel.

  The total consideration for the investment is €3.4 million (£2.5 million), comprising a loan stock subscription obligation payable upon construction completion.

- In March 2015 the Group acquired a 45% equity and loan interest in the Priority Schools Building Programme (PSBP) North East Batch Project, which achieved financial close on 10 March 2015 and, once constructed, will comprise six new-build secondary schools and six new-build primary schools. The total consideration for the investment was £7.2 million comprising an investment in shares and a loan stock subscription obligation.

- In March 2015 the Group acquired a 40% equity and loan interest in the Salford & Wigan Phase 1 BSF Project, a 40% equity and loan interest in the Salford & Wigan Phase 2 BSF Project and a 68% equity and loan interest in the Newham Schools BSF Project for a combined consideration of £26.4 million.

- In March 2015 the Group acquired a further 12% equity interest in the Newham Schools BSF Project for a consideration of £1.6 million, which took the Group's stake in the project to 80%.

- In March 2015 the Group acquired a 75% equity and loan stock interest in Zaanstad Penitentiary Institution PPP project in Holland, acquired from a subsidiary of Ballast Nedam BV. The consideration of €11.5 million (£8.3 million), comprises an investment in shares and a loan stock subscription obligation payable following construction completion.

These investments are all held at fair value.

Disposals

The Group concluded the sale of its entire stake of 56% equity and loan notes in Colchester Garrison PFI in February 2015 generating net disposal cash proceeds of £108.3 million.

The disposal resulted in a gain over the March 2014 valuation of £50.6 million, included in the £79.4 million of Dividend income from investments (Note 5) and a gain over the September 2014 valuation of £21.7 million.

14. Trade and other payables

	31 March 2015 £million	31 March 2014 £million
Trade payables	11.9	9.6
Other payables	0.4	0.5
Trade and other payables	12.3	10.1

15. Loans and borrowings

The Company and its Consolidated Group had no loans or borrowings outstanding at 31 March 2015 (2014: Nil). Letters of credit utilised on the revolving bank facility totalled £22.5 million at 31 March 2015 (2014: £5.1 million).

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

	2015 £million	2014 £million
Secured		
– expiring within one year	–	–
– expiring between 1 and 2 years	127.5	–
– expiring between 2 and 5 years	–	144.7
– expiring after 5 years	–	–
	127.5	144.7

During the year, the Consolidated Group complied with its bank covenants on its £150 million revolving bank facility, the most significant of which were maintaining a Forward and Historic Interest Cover Ratio above 3:1 and Gearing Ratio not greater than 0.275:1.

16. Share capital and reserves

	Ordinary Shares	
	31 March 2015	31 March 2014
	million	*million*
Authorised and issued at 1 April	1,207.4	1,116.3
Issued for cash	54.0	83.7
Issued as a scrip dividend alternative	6.3	7.4
Authorised and issued at 31 March – fully paid	1,267.7	1,207.4

The holders of the 1,267,744,626 Ordinary Shares of 0.01p each are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company (2014: 1,207,428,625 Ordinary Shares).

Ordinary Share capital and share premium

	31 March 2015	31 March 2014
	£million	*£million*
Opening balance	1,110.1	992.5
Premium arising on issue of equity shares	84.8	118.3
Expenses of issue of equity shares	(0.6)	(0.7)
Balance at 31 March	1,194.3	1,110.1

Share capital at 31 March 2015 is £126.8 thousand (2014: £120.7 thousand).

For the year ended 31 March 2015

On 30 June 2014, 2.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 137.14p as a scrip dividend alternative in lieu of cash for the second interim dividend of 3.6p in respect of the year ending 31 March 2014.

On 30 September 2014, 1.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 143.96p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend of 1.81p in respect of the year ending 31 March 2015.

On 7 January 2015, 1.2 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 150.76p as a scrip dividend alternative in lieu of cash for the second quarterly interim dividend of 1.81p in respect of the year ending 31 March 2015.

On 31 March 2015, 1.1 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 156.34p as a scrip dividend alternative in lieu of cash for the third quarterly interim dividend of 1.81p in respect of the year ending 31 March 2015.

In the year ending 31 March 2015, 54.0 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) ranging between 137.0p and 147.0p.

