HICL Infrastructure Company Limited

24 May 2011

ANNUAL RESULTS FOR YEAR TO 31 MARCH 2011

The Directors of HICL Infrastructure Company Limited (formerly HSBC Infrastructure Company Limited) announce the results for the year ended 31 March 2011.

Highlights

for the year ended 31 March 2011 (on an Investment basis unless noted otherwise[1])

- Portfolio performance robust with good cash generation despite economic climate
- Five new investments and four incremental stakes acquired, with a combined investment of £151.0m
- Significant pipeline of further investment opportunities under consideration
- Successful raising of £159.0m (before expenses) through a C share capital raising of £110.0m in December 2010 and utilising the block listing to place 41.7m shares in the year
- Net asset value ("NAV") per share at 31 March 2011 of 110.4p (2010: 107.1p) on a consolidated IFRS basis and 113.1p (2010: 110.7p) on an Investment basis
- NAV per share post distribution of 109.7p at 31 March 2011 compared to 107.4p at 31 March 2010, a 2.1% increase
- Directors' Valuation of the portfolio at 31 March 2011 of £673.1m, up from £509.6m at 31 March 2010, 32.1% growth
- Profit before tax of £45.2m (2010: £25.0m)
- Second interim distribution of 3.425p for the year to 31 March 2011 declared, with a scrip dividend alternative, giving total distributions of 6.7p for the year, an increase of 2.3%

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

Graham Picken, Chairman of the Board, said:

"On behalf of your Board, I am pleased to report that our business continues to perform well and that we are able to announce a total distribution for the year of 6.7p. We remain on target for a distribution of 7.0p for the year ending 31st March 2013.

The year has seen some useful additions to our portfolio of investments, offering both international exposure and solid growth in UK PFI assets. We chose to raise capital to repay debt, which has been our custom and practice in financing growth, and we were very satisfied with the result of our latest C share issue which was oversubscribed.

Conditions generally in the secondary market for UK PFI assets were good. Although the UK Government's austerity programme has introduced an element of uncertainty over future intentions, we believe that the authorities value the funding of infrastructure projects by the private sector and that they will not seek to deter participants from providing the necessary finance and expertise to enable such investment to continue. Of course, we welcome any initiative to improve value for taxpayers'

money and the Investment Adviser has been proactive in identifying opportunities for savings and efficiencies across the projects in which we are invested."

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Copies of this announcement can be found on the Company's new website, www.hicl.com. The Annual Report and Consolidated Financial Statements for the year to 31 March 2011 will be posted to shareholders in early June, and an electronic version will be available from the Company's website at that time.

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to report another successful year for the Company. The Company is now 5 years old and has exceeded the objectives set out at launch in 2006. The last five years have seen great changes in economic and financial prospects for global economies and it is a testament to the infrastructure asset class that the Company has been able to deliver a stable, growing yield for investors.

Financial Results and Performance

Financial results

As in previous periods, the Company has prepared pro-forma accounts on an Investment basis (treating all 38 holdings as investments). Profit before tax on an Investment basis was £45.2m (2010: £25.0m) and earnings per share on an Investment basis were 8.9p (2010: 6.5p per share). This increase is driven by the contributions from acquisitions supported by continued solid portfolio performance including an increase in the value of the Kemble Water junior loan. Cash received from the portfolio by way of distributions, capital repayments and fees was £45.6m (2010: £39.2m). After Group costs, net cash of £34.9m adequately covers the distributions paid in the year. Cash generation growth was in line with our projections benefitting from acquisitions in the current and the prior year.

On a consolidated IFRS basis, the profit before tax was £38.3m (2010: £7.7m).

Profit before tax has benefited strongly from positive fair value movements assisted by higher inflation and an uplift in the mark to market value of the Kemble Water junior loan which has since been repaid.

The Company has raised a total of £156.7m net of expenses through the issue and placing of new shares, of which £108.1m was raised through the successful C share capital raising in December 2010 which was oversubscribed.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) amounted to £8.1m in the year, relating to their 1.1% per annum management fee (1.5% pa assets in construction) and the 1.0% fee on the acquisitions made, and £0.1m advisory fees. The Investment Adviser does not receive any fees from the investment project companies in the portfolio, and hence all fees from these companies are for the benefit of the Group. In addition, the Group contracted with other parts of the HSBC Group on an arm's length basis for the provision of bank accounts, foreign exchange hedges and insurance broking.

The total expense ratio for the Group on an Investment basis was 1.20% (being the Group's operational expenses excluding acquisition costs, divided by the Group's net assets on an Investment basis). This compares with 1.45% for the year to 31 March 2010, the reduction in this ratio reflecting the benefit of capital raisings with economies of scale.

More details of the financial results are set out below.

Portfolio Performance

The Group's portfolio continues to perform well, and as at 31 March 2011 consisted of 37 PFI/PPP/P3 projects and an investment in the junior loan in Kemble Water. The junior loan was repaid in full in April 2011, ahead of its maturity.

The Group currently has two projects under construction. On the Bradford BSF Schools project, construction work on the last school has just been finished and the premises are being fitted out ready for occupation. Construction work on the M80 DBFO Road in Scotland and the North West Anthony Henday Road in Canada continues to plan.

The Investment Adviser's asset management team has been engaged across the whole portfolio and has been in dialogue with our public sector clients and our partners seeking ways to increase

efficiencies and find savings. This work has been pro-active throughout the year, and has included participation in a detailed review by the Ministry of Defence ("MOD") on one of our MOD projects.

Valuation

As in previous periods, the Investment Adviser has prepared a fair market valuation for each investment in the portfolio as at 31 March 2011. For the PFI/PPP/P3 investments, this valuation is based on a discounted cashflow analysis of the future expected equity and loan note cashflows accruing to the Group from each investment. This valuation uses key assumptions which are derived from a review of recent comparable market transactions in order to arrive at a fair market value.

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

The Directors have approved the valuation of £673.1m for the portfolio of 38 investments as at 31 March 2011. On the M80 Motorway DBFO, North-West Anthony Henday Road P3 and the Helicopter Training projects there are combined outstanding investment commitments of £47.0m.

The valuation of £673.1m compares with £509.6m as at 31 March 2010 and £563.3m as at 30 September 2010. An analysis of the growth in the valuation is detailed in the Investment Adviser's Report.

On an Investment basis the NAV per share is 113.1p at 31 March 2011 (2010: 110.7p). The Investment basis NAV per share after the second interim distribution at 31 March 2011 was 109.7p; an increase of 2.3p over the comparable figure at 31 March 2010 being due to a robust performance from the portfolio coupled with incremental earnings from new investments, as described in more detail in the Investment Adviser's Report.

The resulting NAV per share on an IFRS basis at 31 March 2011 is 110.4p (2010: 107.1p).

Acquisitions

The Group has had a successful year and has made £112.3m of new investments and £38.7m of incremental acquisitions for a total of £151.0m including outstanding equity commitments. The Group acquired its first P3 investments in Canada and increased the number of projects under construction to three with Bradford schools completing subsequent to year end. Since the period end the Group has acquired interests in 3 operational UK PFI schools (Norwich, Oldham and Sheffield) for £17.2m, and the Kemble Water junior loan has been repaid.

Distributions

The Board declared on 19 May 2011 a second interim distribution of 3.425p per share for the year to 31 March 2011 (2010: 3.35p). This brings the total distributions declared to 6.7p for the year to 31 March 2011 representing a 2.3% growth on the prior year

A circular will be sent to shareholders on 3 June to explain the scrip dividend alternative. Shareholders need to decide by 17 June on whether to take up the scrip dividend offer in part or in full. The distribution (or scrip dividend) will be paid to those shareholders on the register as at 27 May, and will be settled at the end of June.

At the Annual General Meeting ("AGM") in July 2010, shareholders gave the Board the power to offer a scrip dividend alternative and this power runs until the next AGM in 2011. Based on the take-up and current feedback from shareholders, it is the Board's current intention to seek a renewal of this power at the forthcoming AGM in July.

Risks and uncertainties

The 2010 Comprehensive Spending Review in the UK focused predominantly on the need to cut public spending, whilst highlighting the need for further investment in UK infrastructure to promote

economic growth. HM Treasury issued a guidance note in January 2011 to explain how PFI contracts should be managed, highlighting the need to seek efficiency savings where possible.

On a number of our UK PFI projects, the Investment Adviser has been working with public sector clients and key contractors, to find ways of generating gains for our clients. Together with our partners, we have suggested ideas to create savings for our clients, and then worked to deliver them. The Romford PFI Hospital project was chosen by HM Treasury as a pilot scheme for a government sponsored review. We, together with our partners, have engaged willingly and constructively in this endeavour. The review is due to report shortly and we are not aware of any findings which may be of concern to investors. Clearly our working assumption is that the outcome from the review will be measures to improve contract performance and delivery within the legal framework that was agreed at inception. We would not welcome, nor do we expect, any unilateral redefinition of the terms of the contract given the very wide implications that would then arise.

For new UK infrastructure projects, PFI is still being used selectively. As previously reported, this change in emphasis in procurement does not affect the Group, as our investment focus remains on projects already procured and, normally, operational.

Each of the PFI projects within the portfolio has long term funding in place. There is therefore no refinancing risk in this regard. Projects do have exposures to banks in the form of interest rate swaps and deposit accounts. These exposures are monitored and managed where appropriate.

The projects in the portfolio rely on contracting partners to provide services. There is a good spread of service partners with no material performance or credit issues to report. The Investment Adviser monitors project performance, and if issues arise, action is taken to minimise any impact on performance.

Corporate Governance

Board and Investment Adviser Changes

Henri Grisius retired from the Board on 1 June 2010, having been a director since the launch of the Company. Chris Russell joined the Company as a Director on 1 June 2010. Chris is a Guernsey resident who has spent his career in the investment management industry in the UK, USA and Asia.

