Press Release

Annual Results For Year To 31 March 2015

21 May 2015

HICL Infrastructure Company Limited

The Directors of HICL Infrastructure Company Limited announce the results for the year ended 31 March 2015.

acting as Investment Adviser

Enquiries

InfraRed Capital Partners Limited
+44 (0) 20 7484 1800
Tony Roper
Keith Pickard
Laurence Richardson

Tulchan Communications
+44 (0) 20 7353 4200
Martha Walsh
Victoria Huxster

Highlights

- 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)

HICL INFRASTRUCTURE

InfraRed Capital Partners
acting as Investment Adviser

Enquiries

InfraRed Capital Partners Limited
+44 (0) 20 7484 1800
Tony Roper
Keith Pickard
Laurence Richardson

Tulchan Communications
+44 (0) 20 7353 4200
Martha Walsh
Victoria Huxster

21 May 2015

HICL Infrastructure Company Limited

Graham Picken, Chairman of the Board, said:

"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. The Group's portfolio continues to deliver strong cash generation, enabling the Company to exceed its dividend target for the year of 7.25p per share, delivering instead 7.30p.

The Group made nine new investments and 10 incremental acquisitions in the year, investing £113.1m net of disposal proceeds. This was funded by value-accretive tap issues in June and December, scrip dividends and utilisation of the Group's revolving credit facility.

Once again, the Board is satisfied that the Group's portfolio remains in good shape, thus providing it with the confidence to target a total dividend of 7.45p per share for the year to 31 March 2016, in excess of prior guidance of 7.40p. As per the previous financial year, it is intended that four quarterly interim dividends will be paid, the first of which we expect to declare in July for payment in September 2015."

Tony Roper, Director at InfraRed Capital Partners Limited (the Company's Investment Adviser), said:

"The team at InfraRed has focused on delivering value for the Group, through both hands-on asset and portfolio management and the sourcing of suitable new investments which add value.

The prices of UK investments have increased to levels which, at times, are unattractive for the Group. Prices paid in auctions have frequently been at levels we feel would not be value accretive to the Group and we have been outbid.

Overseas, we have made progress in Europe, securing new investments in France, Holland and Ireland in the year. The Group continues to look positively but selectively for new investments in Australia, Canada and the USA. Whilst geographic diversity has certain benefits, the balance of the portfolio between UK and overseas investments is expected to remain materially the same in the current year.

Despite keen competition, we believe that we will be able to secure further new investments, both in the UK and abroad, in line with the Group's stated Acquisition Strategy, with its focus on social and transportation infrastructure plus in-scope areas such as assets under construction and projects with demand revenue."

Contacts for the Investment Adviser:

InfraRed Capital Partners Limited: +44 (0) 20 7484 1800
Tony Roper
Keith Pickard
Laurence Richardson

Contacts for press relations on behalf of the Board:

Tulchan Communications: +44 (0) 20 7353 4200
Martha Walsh
Victoria Huxster

Copies of this announcement can be found on the Company's website, www.hicl.com. The Annual Report and Consolidated Financial Statements for the year ended 31 March 2015 will be published in early June, and an electronic version will be available from the Company's website.

21 May 2015

HICL Infrastructure Company Limited

InfraRed Capital Partners

acting as Investment Adviser

Enquiries

InfraRed Capital Partners Limited
+44 (0) 20 7484 1800
Tony Roper
Keith Pickard
Laurence Richardson

Tulchan Communications
+44 (0) 20 7353 4200
Martha Walsh
Victoria Huxster

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

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.

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.

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.

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.

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

Section 2 : Strategic Report

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; and
- 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 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
- 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
- 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
- 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.

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.

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. 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

ORANISATIONAL 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.

The Company's Board and the Committees

The Board of the Company comprises seven independent, non-executive 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.

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 property, 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

Key Financial Objectives and Performance Indicators

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.

KPI	31 March 2015	31 March 2014	Target
Dividends declared for the year	7.30p per share	7.1p per share	7.1p per share 2014 7.25p per share 2015
Total return in year (NAV per share	15.4%	11.9%	7% p.a. as set out at March 2013 share capital raising[1]

growth plus dividends per share)			
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]	1.5 times	Minimum 1.0 times
Ongoing Charge in 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 in the portfolio
Ten largest investments as percentage of the portfolio by value	40%	40%	To maintain and increase diversification
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 the 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.