For the year ended 31 March 2014

On 22 April 2013, 3.9 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 122.7p as a scrip dividend alternative in lieu of cash for the second interim dividend of 3.575p in respect of the year ending 31 March 2013.

On 31 December 2013, 3.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 131.6p as a scrip dividend alternative in lieu of cash for the first interim dividend of 3.5p in respect of the year ending 31 March 2014.

In the year ending 31 March 2014, 83.7 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) ranging between 129.0p and 135.0p.

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.

17. Related party transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the Consolidated 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 6) (2014: £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 the year to 31 March 2015, in aggregate IRCP and the General Partner were 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 Consolidated Group up to £750 million, 1.0 per cent per annum for the incremental value in excess of £750 million up to £1,500 million, 0.9 per cent for the incremental value in excess of £1,500 million and 0.8 per cent for the incremental value in excess of £2,250 million and ii) 1.0 per cent of the value of new portfolio investments, that were not sourced from entities, funds or holdings managed by the IRCP Group.

The total Operator fees charged to the Consolidated income statement was £16.9 million (2014: £14.9 million) of which £8.8 million remained payable at year end (2014: £7.8 million). The total charge for new portfolio investments (disclosed within investment fees in Note 6) was £1.1 million (2014: £2.2 million) of which £1.0 million remained payable at year end (2014: £0.5 million).

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on page 68.

Total fees for Directors for the year were £269,167 (2014: £210,000). Directors expenses of £18,844 (2014: £16,797) were also paid in the year. One Director also receives fees of £5,000 (2014: £5,000) for serving as director of the two Luxembourg subsidiaries.

In May 2014 the Group acquired a 5.85% equity and loan note interest in the AquaSure Desalination PPP Project, a desalination project in Victoria, Australia, for a consideration of Australian $84.5 million (£47.0 million) from InfraRed Environmental Infrastructure Fund, a fund managed by IRCP.

In May 2014 the Group completed the acquisition of 29.2% equity and 35% loan in the Bradford BSF Phase 1 project for a consideration of £6.5 million from InfraRed Infrastructure Fund II, a fund managed by IRCP. The acquisition was identified in the New Ordinary Share Prospectus of February 2013 as a Conditional Investment.

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

18. Guarantees and other commitments

As at 31 March 2015 the Consolidated Group had £22.5 million commitments for future project investments (2014: £5.1 million), and an additional contingent commitment of €16.8 million to acquire a further 32% equity and loan interest in the N17/N18 Project from existing co-shareholders following completion of construction which is currently expected to occur in 2019.

19. Events after the balance sheet date

On 14 April 2015, the Group acquired further equity interests in two of its existing projects, namely a 40% interest in the Salford & Wigan Phase 1 BSF project and a 40% interest in the Salford & Wigan Phase 2 BSF project for a combined consideration of £16.0m. As a consequence of the acquisitions, the Group now holds an 80% interest in each project.

The Directors have analysed the shareholder rights of the investments in Salford & Wigan Phase 1 BSF and Salford & Wigan Phase 2 BSF and are of the opinion that they should be treated as investments in joint ventures in accordance with IAS 28 Investments in Associates and Joint Ventures – these investments will therefore be held as Investments at Fair Value though Profit or Loss.

On 21 April 2015, the Group sold its entire 50% equity and subordinated debt interest and 100% junior loan interest in Fife Schools PFI project for £7.3m, which was the value of the investment at 31 March 2015.

On 13 May 2015, the Group paid £0.2m in accordance with a contractual investment obligation for the University of Bourgogne Project.

20. Disclosure – Service Concession Arrangements

The Consolidated Group held at 31 March 2015 investments in 101 (2014: 93) 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.