Since launch in 2006, the Investment Adviser to the Company has been HSBC Specialist Fund Management Ltd ("HSFML"). In June 2010, we announced that the senior management team of HSBC's infrastructure and real estate arm, of which the Investment Adviser is part, had agreed outline terms with the HSBC Group for a change of ownership which would lead to the management team owning the majority interest in the business and HSBC retaining a 19.9% stake. The transaction successfully completed in April 2011, and the Investment Adviser changed its name to InfraRed Capital Partners Limited, relocating to new offices in central London.

The Board met the Investment Adviser on a number of occasions during the year to seek and gain reassurance that this change of ownership would have no impact on the ability of the Investment Adviser to deliver the required services to the appropriate standards. We agreed a small number of amendments to the Investment Adviser's contract which were beneficial to the Company, and we are satisfied that we will continue to receive high quality service and commitment from the Investment Adviser.

The Board also took the opportunity to review the level of fees earned by the Investment Adviser. Whilst appropriate at launch, the Group has now doubled in size and therefore a change to the fee structure was considered appropriate. For investments under management with an incremental value in excess of £750m, the Investment Adviser's incremental fee is reduced to 1.0% per annum (from 1.1% per annum) with effect from 1 January 2011, provided that the assets have become operational.

As the Company's Investment Adviser is no longer a subsidiary of the HSBC Group, the trademark licence was terminated. The Company therefore changed its name to HICL Infrastructure Company Limited on 29 March 2011. The Board believes that this new name will, while dispensing with the HSBC brand, preserve the Company's identity and maintain recognition amongst investors and the wider marketplace.

As part of this process, the Company has updated and relaunched its website at www.hicl.com. We have taken the opportunity to give more background information about PFI and how HICL is organised and managed.

Governance

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

Corporate Social Responsibility

Public procurement

PFI/PPP projects were originally conceived in the UK in the early nineties by the then Conservative Government as a means of procuring new social infrastructure. This procurement method was honed by the subsequent Labour government and its success led to other countries implementing similar programmes.

PFI/PPP has not been immune from negative comment in the media. In some cases, this was justified where PFI/PPP was not the most appropriate procurement method. In the last 9 months, media interest has intensified, particularly where public sector clients are seeking to reduce their budget deficits. This commentary can be misleading and inaccurate, often omitting to mention that the public sector client procured the concession through a competitive bidding process, with agreement at both local and national level, without which essential infrastructure projects such as new schools and hospitals would not have been built. PFI has been the procurement method of choice, with public finance in scarce supply. It has allowed new infrastructure assets to be built on time and with cost certainty.

The Group has acquired its investments in good faith, based on long term legal contracts which provide serviced assets to public sector clients. Whilst procurement models will change over time, the Board believes that private sector capital and expertise will continue to be required for the procurement and maintenance of public infrastructure.

Corporate Structure

In setting up the Company in 2006, the Directors and the Investment Adviser wished to give investors access via traded stock to this illiquid and developing asset class. Our choice of corporate structure and domicile was based on a proven investment company model which is widely used and is designed to distribute efficiently all the underlying investment returns, net of operating expenses, to shareholders. Today we have over 4,000 shareholders, with over 90% of shares held by UK investors. Over 50% of our shares are held by private individuals or small family offices.

ESG

As reported last year, the Company with the help of the Investment Adviser has developed Environmental, Social and Governance Policies for the Group.

Outlook

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

There is a significant flow of opportunities to consider but we continue to apply our strict investment criteria and processes. The Investment Adviser has seen a number of PPP/PFI assets which we declined to pursue as being either too small, inappropriately structured or having too many operational issues.

The outlook for our business remains good. Public finances are the focus of attention in many countries and we, together with the Investment Adviser, have been careful when reviewing new investments overseas to take account of the associated sovereign risk. In the UK, where the majority of our assets are located, we recognise the need to help our public sector clients find efficiency savings but within established contractual structures.

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

At present, the Group has adequate capacity through its established funding lines to invest further. With a number of opportunities currently under review, we are confident of achieving the growth aspirations to further enhance shareholder returns.

Whilst the primary market for new PFI projects has slowed, we are seeing a buoyant secondary market with an increase in the number of vendors and buyers.

Against this background, the Board takes comfort from the portfolio we have developed, the attractiveness of the risk-adjusted yield we offer, and the continuing opportunities we have to grow the portfolio going forward.

Graham Picken
Chairman
23 May 2011

Investment Adviser's Report

Market Developments

The UK Government has materially slowed the flow of new PFI/PPP projects for public procurement although a number of new projects are still being procured via PFI. The Group does not generally participate or invest in the public procurement phase of PFI/PPP projects and therefore is not directly affected by the slowdown in the UK PFI/PPP primary market.

The secondary market for PFI/PPP/P3 assets is as active as it has been since HICL's launch in 2006. There has been a steady flow of assets onto the market with both individual assets and portfolios being marketed by contractors and financial institutions.

Attractive return levels in the secondary PFI/PPP/P3 market continue to draw new investors with the launch of new listed and unlisted funds targeting this sector. Pricing during the year for these assets has largely been unaffected as the increased demand has broadly been matched by growth in the supply of assets to the market.

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

We are now seeing more sale processes involving overseas assets, with the Group during the year acquiring two new assets in Canada and an additional interest in the Dutch High Speed Rail Link. In the near term though we do not expect a material change in the overseas portion of the portfolio as the UK secondary market is providing the large majority of suitable opportunities. During the year we reviewed PFI/PPP/P3 investment opportunities in the UK, Europe, Canada and Australia.

The fiscal challenges in the Eurozone and uncertainty over the tariff regime for Spanish PV solar projects has diminished the attractiveness for the Group of a significant segment of the renewables sector. As a result we are considering utilities and renewable investments on an opportunistic basis.

Current Investment Priorities

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

Of possible secondary interest, but only selectively, are:

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

In addition to the UK, which remains our core market, we have been seeking new assets in countries with a developed pipeline of opportunities and a stable fiscal position. Canada, Australia and countries in northern Europe broadly satisfy our requirements.

Portfolio Update

Current performance

The Group's strategy is to maximise value from the portfolio by active asset management. Providing the operational services on each of our projects to contractual requirements is the foundation of our business. From successful service delivery we can build strong relationships with our clients to work in partnership with our supply chain. We believe these relationships, fostered by our asset management team assist all stakeholders in identifying and developing cost efficiencies and savings, which is an area of increasing importance for our public clients, who have been tasked with finding savings in their budgets.

The Group's portfolio continues to perform as expected with good cash generation. The difficult economic environment has not impacted significantly on the projects other than a renewed emphasis on working with our public sector clients to seek cost efficiencies.

Acquisitions in the year have increased the Group's portfolio to 38 infrastructure investments as at 31 March 2011. Since the year end, the Kemble Water junior loan has been repaid at par and the Group has acquired 3 PFI schools projects. Therefore the Group currently has 40 PFI/PPP/P3 investments of which two are in construction, namely the M80 DBFO Road project and the North West Anthony Henday Road.

The last of the four Bradford schools has recently been completed, with fit-out of the schools now taking place ready for occupation. The M80 DBFO Road project and the North West Anthony Henday Road remain on track to achieve their contractual completion dates for construction in Q4 2011.

On a number of projects our asset management team has initiated cost saving and efficiency workshops with our clients and supply chain. These have proved fruitful in identifying various areas where substantial savings can be made. Initiatives worked on to date cover a broad range of opportunities, including revising service scope and standards, increased outsourcing, improved energy management, space reconfiguration and third party revenue.

The Defence Sixth Form College is a good example of where savings can be achieved. The project was selected by the client, the Ministry of Defence ("MOD") as a pilot project to identify efficiencies. The project team worked in collaboration with the MOD, undertaking an in depth analysis of the service delivery and the MOD's requirements.

In February, Romford Hospital was selected by HM Treasury for a similar pilot project aimed at identifying cost savings. Here the review is less advanced than on the Defence Sixth Form College with a report expected from HM Treasury in the summer. In November 2010 the project team ran an externally facilitated cost saving and efficiency workshop with the NHS Trust and supply chain. Ideas generated at this workshop have been incorporated in the response to the Treasury. The review remains work in progress, and is due to report shortly.

Contract Variations

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

- On the Dutch High Speed Rail Link project, four signal stations have been added. This variation was funded by the Dutch State as a capital project.
- On Kicking Horse Canyon Road we are developing, at the client's request, a variation to take over the operation and maintenance of 13km of additional lanes within the boundaries of the current project.
- On the Helicopter Training Facility - there are a number of variations on the simulators to ensure that they continue to meet the MOD's requirement, specifically by updating the synthetic training equipment to the same standards as the live aircraft. These variations are being funded by the MOD.

Acquisitions

As noted in the Chairman's Statement, the Group made five new investments and four incremental acquisitions in the year for an aggregate consideration of £151.0m.

In June 2010, the Group acquired a 74.9% interest in the Queen Alexandra Hospital PFI project in Portsmouth for a consideration of £46.4m. The hospital has 1,026 inpatient beds, 34 neonatal intensive care cots, 3 endoscopy suites and 20 main operating theatres. It is fully operational and the concession contract runs until December 2040. A subsidiary of Carillion plc operates the hospital under a long-term services agreement.

In September 2010, the Group acquired an incremental 7.55% equity interest and 17.65% loan note interest in the Sussex Custodial Centre PFI project for £1.1m, taking its total equity interest in the project to 89.9% and loan note interest to 100%.

In early October 2010, the Group announced the acquisition, subject to third party consents, of two UK PFI projects and two Canadian P3 projects from subsidiaries of Bilfinger Berger. The consideration was £65.9m, including deferred investment obligations of approximately £46.1m at October exchange rates. The four interests are:

- a 50% interest in the Kent Schools PFI project – for the ongoing operation and maintenance of six secondary schools in Kent;
- a 41.6% indirect interest in the M80 motorway DBFO project currently under construction in Scotland. Through the future exercise of options rights over minority interests, this interest will increase to 49.9%;
- a 50% interest in the North-West Anthony Henday ring road P3 project – for a 21 kilometre stretch of a four and six lane ring road surrounding the city of Edmonton in Alberta, Canada, currently in construction; and
- a 50% interest in the Kicking Horse Canyon Transit P3 project in British Columbia, Canada comprising the upgrading of approximately six kilometres of highway and the operation and maintenance of a 26 kilometre stretch of highway, part of the Trans-Canada Highway.