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 client, 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 become 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

£m	Year to 31 March 2015	Year to 31 March 2014
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

£m	Year to 31 March 2015	Year to 31 March 2014
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 ('OCs')

£m	Year to 31 March 2015	Year to 31 March 2014
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 £1.1m (2014: £2.2m)

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

£m	31 March 2015	31 March 2014
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)	**136.7**	**126.7p**
NAV per Ordinary Share (post distribution)	**134.8**	**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]		**123.1p**
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)**	
		4.7
Portfolio Performance		
Expected NAV growth[2]	**0.7**	
Sale of Colchester Garrison	**4.1**	
Project outperformance	**1.8**	
		6.6
Accretive Tap Issuance of Ordinary Shares		**0.4**
NAV per share at 31 March 2015[1]		**134.8**

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

Cash Flow Analysis

Summary cash flow

£m	Year to 31 March 2015		Year to 31 March 2014	
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).

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	
Investments	221.4			
Divestments	(108.3)			
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, 2.0% p.a. thereafter	2.0% p.a.
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	Australia (CPI)	2.5% 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 Rates	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

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

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.

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

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2015

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 IAS27). 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 Sections 2.2 and 2.3. The financial position of the Consolidated Group, its cash flows, liquidity position and borrowing facilities are described in Sections 2.4 and 2.5. 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.

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 IAS27), 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)

2. Key accounting policies (continued)

(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 IAS27) 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 below.

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.

2. Key accounting policies (continued)

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.

(e) 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.

(f) 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.

(g) 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.

(h) 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)

(i) 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.

(j) 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.

(k) *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.

(l) 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.

(m) 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.

(n) 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.

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.

4. Financial instruments (continued)

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).

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.

4. Financial instruments (continued)

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.

<u>Investments - The key valuation assumptions and sensitivities for the valuation are:</u>

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.

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

4. Financial instruments (continued)

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.

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. till March 2019, then 3.0% pa	-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

4. Financial instruments (continued)

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.

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.

4. Financial instruments (continued)

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

4. Financial instruments (continued)

& 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.

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.

4. Financial instruments (continued)

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

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

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	31 March 2014
	£million	£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 the year ended 31 March 2015 Total £million	For the 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 £million	For year ended 31 March 2014 £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 administrative 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 £million	**For year ended 31 March 2014** £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 dividends for the year ended 31 March 2015 of 1.81p per share (2014 semi-annual: 3.5p)	22.6	41.5
Second quarterly interim dividends for the year ended 31 March 2015 of 1.81p per share	22.6	-
Third quarterly interim dividends 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.

10. Dividends (continued)

	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	2014
	£million	£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%)).

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

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

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:

	31 March 2015			31 March 2014		
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%	-
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%	-	-	-

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.

- 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.

13. Investments – acquisitions and disposals (continued)

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	31 March 2014
	£million	£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	2014
Floating rate:	£million	£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 million	31 March 2014 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 £million	31 March 2014 £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).

16. Share capital and reserves (continued)

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.

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 Mental Health NHS Foundation Trust	2046	40	£553m	Cofely
Bishop Auckland	Design, construct, finance, service and maintain a redevelopment of	2059	60 (with break	£66m	ISS

Hospital	Bishop Auckland General Hospital, County Durham for South Durham Health Care NHS Trust		clause option by Grantor at Year 30, 40 & 50)		
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
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
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 Year 20)	£100m	Serco
Highland Schools	Design, construction and operate eleven urban and rural schools	2037	30	£143m	Mears
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	Design, construct, finance, operate	2026	25	€34m	Bilfinger Berger

Schools	and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills				
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
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 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	Design, construct, manage, finance	2042	35	£311m	Cofely

and Pontefract Hospitals	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				
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
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 of Defence, that supports the Royal School of Military 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	2034	25	£75m	Vinci

	and one new special educational needs secondary school in Sheffield for Sheffield City Council				
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
Tameside General Hospital	Design, construct and commission new-build facilities and 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 Tyne and 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	Construction and management of a new student village at the	2046	40	£160m	Lend Lease

Notes to the consolidated financial statements
for the year ended 31 March 2015 (continued)

Project	University of Sheffield				
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, the 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):

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.