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	End date	Number of years	Project Capex	Key subcontractors
A249 Road	Design, construct, finance, operate and maintain the section from Lwade Bypass to Queensborough of the A249 road for the Secretary of State for Transport	2036	30	£79m	Carillion
A92 Road	Design, construct, finance and operate the upgraded A92 shadow toll road between Dundee and Arbroath for Transport for Scotland	2035	30	£54m	Bear
Addiewell Prison	Design, build, finance and operate a new maximum security prison at Addiewell, West Lothian	2033	25	£74m	Sodexo
Allenby & Connaught PFI Project	Design, build and finance new and refurbished MoD accommodation across four garrisons on Salisbury Plain and in Aldershot, comprising working, leisure and living quarters as well as ancillary buildings	2041	35	£1,557m	Carillion KBR
AquaSure Desalination PPP	Financing, design, construction and operation of a 150GL/year desalination plant and associated infrastructure	2039	30	A$3,500m	Degremont Theiss
Barking and Dagenham Schools	Design, construct, finance, operate and maintain the Eastbury Comprehensive and Jo Richardson Community Schools for London Borough of Barking & Dagenham	2030	26	£47m	Bouygues Energies & Services
Barnet Hospital	Design, construct, operate and maintain the re-building of Barnet General Hospital in North London for the Wellhouse National Health Service Trust	2032	33	£65m	Bouygues Energies & Services
Birmingham and Solihull LIFT	Design, construct and invest in facilities of new health and social care facilities	2031	27	£65m	Carillion
Birmingham Hospitals	Design, construct, finance and maintain a new acute hospital and six mental health facilities for University Hospitals Birmingham NHS Foundation Trust and Solihull MentalHealth NHS Foundation Trust	2046	40	£553m	Cofely
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	2059	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	2041	38	£100m	Cofely
Blackpool Primary Care Facility	Design, construct, finance and operate a primary care centre in Blackpool for Blackpool Primary Care Trust	2040	32	£19m	Eric Wright

20. Disclosure – Service Concession Arrangements (continued)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside	2031	26	£18m	Mitie
Bradford BSF Phase 1	To design, construct, finance and operate three new secondary schools (Buttershaw High School, Salt Grammar School and Tong School), along with routine and major lifecycle maintenance for the life of the concession	2035	27	£84m	Amey
Bradford BSF Phase 2	Design, construct, finance and maintain four secondary schools for Bradford Metropolitan District Council	2036	27	£230m	Amey
Brentwood Community Hospital	Design, construct, finance and maintain a new community hospital for South West Essex Primary Care Trust	2036	30	£23m	Initial
Brighton Hospital	Construction and operation of new children's hospital in Brighton	2034	30	£37m	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	2036	33	£75m	Bouygues Energies & Services
Connect PFI	To upgrade London Underground Limited's existing radio and telecommunications systems and implement and operate a new system	2019	20	£300m	Thales
Conwy Schools	Design, build, operate and maintain three schools for Conwy County Borough Council in North Wales	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)	2030	25	€50m	Bilfinger Berger
Croydon Schools	Design, construct, finance, operate and maintain a secondary school and community library in Croydon for the London Borough of Croydon	2034	30	£20m	Vinci
Darlington Schools	Design, construct, finance, operate and maintain an Education Village comprising four schools	2029	25	£31m	Mitie
Defence Sixth Form College	Design, build, operate, finance and maintain a new residential sixth form college for the Secretary of State for Defence	2033	30	£40m	Interserve
Derby Schools	Design, construct, finance, operate and maintain three primary schools and two secondary schools in Derby for Derby City Council	2031	27	£37m	Vinci
Doncaster Mental Health	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	2031	28	£15m	Royal BAM
Dorset Fire and Rescue	Design, construct, finance, operate and maintain the fire and police facilities at three sites in Dorset for the Dorset Fire Authority & Police and Crime Commissioner for Dorset	2034	27	£45m	Cofely
Durham and Cleveland Police Tactical Training Centre	Construction of a state of the art firearms and tactical training centre at Urlay Nook in the North of England	2025	25	£6m	Carillion