In mid-October 2010, the Group acquired two incremental interests, firstly an incremental 15.0% equity interest and 25.1% loan note interest in the Queen Alexandra Hospital PFI project for £13.4m and secondly an incremental 39.9% equity interest and 50% loan note interest in the Oxford John Radcliffe Hospital project for £13.9 million. These acquisitions take the Group's interest in each of these projects to a 89.9% equity interest and a 100% loan note interest.

In March 2011, the Group acquired an additional 5.49% interest in the equity and loan notes in the Dutch High Speed Rail project for €11.6m (£10.3m). This takes the Group's interests in this project to 42.99%.

Since the 31 March the Group has announced a further acquisition:

On 23 May 2011, the Group announced the acquisition of three school PFI projects from subsidiaries of Kier Group plc and Dexia SA for a consideration of £17.2m. The interests acquired are 75% of the equity and loan note interests in both Norwich and Oldham Schools and 37.5% of the equity and loan note interests in Sheffield Schools. The Norwich project involves the financing, design and construction and operation of five primary schools and one secondary school. The Oldham Project involves two secondary schools and the Sheffield Project, two primary schools and two secondary schools. All the schools have been operational since either 2007 or 2008. The schools are managed and operated by Kier Facilities Services Limited.

Realisations

Following the year end, in April 2011, the £30.0m Kemble Water junior loan was repaid at par. The Company has announced it will seek to invest the proceeds of the repayment as and when suitable acquisition opportunities arise.

Valuation and Discount Rates

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

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

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

This is the same method used at the time of launch and each subsequent six month reporting period (further details can be found in the November 2010 C Share prospectus, available from the Company's website).

The Directors' Valuation of the portfolio as at 31 March 2011 is £673.1m (including £47.0m of future investment obligations). This portfolio valuation compares to £509.6m as at 31 March 2010 (up 32%) and £250.4m at the time of launch (a reconciliation between the valuation at 31 March 2011 and that shown in the financial statements is given in Note 1 to the unaudited consolidated proforma financial statements, the principal difference being the £47.0m of equity commitments on the Helicopter Training facility, M80 motorway DBFO and North-West Anthony Henday P3).

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

Valuation movement during the year to 31 March 2011	£'m
Valuation at 31 March 2010	**509.6**
Investments	151.0
Cash receipts	(45.6)
Change in DCF rate	1.3
Economic assumptions	(2.8)
Forex movement on Dutch High Speed Rail Link	(0.4)
Return	60.0
Valuation at 31 March 2011	**673.1**

Netting out acquisitions in the period of £151.0m, and investment receipts of £45.6m, the growth over the rebased value of £615.0m was 9.4%. This increase is a product of the £60m Return from the portfolio which was driven by robust project performance supported by actual inflation above the 2.75% valuation assumption, contributions from new investments and a positive mark to market movement on the Kemble Water junior loan.

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

Discount rates

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

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

Period ending	PFI/PPP/P3 portfolio		Whole portfolio (including Kemble Water Junior Loan)	
	Range	Weighted average	Range	Weighted average
31 March 2010	8.4% to 11.0%	8.7%	8.4% to 13.2%	8.8%
30 September 2010	8.4% to 10.0%	8.7%	8.4% to 10.3%	8.7%
31 March 2011	**8.4% to 10.0%**	**8.7%**	**7.8% to 10.0%**	**8.7%**

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

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

PFI/PPP/P3 portfolio	31 March 2011	31 March 2010	Movement
Risk free rate	4.2%	4.4%	(0.2%)
Risk premium	4.5%	4.3%	0.2%
Discount Rate	**8.7%**	**8.7%**	**0.0%**

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

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

Discount rate	31 March 2011	31 March 2010	Movement
Operational phase	8.6%	8.6%	0.0%
Construction phase	9.3%	11.0%	(1.7%)
PFI/PPP/P3 Portfolio	**8.7%**	**8.7%**	**0.0%**

The discount rate to reflect market pricing for an operational asset has been judged as 8.6% – unchanged from the prior year. The average discount rate applied to value construction assets has reduced by 1.7% reflecting a combination of lower risk free rates in Canada and the lower risks in the construction assets as compared to the previous year.

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

Country	31 March 2011			31 March 2010	Movement
	Risk free rate	Risk Premium	Discount rate		
UK	4.3%	4.3%	8.6%	8.6%	0.0%
Eurozone	3.9%	5.0%	8.9%	8.8%	0.1%
Canada	3.7%	5.1%	8.8%	n/a	n/a
PFI/PPP/P3 Portfolio	**4.2%**	**4.5%**	**8.7%**	**8.7%**	**0.0%**

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

Valuation Assumptions

Inflation Rate Sensitivity

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

The portfolio valuation assumes UK inflation of 2.75% per annum for both RPI and RPIx, the same assumption as for the prior year. The March 2011 forecasts for RPI in December 2012 range from 2.3% to 4.4% from 25 independent and City institutions as compiled by HM Treasury, with an average forecast of 3.2%.

Deposit Rate Sensitivity

Each PFI project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 31 March 2011 cash deposits for the portfolio were earning interest at a rate of 0.8% per annum on average. There is a consensus that UK base rates will remain low for an extended period, with a current average forecast for UK base rates in December 2011 of 1%.

The portfolio valuation assumes UK deposit interest rates are 1% to March 2013 and 4.0% thereafter. This is lower than applied in the March 2010 valuation which assumed 1% deposit interest rates to March 2012 and 4.5% thereafter. These changes have reduced the portfolio valuation by approximately £8.5m and are included within the £2.8m aggregate reduction in portfolio value attributable to changes in Economic Assumptions.

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

Tax rates

The profits of each UK PFI project company are subject to UK corporation tax. In the March Budget the Coalition Government announced that corporation tax would reduce from 27% to 26% from April 2011 with an aspiration to reduce corporation tax further to 23% in 1% annual increments.

The UK corporation tax assumption for the portfolio valuation is 26%, which has reduced by 2% from 28% at March 2010, to reflect the current rate of UK corporation tax. This change has increased the portfolio valuation by approximately £5.7m and is included within the £2.8m aggregate change in portfolio value attributable to changes in Economic Assumptions.

Financing

The Company successfully raised £154.6m (net of expenses) in the year from the £110m C share issue in December 2010 and the issue of 41.7m shares by way of tap issues under the Company's block listing. The net proceeds from the share issues were used to fund new investments and to reduce the Group's debt. As at 31 March 2011, the Group had net cash of £54.7m and outstanding future investment obligations on three projects totalling £47.0m.

The strategy is to use the Group's £200m revolving debt facility, which is committed through to December 2012, to fund new acquisitions, to provide letters of credit for future investment obligations, and to provide a prudent level of debt for the portfolio to improve the operational gearing.

The Board's policy is that the Company should not hold cash awaiting investment to any material extent above any outstanding equity commitments in respect of existing investments.

The PFI/PPP/P3 projects in the portfolio all have long term debt in place which does not need refinancing to meet their business plan. The weighted average PFI/PPP/P3 project concession length remaining is 24.0 years at 31 March 2011 and the weighted average debt tenor is 22.3 years.

Counterparty Exposures

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

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

Financial Results

Accounting

At 31 March 2011, the Group had eleven investments which it was deemed to control by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the project entities. This is unchanged from 31 March 2010. Under International Financial Reporting Standards ("IFRS"), the results of these companies are required to be consolidated in the Group's financial statements on a line-by-line basis.

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

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

The proforma tables show all investments accounted for on an Investment basis, which are reconciled to the consolidated financial statements on a line by line basis.

Income and Costs

Summary income statement

	Year to 31 March 2011			Year to 31 March 2010		
£m	**Investment basis**	**Consolidation adjustments**	**IFRS basis**	**Investment basis**	**Consolidation adjustments**	**IFRS basis**
Total revenue income	**37.4**	**150.5**	**187.9**	**31.2**	**128.5**	**159.7**
Expenses & finance costs	**(13.1)**	**(155.2)**	**(168.3)**	**(13.4)**	**(121.0)**	**(134.4)**
Profit/(loss) before tax & valuation movements	**24.3**	**(4.7)**	**19.6**	**17.8**	**7.5**	**25.3**
Fair value movements	**20.9**	**(2.2)**	**18.7**	**7.2**	**(24.8)**	**(17.6)**
Tax and non-controlling interests	**(0.1)**	**7.0**	**6.9**	**(0.2)**	**(1.5)**	**(1.7)**
Earnings/(loss)	**45.1**	**0.1**	**45.2**	**24.8**	**(18.8)**	**6.0**
Earnings per share	**8.9p**		**9.0p**	**6.5p**		**1.6p**

On an Investment basis, Profit before tax and valuation movements was £24.3m (2010: £17.8m) and increased due to contributions from acquisitions and reduced finance costs.

Fair value movements are a £20.9m profit (2010: £7.2m) which represents the increase in the portfolio valuation recognised in the income statement. The portfolio valuation benefited from a strong performance from the portfolio, supported by inflation above the valuation assumption and a mark to market uplift on the Kemble Water junior loan. Further detail on the valuation movement is given in the Investment Adviser's Report.

Earnings on an Investment basis were £45.1m, an increase of over £20m compared to the prior year, with earnings per share of 8.9p up 2.4p or 37% as compared to 2010. The uplift in earnings reflects the positive contribution from acquisitions coupled with a good performance from the portfolio without the adverse impact of changing valuation assumptions that affected prior year earnings.

On a consolidated IFRS basis, the earnings per share were 9.0p (2010: 1.6p). The results on a consolidated IFRS basis show a more significant improvement than on an Investment basis due to factors arising in the prior year. In particular in the prior year the value of the subsidiaries recognised under IFRS was impacted more by the increase in the risk free rate in that year than the market values of the subsidiaries that underpinned earnings on the Investment basis.

Total income on a consolidated IFRS basis increased to £187.9m (2010: £159.7m) driven by a full year contribution from 2010 acquisitions and increased construction revenue on project variations. Profit before tax and valuation movements on a consolidated IFRS basis decreased despite the increased revenues due to reduced finance costs in the prior year. The prior year benefited materially from lower finance costs arising from the effect of negative inflation on the index link bond financing on the Home Office and Exeter Courts projects.

Cost analysis

	Year to 31 March 2011	Year to 31 March 2010
£m	**Investment basis**	**Investment basis**
Interest income	**0.1**	**0.1**
Interest expense	**(3.6)**	**(5.5)**
Investment Adviser	**(8.1)**	**(6.0)**
Auditor – KPMG – for the Group	**(0.2)**	**(0.2)**
Directors fees & expenses	**(0.1)**	**(0.1)**
Other expenses	**(1.2)**	**(1.7)**
Expenses & finance costs	**(13.1)**	**(13.4)**

Interest was a net cost of £3.5m in the year (2010: £5.4m) reduced from the prior year due to lower levels of borrowing during the year and the effect of re-profiling the interest rate swaps in 2010 following the prior year C share capital raising.

Total fees accruing to InfraRed Capital Partners Limited (the Investment Adviser) totalled £8.1m (2010: £6.0m) in the year, comprising the 1.1% per annum management fee (1.5% for assets in construction), the 1.0% fee on the acquisitions made, and the £0.1m per annum advisory fee. The increase is a combination of the 1.0% acquisition fee on a larger volume of acquisitions and the management fee on a growing portfolio value.

In addition, the Group contracted in the year with other parts of the HSBC Group on an arm's length basis for the provision of bank accounts, foreign exchange hedges, and insurance broking.

Other expenses are down £0.5m from the prior year, reflecting a reduced level of unsuccessful bid costs.

Total Expense Ratio ('TER')

£m	Year to 31 March 2011 Investment basis	Year to 31 March 2010 Investment basis
Administrative expenses	9.6	8.0
Less operator acquisition investment fees	(1.5)	(0.7)
Total expenses	8.1	7.3
Net assets	673.2	502.9
TER	1.20%	1.45%

The TER for the Group has reduced 0.25% in the year to 1.20%. This improvement shows the benefit of scale economies as acquisitions and the consequent capital raisings enable the Group's expenses to be spread over an enlarged capital base.

Balance Sheet

Summary balance sheet

£m	31 March 2011			31 March 2010		
	Investment basis	Consolidation adjustments	IFRS basis	Investment basis	Consolidation adjustments	IFRS basis
Investments at fair value	626.1	(200.1)	426.0	501.3	(193.9)	307.4
Other non-current assets	-	957.9	957.9	-	979.3	979.3
Working capital	(5.3)	8.8	3.5	(4.8)	11.8	7.0
Net cash/(borrowings)	54.7	(587.5)	(532.8)	11.0	(604.0)	(593.0)
Other non-current liabilities	(2.3)	(185.4)	(187.7)	(4.6)	(196.7)	(201.3)
Non-controlling interests	-	(9.9)	(9.9)	-	(12.8)	(12.8)
Net assets*	673.2	(16.2)	657.0	502.9	(16.3)	486.6
NAV per share (before distribution)	113.1p		110.4p	110.7p		107.1p

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

On an Investment basis, Investments at fair value were £626.1m (2010: £501.3m) net of £47.0m of future investment obligations on the M80 motorway DBFO, North-West Anthony Henday P3 and Helicopter Training facility projects. This is an increase of £124.8m or 25%. Further detail on the movement in Investments at fair value is given in the Investment Adviser's Report under Valuation.

Following the equity capital raisings in the year the Group has a net cash position on an Investment basis of £54.7m (2010: £11.0m). An analysis of the movements in net cash is shown in the cashflow analysis below.

Other financial liabilities of £2.3m (2010: £4.6m) are the mark to market valuation of the Group's interest rate swaps and a foreign currency hedging contract. In January 2011 following the C share capital raising the Group's interest rate swaps were re-profiled resulting in a payment of £2.5m to partially settle the swaps.

On an Investment basis, NAV per share was 113.1p before the 3.425p distribution (2010: 110.7p).

On a consolidated IFRS basis, net assets have increased to £657.0m (2010: £502.9m) reflecting £156.7m from the issue of shares, earnings of £45.2m less distributions of £31.5m. NAV per share was 110.4p (2010: 107.1p).

Cashflow analysis

Summary cash flow

	Year to 31 March 2011		Year to 31 March 2010	
£m	**Investment basis**		**Investment basis**	
Net cash (debt) at start of period		**11.0**		**(57.7)**
Cash from investments	**45.6**		**39.2**	
Operating + finance costs	**(10.7)**		**(11.6)**	
Net cash inflow before acquisitions/financing		**34.9**		**27.6**
Cost of new investments		**(115.1)**		**(60.1)**
Share capital raised net of costs		**154.6**		**126.3**
Forex movement on borrowings/hedging		**(1.3)**		**(3.2)**
Dividend for operational assets	**(27.6)**		**(21.4)**	
Dividend for construction assets	**(1.8)**		**(0.5)**	
Dividends paid		**(29.4)**		**(21.9)**
Net cash at end of period		**54.7**		**11.0**

On an Investment basis the Group's net cash at 31 March 2011 was £54.7m (31 March 2010: £11.0m)

Cash inflows from the portfolio were up 16% at £45.6m (2010: £39.2m). The growth in cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

Cost of investments of £115.1m (2010: £60.1m) represents the cash cost of the five new investments, four incremental acquisitions, £8.0m of loan note subscriptions (on Bradford Schools and the Helicopter Facility projects) coupled with associated acquisition costs of £2.0m.

The £1.3m (2010: £3.2m) movement in forex and hedging arises from the re-profiling of the interest rate swaps and the timing of the forward Euro and Canadian Dollar sales. The forward sales are to hedge the Group's forex exposure on the Dutch High Speed Rail Link and two Canadian assets.

The £110m C share capital raising in December 2010 and placing of 41.7m shares under the block listing provided cash receipts in the year of £154.6m (2010: £126.3m).

Dividends paid increased £7.5m to £29.4m (2010: £21.9m) for the year (being the payment of 3.35p in June 2010 and the payment of 3.275p per share in December 2010). The dividends declared for the year to 31 March 2011 represents a total of 6.7p per share (2010: 6.55p).

Dividend cash cover was 1.26 times (2010: 1.26 times)which compares operational cash flow of £34.9m (2010: £27.6m) to dividends from operational assets. The dividend attributable to operational assets (93.9%) and construction assets (6.1%) was based on their respective share of the portfolio valuation during the year.

Gearing

The Group has a committed £200m five year revolving facility from Bank of Scotland plc ('BoS') expiring in December 2012. This facility is used to fund acquisitions and is on a recourse basis to the Group. The Company's Articles of Association limit the Group's recourse debt to 50% of Adjusted Gross Asset Value of its investments and cash balances. As at 31 March 2011, the Group's only drawings under the facility were in respect £46.7m in letters of credit to support future investment commitments.

Following the successful C share equity raising in December, the Group is ungeared with net cash on an Investment basis as at 31 March 2011 of £54.7m (31 March 2010: £11.0m). This cash is to be utilised on the £47.0m of future investment commitments and the payment of £20.4m for the second interim dividend of 3.425p per share in June.

To manage interest rate risk the Group has interest rate swaps to partially hedge the Group's debt facility. Following the reduction in gearing of the Group in January 2011 the interest rate hedges were re-profiled to reflect the likely gearing of the Group over the next two years.

On a consolidated IFRS basis, the Group had net debt of £532.8m at 31 March 2011 (31 March 2010: £593.0m). This decrease in net debt over the year reflects the proceeds from shares issued in the year and scheduled debt repayments by the operating subsidiaries more than offsetting the cost of new investments.

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

Foreign Exchange risk

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

Unaudited consolidated proforma income statements

for the year ended 31 March 2011

	Year ended 31 March 2011					Year ended 31 March 2010				
	Investment basis			Consolidation	Consolidated	Investment basis			Consolidation	Consolidated
	Revenue	Capital	Total	adjustments	IFRS basis	Revenue	Capital	Total	adjustments	IFRS basis
	£million	£million	£million	£million	£million	£million	£million	£million	£million	£million
Services revenue	-	-	-	121.2	121.2	-	-	-	102.6	102.6
Gains on finance receivables	-	-	-	47.2	47.2	-	-	-	16.2	16.2
Gains/(loss) on investments	37.4	18.8	56.2	(20.4)	35.8	31.2	3.6	34.8	(15.5)	19.3
Total income	37.4	18.8	56.2	148.0	204.2	31.2	3.6	34.8	103.3	138.1
Services costs	-	-	-	(105.8)	(105.8)	-	-	-	(89.1)	(89.1)
Administrative expenses	(9.6)	-	(9.6)	(2.2)	(11.8)	(8.0)	-	(8.0)	(2.0)	(10.0)
Profit before net finance costs and tax	27.8	18.8	46.6	40.0	86.6	23.2	3.6	26.8	12.2	39.0
Finance costs	(3.6)	-	(3.6)	(47.5)	(51.1)	(5.5)	-	(5.5)	(30.1)	(35.6)
Finance income	0.1	2.1	2.2	0.6	2.8	0.1	3.6	3.7	0.6	4.3
Profit/(loss) before tax	24.3	20.9	45.2	(6.9)	38.3	17.8	7.2	25.0	(17.3)	7.7
Income tax (expense)/credit	(0.1)	-	(0.1)	8.4	8.3	(0.2)	-	(0.2)	3.4	3.2
Profit/(loss) for the year	24.2	20.9	45.1	1.5	46.6	17.6	7.2	24.8	(13.9)	10.9
Attributable to:										
Equity holders of the parent	24.2	20.9	45.1	0.1	45.2	17.6	7.2	24.8	(18.8)	6.0
Non-controlling interests	-	-	-	1.4	1.4	-	-	-	4.9	4.9
	24.2	20.9	45.1	1.5	46.6	17.6	7.2	24.8	(13.9)	10.9
Earnings/(loss) per share – basic and diluted *(pence)*	4.8	4.1	8.9	0.1	9.0	4.6	1.9	6.5	(4.9)	1.6

See Note 2(a) of Notes to the consolidated financial statements for the definition of revenue and capital items.