20. Disclosure – Service Concession Arrangements *(continued)*

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Dutch High Speed Rail Link	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and Belgian border in the Netherlands	2026	25	£625m	Fluor Royal BAM Siemens
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	2035	30	£22m	Viridian
Ealing Schools	Design, construct, finance, operate and maintain a four-school education PFI project consisting of one secondary school and three primary schools in the London Borough of Ealing	2029	27	£31m	Mitie
Ecole Centrale Supelec	Design, construct, finance and maintain a new facility for the Ecole Centrale Supelec as well as a shared teaching and research facility	2041	26	€65m	Bouygues
Edinburgh Schools	Design, construct, finance, operate and maintain six secondary schools and two primary schools for the City of Edinburgh Council	2039	32	£165m	Mitie
Exeter Crown Court	Build and service a new crown and county court building in Exeter	2034	32	£20m	Sodexo
Falkirk NPD Schools	Design, construct, finance and operate four secondary schools in the Falkirk area of Scotland	2039	32	£120m	FES
Fife Schools	Design, construct, finance and maintain 3 new schools and a sports hall in Fife, Scotland	2028	27	£40m	Sodexo
Fife Schools 2	Design, construct, finance and maintain nine primary schools and one special education facility in Fife, Scotland	2032	27	£64m	FES
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	2036	30	£178m	Cofely
Gloucestershire Fire and Rescue	Construction and operation of 4 community fire stations in Gloucestershire and a SkillZone education centre	2037	26	£23m	Capita
Greater Manchester Police Authority	Design, build, finance and operate a new traffic headquarters and 16 new police stations for the Greater Manchester Police Authority (GMPA)	2031	29	£82m	Carillion
Haverstock School	Design and construction of a single new secondary school on an existing school site on Haverstock Hill, Camden	2030	26	£21m	Mitie
Health and Safety Laboratory	Construction of new workshops and offices in Buxton	2034	32	£60m	Interserve
Health and Safety Executive (HSE) Merseyside Headquarters	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	2035	30	£62m	Honeywell
Helicopter Training Facility	Design, construction, management, operation and financing of simulators based training facility for Royal Airforce (RAF) helicopter pilots	2037	40 (with break clause by Grantor at at Year 20)	£100m	Serco
Highland Schools	Design, construction and operate eleven urban and rural schools	2037	30	£143m	Mears

20. Disclosure – Service Concession Arrangements *(continued)*

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Home Office Headquarters	Build, finance, operate and maintain a new headquarters building to replace the Home Office's existing London office accommodation with purpose-built serviced offices	2031	29	£200m	Bouygues Energies & Services
Irish Grouped Schools	Design, construct, finance, operate and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills	2026	25	€34m	Bilfinger Berger
Kent Schools PFI	Design, build, funding and partial operation of six schools in Kent	2035	30	£95m	Mitie
Kicking Horse Canyon Transit P3	Upgrade, operate and maintain a section of highway in British Columbia, Canada	2027	22	CAD$ 127m	HMC Services
Lewisham Hospital	Design, construct, finance, operate and maintain a new wing in Lewisham Hospital for the Department of Health	2036	32	£58m	Carillion
M80 DBFO	Design, build, finance and operate a section of the M80 motorway in Scotland	2039	30	£275m	Bear
Manchester School	Design, construct, finance, operate and maintain the Wright Robinson College in Manchester for Manchester City Council	2031	26	£29m	Hochtief
Medway LIFT	Deliver health and social care infrastructure to NHS property services and Community Health Partnerships within the Medway area of North Kent	2034	29	£19m	Rydon
Medway Police	Design, construct, finance, operate and maintain a divisional police headquarters for Police and Crime Commissioner for Kent	2034	30	£21m	Vinci
Metropolitan Police Specialist Training Centre	Construction of a firearms and public order training facility in Gravesend, Kent for the Mayor's Office for Policing and Crime	2026	25	£40m	Carillion
Miles Platting Social Housing	Redesign and refurbish approximately 1,500 occupied properties, as well as to build 20 new extra care homes and 11 new family homes in Miles Platting, Manchester	2037	30	£79m	Morgan Sindall
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	2032	25	£30m	Integral
Newham BSF	To design, build, finance, maintain and operate two new secondary schools in Newham, London on behalf of the London Borough of Newham Council	2036	27	£53m	Mitie
Newport Schools	Design, construct, finance, operate and maintain a nursery, infant and junior school for Newport City Council	2033	25	£15m	Vinci
Newton Abbot Hospital	Design, construct, finance, operate and maintain a community hospital for Devon Primary Care Trust	2039	32	£20m	Rydon
North Tyneside Schools	Design, construct, finance, operate and maintain a four-school education PFI project consisting of one secondary school and three primary schools in North Tyneside	2033	31	£30m	Mitie
Northwest Anthony Henday Ring Road P3	Finance, build, maintain and rehabilitate the northwest leg of the Anthony Henday Drive ring road in the City of Edmonton, Alberta, Canada	2041	33	CAD$ 995m	Vinci