Unaudited consolidated proforma balance sheet

as at 31 March 2011

	31 March 2011			31 March 2010		
	Investment basis	Consolidation adjustments	Consolidated IFRS basis	Investment basis	Consolidation adjustments	Consolidated IFRS basis
	£million	£million	£million	£million	£million	£million
Non-current assets						
Investments at fair value through profit or loss *(Note 1)*	596.4	(200.1)	396.3	501.3	(193.9)	307.4
Finance receivables at fair value through profit or loss	-	761.6	761.6	-	772.0	772.0
Intangible assets	-	162.0	162.0	-	170.6	170.6
Deferred tax assets	-	34.3	34.3	-	36.7	36.7
Total non-current assets	596.4	757.8	1,354.2	501.3	785.4	1,286.7
Current assets						
Investments at fair value through profit or loss *(Note 1)*	29.7	-	29.7	-	-	-
Trade and other receivables	1.0	14.7	15.7	0.1	12.0	12.1
Finance receivables at fair value through profit or loss	-	17.5	17.5	-	16.6	16.6
Cash and cash equivalents	54.7	60.2	114.9	12.8	54.3	67.1
Total current assets	85.4	92.4	177.8	12.9	82.9	95.8
Total assets	681.8	850.2	1,532.0	514.2	868.3	1,382.5
Current liabilities						
Trade and other payables	(6.0)	(22.9)	(28.9)	(4.7)	(16.2)	(20.9)
Current tax payable	(0.3)	(0.5)	(0.8)	(0.2)	(0.6)	(0.8)
Loans and borrowings	-	(31.4)	(31.4)	-	(29.6)	(29.6)
Total current liabilities	(6.3)	(54.8)	(61.1)	(4.9)	(46.4)	(51.3)
Non-current liabilities						
Loans and borrowings	-	(616.3)	(616.3)	(1.8)	(628.7)	(630.5)
Other financial liabilities (fair value of derivatives)	(2.3)	(80.5)	(82.8)	(4.6)	(80.3)	(84.9)
Deferred tax liabilities	-	(104.9)	(104.9)	-	(116.4)	(116.4)
Total non-current liabilities	(2.3)	(801.7)	(804.0)	(6.4)	(825.4)	(831.8)
Total liabilities	(8.6)	(856.5)	(865.1)	(11.3)	(871.8)	(883.1)
Net assets/(liabilities)	673.2	(6.3)	666.9	502.9	(3.5)	499.4
Equity						
Shareholders' equity	673.2	(16.2)	657.0	502.9	(16.3)	486.6
Non-controlling interests	-	9.9	9.9	-	12.8	12.8
Total equity	673.2	(6.3)	666.9	502.9	(3.5)	499.4
Net assets/(liabilities) per share (pence)	113.1	(2.7)	110.4	110.7	(3.6)	107.1

Unaudited consolidated proforma cash flow
for the year ended 31 March 2011

	Year ended 31 March 2011			Year ended 31 March 2010		
	Investment basis	**Consolidation adjustments**	**Consolidated IFRS basis**	**Investment basis**	**Consolidation adjustments**	**Consolidated IFRS basis**
	£million	£million	£million	£million	£million	£million
Cash flows from operating activities						
Profit/(loss) before tax	45.2	(6.9)	38.3	25.0	(17.3)	7.7
Adjustments for:						
(Gains)/loss on investments	(56.2)	22.2	(34.0)	(34.8)	14.3	(20.5)
Gains on finance receivables	-	(44.5)	(44.5)	-	(4.4)	(4.4)
Interest payable and similar charges	3.6	42.0	45.6	5.5	26.4	31.9
Changes in fair value of derivatives	(2.1)	(0.3)	(2.4)	(3.6)	(0.4)	(4.0)
Operator acquisition investment fees	1.5	-	1.5	0.7	-	0.7
Interest income	(0.1)	(0.3)	(0.4)	(0.1)	(0.2)	(0.3)
Amortisation of intangible assets	-	8.6	8.6	-	8.2	8.2
Operating cash flow before changes in working capital	(8.1)	20.8	12.7	(7.3)	26.6	19.3
Changes in working capital:						
Increase in receivables	(0.9)	(13.5)	(14.4)	-	(16.1)	(16.1)
(Decrease)/Increase in payables	(0.4)	5.8	5.4	1.0	2.6	3.6
Cash flow (used in)/from operations	(9.4)	13.1	3.7	(6.3)	13.1	6.8
Interest received on bank deposits and finance receivables	0.1	0.3	0.4	1.5	0.2	1.7
Cash received from finance receivables	-	58.8	58.8	-	41.4	41.4
Interest paid	(5.3)	(28.0)	(33.3)	(9.9)	(28.5)	(38.4)
Corporation tax paid	-	(0.9)	(0.9)	-	(0.7)	(0.7)
Interest received on investments	30.5	(5.3)	25.2	27.8	(6.7)	21.1
Dividends received	12.8	(2.7)	10.1	8.3	(1.7)	6.6
Fees and other operating income	2.2	(0.7)	1.5	2.0	(0.7)	1.3
Acquisition of subsidiaries net of cash acquired	-	-	-	-	7.0	7.0
Loanstock and equity repayments received	0.1	-	0.1	1.1	-	1.1
Net cash from operating activities	31.0	34.6	65.6	24.5	23.4	47.9
Cash flows from investing activities						
Purchases of investments	(115.1)	-	(115.1)	(60.5)	8.0	(52.5)
Net cash (used in)/from investing activities	(115.1)	-	(115.1)	(60.5)	8.0	(52.5)
Cash flows from financing activities						
Proceeds from issue of share capital	154.6	-	154.6	126.3	-	126.3
Proceeds from issue of loans and borrowings	77.1	-	77.1	66.6	-	66.6
Repayment of loans and borrowings	(80.2)	(24.3)	(104.5)	(132.2)	(20.8)	(153.0)
Distributions paid to Company shareholders	(29.4)	-	(29.4)	(21.9)	-	(21.9)
Distributions paid to non-controlling interests	-	(4.4)	(4.4)	-	(1.4)	(1.4)
Net cash from/(used in) financing activities	122.1	(28.7)	93.4	38.8	(22.2)	16.6
Net increase in cash and cash equivalents	38.0	5.9	43.9	2.8	9.2	12.0
Cash and cash equivalents at beginning of year	12.8	54.3	67.1	9.1	45.1	54.2
Exchange gains on cash	3.9	-	3.9	0.9	-	0.9
Cash and cash equivalents at end of year	54.7	60.2	114.9	12.8	54.3	67.1

Notes to the unaudited consolidated proforma financial statements
for the year ended 31 March 2011

1. Investments

The valuation of the Group's portfolio at 31 March 2011 reconciles to the consolidated balance sheet as follows:

	31 March 2011 £million	31 March 2010 £million
Portfolio valuation	673.1	509.6
Less : undrawn investment commitments	(47.0)	(8.3)
Portfolio valuation on an investment basis	626.1	501.3
Less : equity and loanstock investments in operating subsidiaries eliminated on consolidation	(200.1)	(193.9)
Investments per audited consolidated balance sheet on an IFRS basis	426.0	307.4

Portfolio valuation on an investment basis is represented by:

	31 March 2011	31 March 2010
Less than one year	29.7	-
Greater than one year	596.4	501.3
Carrying amount at year end	626.1	501.3

Investments per audited consolidated balance sheet on an IFRS basis is represented by:

	31 March 2011	31 March 2010
Less than one year	29.7	-
Greater than one year	396.3	307.4
Carrying amount at year end	426.0	307.4

Statement of Directors' responsibilities

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

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Company (Guernsey) Law, 2008. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review) and Corporate Governance Statement that comply with that law and those regulations.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

Disclosure of Information to the Auditors

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

Auditors

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

By order of the Board
Authorised signatory
Dexion Capital (Guernsey) Ltd
Company Secretary
23 May 2011

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

Independent auditor's report to the members of HICL Infrastructure Company Limited

We have audited the Group and Company financial statements (the "financial statements") of HICL Infrastructure Company Limited for the year ended 31 March 2011 which comprise the Consolidated and Company Income Statements, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Shareholders' Equity, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2011 and of the Group's and Company's profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

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

We have nothing to report with respect to the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

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

23 May 2011

Consolidated income statement

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 Revenue £million	Capital £million	Total £million	Year ended 31 March 2010 Revenue £million	Capital £million	Total £million
Services revenue	5	121.2	-	121.2	102.6	-	102.6
Gains/(loss) on finance receivables	17	40.6	6.6	47.2	35.5	(19.3)	16.2
Gains/(loss) on investments	6	26.1	9.7	35.8	21.6	(2.3)	19.3
Total income/(loss)		187.9	16.3	204.2	159.7	(21.6)	138.1
Services costs	7	(105.8)	-	(105.8)	(89.1)	-	(89.1)
Administrative expenses	8	(11.8)	-	(11.8)	(10.0)	-	(10.0)
Profit/(loss) before net finance costs and tax		70.3	16.3	86.6	60.6	(21.6)	39.0
Finance costs	9	(51.1)	-	(51.1)	(35.6)	-	(35.6)
Finance income	9	0.4	2.4	2.8	0.3	4.0	4.3
Profit/(loss) before tax		19.6	18.7	38.3	25.3	(17.6)	7.7
Income tax credit/(expense)	10a	10.3	(2.0)	8.3	(1.1)	4.3	3.2
Profit/(loss) for the year		29.9	16.7	46.6	24.2	(13.3)	10.9
Attributable to:							
Equity holders of the parent		25.3	19.9	45.2	24.6	(18.6)	6.0
Non-controlling interests		4.6	(3.2)	1.4	(0.4)	5.3	4.9
		29.9	16.7	46.6	24.2	(13.3)	10.9
Earnings per share – basic and diluted (pence)	11			9.0			1.6

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

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

Consolidated balance sheet

as at 31 March 2011

	Note	31 March 2011 £million	31 March 2010 £million
Non-current assets			
Investments at fair value through profit or loss	15	396.3	307.4
Finance receivables at fair value through profit or loss	17	761.6	772.0
Intangible assets	14	162.0	170.6
Deferred tax assets	10c	34.3	36.7
Total non-current assets		1,354.2	1,286.7
Current assets			
Investments at fair value through profit or loss	15	29.7	-
Trade and other receivables	18	15.7	12.1
Finance receivables at fair value through profit or loss	17	17.5	16.6
Cash and cash equivalents	19	114.9	67.1
Total current assets		177.8	95.8
Total assets		1,532.0	1,382.5
Current liabilities			
Trade and other payables	20	(28.9)	(20.9)
Current tax payable		(0.8)	(0.8)
Loans and borrowings	21	(31.4)	(29.6)
Total current liabilities		(61.1)	(51.3)
Non-current liabilities			
Loans and borrowings	21	(616.3)	(630.5)
Other financial liabilities (fair value of derivatives)	22	(82.8)	(84.9)
Deferred tax liabilities	10c	(104.9)	(116.4)
Total non-current liabilities		(804.0)	(831.8)
Total liabilities		(865.1)	(883.1)
Net assets		666.9	499.4
Equity			
Ordinary share capital	23	-	-
Share premium	23	390.7	234.0
Retained reserves		266.3	252.6
Total equity attributable to equity holders of the parent		657.0	486.6
Non-controlling interests		9.9	12.8
Total equity		666.9	499.4
Net assets per share (pence)	13	110.4	107.1

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 23 May 2011, 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 2011

Year ended 31 March 2011

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

Year ended 31 March 2010

	Attributable to equity holders of the parent			Non-controlling interests	Total equity
	Share capital and share premium	Retained reserves	Total shareholders' equity		
	£million	£million	£million	£million	£million
Shareholders' equity at beginning of year	106.5	269.6	376.1	4.1	380.2
Profit for the year	-	6.0	6.0	4.9	10.9
Acquisition of non-controlling interests with a change in control	-	-	-	5.2	5.2
Distributions paid to Company shareholders	-	(23.0)	(23.0)	-	(23.0)
Distributions paid to minorities	-	-	-	(1.4)	(1.4)
Ordinary shares issued	129.3	-	129.3	-	129.3
Costs of share issue	(1.8)	- -	(1.8)	-	(1.8)
Shareholders' equity at end of year	234.0	252.6	486.6	12.8	499.4

Consolidated cash flow statement

for the year ended 31 March 2011

	Year ended 31 March 2011 £million	Year ended 31 March 2010 £million
Cash flows from operating activities		
Profit before tax	38.3	7.7
Adjustments for:		
Gains on investments	(34.0)	(20.5)
Gains on finance receivables	(44.5)	(4.4)
Interest payable and similar charges	45.6	31.9
Changes in fair value of derivatives	(2.4)	(4.0)
Operator acquisition investment fees	1.5	0.7
Interest income	(0.4)	(0.3)
Amortisation of intangible assets	8.6	8.2
Operating cash flow before changes in working capital	12.7	19.3
Changes in working capital:		
Increase in receivables	(14.4)	(16.1)
Increase in payables	5.4	3.6
Cash flow from operations	3.7	6.8
Interest received on bank deposits and finance receivables	0.4	1.7
Cash received from finance receivables	58.8	41.4
Interest paid	(33.3)	(38.4)
Corporation tax paid	(0.9)	(0.7)
Interest received on investments	25.2	21.1
Dividends received	10.1	6.6
Fees and other operating income	1.5	1.3
Acquisition of subsidiaries net of cash acquired (Note 16)	-	7.0
Loanstock and equity repayments received	0.1	1.1
Net cash from operating activities	65.6	47.9
Cash flows from investing activities		
Purchases of investments	(115.1)	(52.5)
Net cash used in investing activities	(115.1)	(52.5)
Cash flows from financing activities		
Proceeds from issue of share capital	154.6	126.3
Proceeds from issue of loans and borrowings	77.1	66.6
Repayment of loans and borrowings	(104.5)	(153.0)
Distributions paid to Company shareholders	(29.4)	(21.9)
Distributions paid to non-controlling interests	(4.4)	(1.4)
Net cash from financing activities	93.4	16.6
Net increase in cash and cash equivalents	43.9	12.0
Cash and cash equivalents at beginning of year	67.1	54.2
Exchange gains on cash	3.9	0.9
Cash and cash equivalents at end of year	114.9	67.1

Notes to the consolidated financial statements
for the year ended 31 March 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the "Consolidated Group"). The Consolidated Group invests in infrastructure projects in the UK, Canada and Europe. The parent company financial statements present information about the Company as a separate entity and not about its Consolidated Group.

Of the Consolidated Group's portfolio of 38 investments at 31 March 2011, 27 have been accounted for as investments (the "Entity Investments") in accordance with the accounting policies set out in parts (b) and (d) of note 2. The eleven remaining investments are deemed to be subsidiaries of the Company (the "Operating Subsidiaries"), and are therefore treated as business combinations as described in parts (b) and (c) of note 2. Certain items of the accounting policies apply only to the Operating Subsidiaries. Where applicable, this is noted in the relevant accounting policy note.

2. Key accounting policies

(a) Basis of preparation

The consolidated financial statements and the company financial statements were approved and authorised for issue by the Board of Directors on 23 May 2011.

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

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

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

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

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

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.

2. Key accounting policies (continued)

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

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

New standards effective for the current year
The following standards which have been applied in this year's financial statements are:

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation – this interpretation provides guidance on accounting for hedges of net investments in foreign operations in an entity's consolidated financial statements.

- IFRS 3 Business Combinations – the revised standard continues to apply the acquisition method to business combinations, however, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently re-measured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest, and all transaction costs are expensed.

- IAS 27 Consolidated and Separate Financial Statements – the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control; any remaining interest in an investee is re-measured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.

- IFRIC 17 Distributions of Non-cash Assets to Owners – provides accounting guidance for non-reciprocal distributions of non-cash assets to owners (and those in which owners may elect to receive a cash alternative).

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items. Clarifies how the principles underlying hedge accounting should be applied in particular situations.

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues. Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated.

- IFRIC 18 Transfer of Assets from Customers – which is applicable for annual periods commencing on or after 1 November 2009. Clarifies the requirements for IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

- IFRS 2 Share Based Payment: Group Cash-settled Share-based Payment Transactions – amended to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment.

2. Key accounting policies (continued)

New standards effective for the current year (continued)

- Improvements to IFRSs 2009 – the IASB published amendments to various standards collectively referred to as Improvements to IFRSs on 16 April 2009. The Improvements to IFRSs 2009 comprise 15 amendments to 12 standards and is the result of the IASB's second annual improvements project (AIP).

The adoption of these standards has led to the following change in the Consolidated Group's accounting policies:

Accounting for business combinations
From 1 April 2010 the Consolidated Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

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

Acquisitions on or after 1 April 2010
For acquisitions on or after 1 April 2010, the Consolidated Group measures goodwill at the acquisition date as:

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

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

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

Acquisitions prior to 1 April 2010
All business combinations were accounted for using the purchase method. Goodwill represents the difference between the cost of acquisition over the Consolidated Group's share of the fair value of assets acquired and liabilities and contingent liabilities assumed (including intangible assets) of a subsidiary at the date of acquisition. Identifiable intangible are those which can be measured reliably, sold separately or which arise from legal rights regardless of whether those rights are separable.

Costs comprise the fair values of assets given and liabilities assumed, plus any direct costs of acquisition.

2. Key accounting policies (continued)

Standards not yet applied

As at 31 March 2011 the following standards applicable to the Consolidated Group, which have not been applied in this financial information, were in issue and endorsed by the EU but not yet effective:

- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions – clarifies accounting for group cash-settled share-based payment transactions.
- Revised IAS 24 Related Party Disclosures – the revised standard has simplified the definition of a related party and removed inconsistencies.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.
- Improvements to IFRSs 2010 – the IASB published amendments to various standards with various effective dates on 6 May 2010. The amendments are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 improvements contains eleven amendments to six standards and to one interpretation and is the result of the IASB's third annual improvements project (AIP).

The Directors anticipate that the adoption of the above standards in future years will not have a material impact on the financial statements of the Consolidated Group.

(b) Basis of consolidation

The consolidated financial statements of the Consolidated Group include the financial statements of the Company and its subsidiaries up to 31 March 2011. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities as defined in IAS 27 'Consolidated and Separate Financial Statements'. The financial statements of subsidiaries are included in the consolidated financial statements on a line by line basis from the date that control commences until the date control ceases. Nine of the eleven subsidiaries have a different statutory financial reporting date to the Company, being 31 December. Their results for the year to 31 March are included by reference to management accounts.

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

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

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

(c) Acquisition of subsidiaries

The Group has changed its accounting policy with respect to accounting for business combinations. See Note 2 (a) 'Accounting for business combinations' for further details.