20. Disclosure – Service Concession Arrangements *(continued)*

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Northwood MoD HQ	Design, construct and commission new-built facilities on behalf of the Ministry of Defence in Northwood, Greater London	2031	25	£198m	Carillion
Norwich Area Schools PFI Project	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	2032	26	£43m	Kier
Nuffield Hospital	Design, construct, finance, operate and maintain a new orthopaedic hospital for the Secretary of State for Health	2036	34	£37m	G4S
N17/N18 Road	To design, build, finance, operate and maintain the N17/N18 road in Ireland for the National Road Authority, which is responsible for the development and improvement of national roads in Republic of Ireland	2042	28	€336m	Lagan Operations
Oldham Library	Design, construct, finance, operate and maintain the Oldham Library and Lifelong Learning Centre for Oldham Metropolitan Borough Council	2029	25	£15m	Kier
Oldham Secondary Schools PFI Project	Design, construct, finance and operate two secondary schools Schools PFI Project for Oldham Metropolitan Borough Council	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	2038	33	£124m	G4S
Oxford John Radcliffe PFI Hospital	Design, construct, manage, finance, operate and maintain a new wing adjacent to the former Radcliffe Infirmary	2036	33	£161m	Carillion
PSBP (North East Batch Schools)	Design, construct, operate and maintain 6 new primary and 6 new secondary schools in various UK locations	2041	26	£103m	Galliford Try
Perth and Kinross Schools	Design, construct, financing and operation of four secondary schools and five primary schools for the Perth and Kinross Council	2041	34	£136m	Mitie
Pinderfields and Pontefract Hospitals	Design, construct, manage, finance 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	2042	35	£311m	Cofely
Queen Alexandra Hospital, Portsmouth	Design and construction of a new hospital and retained estates work in Portsmouth	2040	35	£255m	Carillion
Queen's (Romford) PFI Hospital	Design, construction, management, financing, operation and maintenance of a new hospital in Romford	2040	36	£211m	Sodexo
RD901 Road, France	Design, construction, finance and maintenance of a new 7km dual carriageway bypassing the small town of Troissereux, near Beauvais in France	2039	25	€84m	Bouygues
Redbridge & Waltham Forest LIFT	Deliver health and social care infrastructure for NHS Property Services and Community Health Partnerships within Redbridge and Waltham Forest in North London	2030	25	£15m	Rydon
Renfrewshire Schools	Design, construction, management, financing, operation and maintenance of six primary and four secondary schools in Renfrewshire, Scotland	2038	30	£100m	Amey

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS *(continued)*

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Rhonnda Cynon Taf Schools	Design, construct, manage, finance and operate a primary school, secondary school, a day nursery and an adult learning centre in South Wales for Rhondda Cynon Taf Authority	2028	24	£22m	Vinci
Royal School of Military Engineering PPP Project	Design, build, refurbish and maintain 32 new buildings, 21 refurbishments and five training areas across three UK locations on behalf of the UK Ministry Engineering	2038	30	£300m	Carillion
Salford Hospital	Design, construct and commission new-build facilities and associated site infrastructure for the Salford Royal NHS Foundation Trust	2042	35	£137m	Cofely
Salford & Wigan Phase 1 BSF	To design, build, finance, maintain and operate two new secondary schools in Salford and Wigan, Greater Manchester on behalf of Salford City Council and Wigan Borough Council	2036	26	£56m	SPIE
Salford & Wigan Phase 2 BSF	To design, build, finance, maintain and operate three new secondary schools in Salford and Wigan, Greater Manchester on behalf of Salford City Council and Wigan Borough Council	2038	27	£70m	SPIE
Sheffield BSF	Design, build, finance, maintain and operate two new secondary schools and one new special educational needs secondary school in Sheffield for Sheffield City Council	2034	25	£75m	Vinci
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	2036	32	£26m	Dalkia
Sheffield Schools	Design, construct, finance and operate two primary schools and two secondary schools for Sheffield City Council	2030	26	£53m	Kier
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	2039	33	£76m	Mitie
South East London Police stations	Design, construct, finance and operate four police stations in South East London for the Mayor's Office for Policing and Crime	2026	25	£80m	Carillion
South West Hospital, Enniskillen	Design, construct, finance and maintain a new acute hospital and key worker accommodation at Enniskillen in Northern Ireland	2042	34	£227m	Interserve
Staffordshire LIFT	Develop, design, construct, invest in and maintain health and social care facilities	2030	25	£40m	Integral
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust	2034	30	£40m	Sodexo
Sussex Custodial Services	Build and service custody centres in Sussex for the Police and Crime Commissioner for Sussex (formerly the Sussex Police Authority). The centres are at Worthing, Chichester, Brighton and Eastbourne	2031	30	£20m	Capita