2. Key accounting policies (continued)

(d) Financial instruments

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

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

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

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

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

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

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

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

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

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

2. Key accounting policies (continued)

(iii) Fair values

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

(iv) Effective interest

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

(e) Intangible assets

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

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

(f) Impairment

(i) Financial assets

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

(ii) Non-financial assets

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

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

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

2. Key accounting policies (continued)

(g) Share capital and share premium

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

(h) Cash and cash equivalents

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

(i) Non-controlling interests

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

(j) Revenue

(i) Services revenue

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

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

(ii) Gains on finance receivables

Gains on finance receivables relate solely to the Operating Subsidiaries.

Revenue

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

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

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

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

Capital

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

2. Key accounting policies (continued)

(iii) Gains on investments

Gains on investments relates solely to the Entity Investments.

Revenue

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

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

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

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

Capital

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

(k) Service concessions

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

(i) Service concessions treated as financial assets

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

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

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

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

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

(ii) Service concessions treated as intangible assets

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

2. Key accounting policies (continued)

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

(l) Borrowing costs

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

(m) Income tax

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

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

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

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

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

(n) Foreign exchange gains and losses

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

(o) Segmental reporting

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

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

2. Key accounting policies (continued)

(p) *Expenses*

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

(q) Dividends

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

(r) Provisions

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

(s) Statement of compliance

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

(t) Comparatives

Certain investment activities on the face of the consolidated cash flow statement have been reclassified as operating activities to better reflect the nature of the business.

Certain other comparatives have been reclassified to conform to the current year's presentation.

3. Critical accounting judgements, estimates and assumptions

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

(i) Investments at fair value through profit or loss

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

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

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

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

The carrying amount of the PFI/PPP/P3 investments would be an estimated £11.2 million higher or £10.8 million lower (2010: £7.5 million higher or £7.2 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The weighted average discount rate for the PFI/PPP/P3 portfolio as at 31 March 2011 was 8.7% (2010: 8.7%).

The carrying amount of the PFI/PPP/P3 investments would be an estimated £6.8 million higher or £6.5 million lower (2010: £6.0 million higher or £5.3 million lower) if the inflation rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The UK inflation rate assumed for all future periods from 31 March 2011 is 2.75% (2010: 2.75%).

The carrying amount of the PFI/PPP/P3 investments would be an estimated £2.8 million higher or £2.7 million lower (2010: £1.9 million higher or £2.0 million lower) if the deposit rates used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The UK deposit rates assumed for all future periods from 31 March 2011 were 1% to March 2013 and 4% thereafter (2010: 1% to March 2012 and 4.5% thereafter).

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

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

The carrying amount of finance receivables would be an estimated £17.4 million higher or £16.8 million lower (2010: £14.4 million higher or £13.8 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 25 basis points from that used in the fair value calculation. The discount rates at 31 March 2011 were between 5.2% and 6.6% (2010: between 5.4% and 6.8%).

(iii) IFRIC 12

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

(iv) Intangible assets

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

4. Financial instruments

Financial risk management

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

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

Interest rate risk

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

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

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

The finance costs in the income statement would be an estimated £8.4 million higher or £8.4 million lower (2010: £9.7 million higher or £9.7 million lower) if the interest rates used in the fair value calculation of the interest rate swaps were to differ by 25 basis points.

Inflation risk

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

4. Financial instruments (continued)

The finance costs in the income statement would be an estimated £6.4 million higher or £6.4 million lower (2010: £5.0 million higher or £5.0 million lower) if the RPI rates used in the fair value calculation of the inflation swaps were to differ by 25 basis points.

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

Currency risk
The projects in which the group invests all conduct their business and pay interest, dividends and principal in sterling other than its investment in Dutch High Speed Rail project (comprising 13.1% of investments at fair value), which conducts its business and pays its interest, dividends and principal in Euros and its investments in North-West Anthony Henday P3 and Kicking Horse Canyon P3 projects (comprising 1.7% of investments at fair value), which conduct there business and pay interest, dividends and principal in Canadian dollars. The group monitors its foreign exchange exposures using its near term and long-term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection to the level of sterling distributions that the Investment Group aims to pay over the medium term, where considered appropriate. This may involve the use of forward exchange and other currency hedging contracts, as well as the use of Euro, Canadian and other currency denominated borrowings. The Investment Group at 31 March 2011 hedged its currency exposure through forward sale of Euros and Canadian dollars.

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

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

The group is also reliant on the project's subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Investment Adviser has a subcontractor counterparty monitoring procedure in place. The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is ongoing, and period end positions are reported to the Board on a quarterly basis. The Investment Group's largest credit risk exposure to a project at 31 March was to the Home Office project (14% of portfolio by value) and the largest subcontractor counterparty risk exposure was to subsidiaries of the Bouygues group which provided facilities management services in respect of 21% of the portfolio by value.

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

4. Financial instruments (continued)

As at 31 March 2011, the ageing of trade receivables past due but not impaired were as follows:

	31 March 2011 £million	31 March 2010 £million
3 to 6 months due	-	0.2
Over 6 months due	0.5	0.1
	0.5	0.3

At 31 March 2011 there were no loans and other receivables considered past due or impaired (2010: £nil) for the Consolidated Group.

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

Liquidity risk

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

The Investment Group's investments are generally in private companies in which there is no listed market and therefore such investment would take time to realise and there is no assurance that the valuations placed on the investments would be achieved from any such sale process. One of the Investment Group's investments is a loan to Kemble Water, which was repaid in full in April 2011.

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

The Investment Group's investments may include obligations to make future investment amounts. These obligations will typically be supported by standby letters of credit, issued by the Investment Group's bankers in favour of the senior lenders to the investment companies. Such subscription obligations are met from the Investment Group's cash resources when they fall due. Such obligations totalled £47.0 million (2010: £8.3 million) at the year end.

The Investment Group currently has a committed £200 million five year revolving bank facility expiring in December 2012 and is secured over all assets of the Consolidated Group. The facility is of a sufficient size to meet the Investment Group's foreseeable funding requirements, and to provide significant headroom available to support acquisitions, should suitable opportunities be identified and executed.

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).

4. Financial instruments (continued)

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

31 March 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	£million	£million	£million	£million
Bank borrowings	16.6	17.8	93.2	304.9
Trade and other payables	20.9	-	-	-
Interest on bank borrowings	23.9	23.0	62.2	191.0
Other loans and borrowings	11.3	11.7	32.5	224.6
Interest on other loans and borrowings	13.5	13.4	38.8	143.3
Other financial liabilities	17.8	13.9	20.7	68.4
Total	104.0	79.8	247.4	932.2

Capital management

The Investment Group utilises a £200 million revolving acquisition facility of which £153.3 million is undrawn at year end to fund acquisitions. Further equity raisings are considered when debt drawings are at an appropriate level. The proceeds from the share issues are used to repay debt or to fund future investment commitments.

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

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

	31 March 2011	31 March 2010
	£million	£million
Outstanding drawings		
Bank borrowings	-	3.1
Letter of credit facility	46.7	7.2
	46.7	10.3
Adjusted Gross Asset Value		
Portfolio valuation	673.1	509.6
Cash and cash equivalents	54.7	12.8
	727.8	522.4
Borrowing concentration	6.4%	2.0%

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

4. Financial instruments (continued)

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

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

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

Fair value estimation

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

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

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

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

Classification of financial instruments

	31 March 2011 £million	**31 March 2010** £million
Financial assets		
Designated at fair value through profit or loss		
Investment in Entity Investments	426.0	307.4
Operating Subsidiaries' financial assets	779.1	788.6
Financial assets at fair value	1,205.1	1,096.0
Loans and receivables		
Trade and other receivables	15.7	12.1
Cash and cash equivalents	114.9	67.1
Financial assets at amortised cost	130.6	79.2
Financial liabilities		
Designated at fair value through profit or loss		
Other financial liabilities (fair value of derivatives)	(82.8)	(84.9)
Financial liabilities at fair value	(82.8)	(84.9)
At amortised cost		
Trade and other payables	(28.9)	(20.9)
Current tax payable	(0.8)	(0.8)
Loans and borrowings	(647.7)	(660.1)
Financial liabilities at amortised cost	(677.4)	(681.8)

4. Financial instruments (continued)

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

Secured bank and bond borrowings totalling £623.6 million (2010: £642.3 million) are secured by fixed and/or floating charges over the Consolidated Group's financial assets. The terms of these charges are generally of a form that are usual and customary to project finance borrowing and lending activities.

Fair value hierarchy

The fair value hierarchy is defined as follows:

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

As at 31 March 2011

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

As at 31 March 2010

	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Investments at fair value through profit or loss (Note 15)	24.8	-	282.6	307.4
Finance receivables at fair value through profit or loss (Note 17)	-	-	788.6	788.6
	24.8	-	1,071.2	1,096.0
Other financial liabilities (fair value of derivatives) (Note 22)	-	84.9	-	84.9
	-	84.9	-	84.9

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

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

5. Services revenue

	For year ended 31 March 2011 £million	For year ended 31 March 2010 £million
Service revenue	89.2	81.3
Construction revenue	31.2	19.8
Other revenue	0.8	1.5
	121.2	102.6

Revenue from 5 customers which each represent more than 10% of the Group's total revenues provide approximately £101.2 million (2010: £90.2 million) of revenue. The Group has treated each Government entity and/or department as a separate customer.

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

Construction revenue includes £27.7 million (2010: £16.3 million) of capital variations funded by the Ministry of Defence and shareholders on the Helicopter Training project.