20. Disclosure – Service Concession Arrangements *(continued)*

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Tameside General Hospital	Design, construct and commission new-build facilities and Hospital associated site infrastructure for the Tameside Hospital NHS Foundation Trust	2041	34	£78m	Cofely
Tyne and Wear Fire Stations	Design, construct, manage, finance and operate seven fire station facilities and a headquarters building in Tyneand Wear for the Tyne and Wear Fire and Civil Defence Authority	2031	25	£23m	Carillion
University of Bourgogne, France	Design, construct, finance and maintain 3 new buildings on the Bourgogne university campus in France and the refurbishment of an existing one	2040	27	€20m	Bouygues
University of Sheffield Project	Construction and management of a new student village at the University of Sheffield	2046	40	£160m	Lend Lease
West Lothian Schools	Design, construct, finance and operate two new schools, Armadale Academy and the Deans Community High School for West Lothian Council	2039	31	£60m	Dawn Construction
West Middlesex Hospital	Design, construct, finance, operate and maintain a new 228 bed hospital for West Middlesex University Hospital NHS Trust	2036	35	£60m	Bouygues Energies & Services
Willesden Hospital	Design, construct, manage and finance a community hospital in north London for NHS Brent	2034	32	£24m	Accuro
Wooldale Centre for Learning	Design, construct, manage, finance and operate the Wooldale Centre for Learning 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	2029	25	£24m	Mitie
Zaanstad Prison	Design, build, finance, maintain and operate of a new penitentiary institution at business park Hoogtij in Zaanstad, he Netherlands	2041	25	€160m	Royal Imtech

21. Consolidated 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%

22. Subsidiaries

The following project subsidiaries have not been consolidated in these Financial Statements, as a result of applying IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27):

Name	Country	Ownership interest
2003 Schools Services Limited	United Kingdom	100.0%
Ashburton Services Limited	United Kingdom	100.0%
Annes Gate Property Plc*	United Kingdom	100.0%
Alpha Schools Highland Limited **	United Kingdom	100.0%
Axiom Education (Edinburgh) Limited*	United Kingdom	100.0%
Axiom Education (Perth & Kinross) Limited*	United Kingdom	100.0%
Boldon School Limited	United Kingdom	100.0%
ByCentral Limited*	United Kingdom	100.0%
By Education (Barking) Limited*	United Kingdom	100.0%
ByWest Limited*	United Kingdom	100.0%
Consort Healthcare (Blackburn) Limited*	United Kingdom	100.0%
Consort Healthcare (Mid Yorks) Limited*	United Kingdom	100.0%
CVS Leasing Limited	United Kingdom	87.6%
Derby School Solutions Limited*	United Kingdom	100.0%
Education 4 Ayrshire Limited*	United Kingdom	100.0%
Enterprise Civic Buildings Limited*	United Kingdom	100.0%
Enterprise Education Conwy Limited*	United Kingdom	90.0%
Enterprise Healthcare Limited*	United Kingdom	100.0%
H&D Support Services Limited*	United Kingdom	100.0%
Information Resources (Oldham) Limited*	United Kingdom	90.0%
Metier Healthcare Limited	United Kingdom	100.0%
Newport Schools Solutions Limited*	United Kingdom	100.0%
Newton Abbot Health Limited*	United Kingdom	100.0%
PFF (Dorset) 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%
Sussex Custodial Services Limited*	United Kingdom	100.0%
THC (OJR) Limited*	United Kingdom	100.0%
THC (QAH) Limited*	United Kingdom	100.0%
TW Accommodation Services Limited	United Kingdom	100.0%
Willcare (MIM) Limited*	United Kingdom	100.0%

** = Reporting date 31 December*
*** = Reporting date 31 January*
All other reporting dates are 31 March.

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