6. Gains/(loss) on investments

	For the year ended 31 March 2011			For the year ended 31 March 2010		
	Revenue £million	Capital £million	Total £million	Revenue £million	Capital £million	Total £million
Interest from investments	18.8	-	18.8	14.8	-	14.8
Dividend income from investments	5.8	-	5.8	5.5	-	5.5
Fees and other operating income	1.5	-	1.5	1.3	-	1.3
Gains/(loss) on valuation (Note 15)	-	9.7	9.7	-	(2.3)	(2.3)
	26.1	9.7	35.8	21.6	(2.3)	19.3

Included within the loss on valuation in 2010 is an unrealised exchange loss of £0.1 million on the Consolidated Group's Euro borrowings. The Consolidated Group had no overseas borrowing at the year end. The following exchange rates were used at the year end:

	31 March 2011	31 March 2010
Euro	0.89	0.89
Canadian	0.64	n/a

7. Services costs

	For year ended 31 March 2011 £million	For year ended 31 March 2010 £million
Service and construction costs	93.6	76.9
Amortisation of intangibles (see Note 14)	8.6	8.3
Other costs	3.6	3.9
	105.8	89.1

8. Administrative expenses

	For year ended 31 March 2011 £million	For year ended 31 March 2010 £million
Fees payable to the Consolidated Group's auditors for the audit of the Consolidated Group accounts	0.1	0.1
Fees payable to the Consolidated Group's auditors and its associates for other services:		
The audit of the Company's Operating Subsidiaries and other audit related services	0.2	0.3
Taxation advisory services	0.1	0.1
Management fees	1.1	1.1
Operator fees (Note 24)	6.5	5.2
Investment fees (Note 24)	1.6	0.8
Directors' fees (Note 24)	0.2	0.1
Professional fees	0.6	0.5
Project bid costs	0.3	0.8
Other costs	1.1	1.0
	11.8	10.0

In addition to the above an amount of £0.2 million (2010: £0.2 million) was paid to associates of the Consolidated Group's auditors in respect of audit and tax services provided to Entity Investments (and therefore not included within consolidated administrative expenses). The Consolidated Group had no employees during the year.

9. Net finance costs

	For year ended 31 March 2011			For year ended 31 March 2010		
	Revenue £million	Capital £million	Total £million	Revenue £million	Capital £million	Total £million
Interest expense:						
Interest on bank loans and overdrafts	(26.8)	-	(26.8)	(23.9)	-	(23.9)
Interest and indexation on other loans	(21.6)	-	(21.6)	(9.4)	-	(9.4)
Other finance costs	(2.7)	-	(2.7)	(2.3)	-	(2.3)
Total finance costs	(51.1)	-	(51.1)	(35.6)	-	(35.6)
Interest income:						
Interest on bank deposits	0.4	-	0.4	0.3	-	0.3
Other finance income	-	0.7	0.7	-	3.2	3.2
Change in fair value of interest and inflation rate swaps	-	1.7	1.7	-	0.8	0.8
Total finance income	0.4	2.4	2.8	0.3	4.0	4.3
Net finance (costs)/income	(50.7)	2.4	(48.3)	(35.3)	4.0	(31.3)

10. Income tax

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

The Company's Operating Subsidiaries are UK based and as a consequence are bound by UK tax legislation. Operating Subsidiaries in the UK have provided for UK corporation tax at the rate of 28% for current tax liabilities (2010: 28%) and 26% for deferred tax assets and liabilities (2010: 28%).

Changes in overseas tax rates

Finance (no. 2) Act 2010 enacted the reduction in the UK corporation tax rate from 28% to 27% with effect from April 2011. In addition, the UK Government announced three further annual 1% cuts to reduce the rate to 24% from April 2014.

At the 2011 Budget on 23rd March 2011 the UK Government announced that the corporation tax rate would instead reduce to 26% from April 2011 with three further annual 1% cuts to 23% by April 2014.

Other than the enacted change to 26%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 March 2011 as they have not yet been enacted however the impact would be a reduction in deferred tax assets and liabilities.

10a. Income tax expense

	For year ended 31 March 2011 £million	For year ended 31 March 2010 £million
Foreign current tax:		
Foreign corporation tax on profits for the year	(0.8)	(1.2)
Total current tax expense	(0.8)	(1.2)
Deferred tax:		
Origination and reversal of temporary differences (Note 10d)	9.1	4.4
Total income tax credit in the income statement (Note 10b)	8.3	3.2

The income tax credit in the year of £8.3 million (2010: £3.2 million) is due to movements in deferred tax. The main component of the deferred tax movement arises from a reduction in the UK corporation tax rate to 26% which has led to a re-measurement of the Consolidated Group's deferred tax asset and liability. The effect has resulted in a reduction in the deferred tax asset and liability and a corresponding tax credit. Further analysis of deferred tax movements recognised in the consolidated income statement is detailed in Note 10d.

10b. Reconciliation of effective tax rate

	For year ended 31 March 2011 £million	For year ended 31 March 2010 £million
Profit before taxation	38.3	7.7
Expected tax on profit at 0% (2010: 0%)	-	-
Different tax rates applied in overseas jurisdictions	7.5	2.0
Tax losses recognised	0.8	1.2
Total income tax credit for the year	8.3	3.2

10c. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at 31 March 2011			As at 31 March 2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£million	£million	£million	£million	£million	£million
Finance receivables at fair value through profit or loss	0.5	(22.4)	(21.9)	0.2	(21.3)	(21.1)
Intangible assets	-	(43.2)	(43.2)	-	(49.0)	(49.0)
Subordinated debt	8.2	(0.6)	7.6	10.1	(1.5)	8.6
Other financial liabilities (fair value of derivatives)	20.9	(12.6)	8.3	22.6	(15.3)	7.3
Tax losses	4.6	-	4.6	3.8	-	3.8
Carrying value of finance receivable on acquisition where there is no available tax deduction	-	(26.1)	(26.1)	-	(29.5)	(29.5)
Other	0.1	-	0.1	-	0.2	0.2
Net assets/(liabilities)	34.3	(104.9)	(70.6)	36.7	(116.4)	(79.7)

10d. Deferred tax movements

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

For the year ended 31 March 2010	Opening balance	Acquired in business combination	Recognised in profit or loss	Closing balance
	£million	£million	£million	£million
Finance receivables at fair value through profit or loss	(14.9)	(15.7)	9.5	(21.1)
Intangible assets	(48.5)	(2.8)	2.3	(49.0)
Subordinated debt	7.3	1.9	(0.6)	8.6
Other financial liabilities (fair value of derivatives)	10.2	4.2	(7.1)	7.3
Tax losses	5.0	-	(1.2)	3.8
Carrying value of finance receivable on acquisition where there is no available tax deduction	(27.6)	(3.2)	1.3	(29.5)
Other	-	-	0.2	0.2
	(68.5)	(15.6)	4.4	(79.7)

11. Earnings per share and diluted earnings per share

Basic and diluted earnings per share is 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.

	2011	2010
Profit attributable to equity holders of the Company	£45.2 million	£6.0 million
Weighted average number of ordinary shares in issue	504.5 million	379.5 million
Basic and diluted earnings per share	9.0 pence	1.6 pence

The denominator for the purposes of calculating both basic and diluted earnings per share are the same as the Company had not issued any share options or other instruments that would cause dilution.

	2011	2010
Weighted average number of ordinary shares in issue *In millions of shares*		
Issued ordinary shares at 1 April	454.3	338.3
Effect of shares issued as a script dividend alternative	0.6	0.3
Effect of shares issued under the block listing	30.1	26.1
Effect of shares issued under the Placing and Offer for Subscription of C shares	19.5	14.8
Weighted average number of ordinary shares at 31 March	504.5	379.5

Further details of shares issued in the year are set out in Note 23.

12. Dividends

	For year ended 31 March 2011	For year ended 31 March 2010
	£million	£million
Amounts recognised as distributions to equity holders during the year:		
Second interim dividend for the year ended 31 March 2010 of 3.35p (2009: 3.275p) per share	15.2	11.0
Interim dividend for the year ended 31 March 2011 of 3.275p (2010: 3.2p) per share	16.3	12.0
	31.5	23.0
Second interim dividend for the year ended 31 March 2011 of 3.425p (2010: 3.35p) per share	20.4	15.2

The second interim dividend was approved by the Board on 19 May 2011 and is payable by 30 June 2011 to shareholders on the register as at 27 May 2011. The second interim dividend is payable to shareholders as a cash payment or alternatively as a scrip dividend. The dividend has not been included as a liability at 31 March 2011.

The 2010 second interim distribution and the 2011 interim distribution are included in the statement of changes in shareholder equity.

12. Dividends (continued)

	For year ended 31 March 2011	For year ended 31 March 2010	For year ended 31 March 2009	For year ended 31 March 2008	For year ended 31 March 2007
Interim dividend for the period ended September	3.275p	3.20p	3.125p	3.05p	2.875p
Interim dividend for the period ended March	3.425p	3.35p	3.275p	3.20p	3.225p
	6.7p	6.55p	6.4p	6.25p	6.1p

13. Net assets

The calculation of net assets per share is based on shareholders' equity of £657.0 million as at 31 March 2011 (2010: £486.6 million) and 595.1 million (2010: 454.3 million) ordinary shares in issue at that date.

14. Intangible assets

	31 March 2011 £million	31 March 2010 £million
Cost		
Opening balance	189.5	179.5
Acquisition through business combinations	-	10.0
Balance as at 31 March	189.5	189.5
Amortisation		
Opening balance	(18.9)	(10.6)
Amortisation for the year	(8.6)	(8.3)
Balance as at 31 March	(27.5)	(18.9)
Carrying amounts		
At 31 March	162.0	170.6

Intangible assets represent the fair value of customer contracts for operating subsidiary projects recognised on acquisition, which are primarily attributable to the service portion of the project contracts, and intangible assets recognised under IFRIC 12. See Note 3(iv) for the methods and assumptions used in determining the fair values. Intangibles are being amortised on a straight line basis over the forecast remaining life of the concessions concerned on acquisition of the subsidiaries (range from between 11.5 and 30.5 years). Amortisation of £8.6 million (2010: £8.3 million) is included within service cost expenses in the consolidated income statement.

15. Investments at fair value through profit or loss

	31 March 2011 £million	31 March 2010 £million
Opening balance	307.4	280.1
Investments in the year	106.3	60.1
Accrued interest	2.3	(1.3)
Repayments in the year	(6.5)	(3.5)
Subscription obligations	8.0	1.0
Gain/(loss) on valuation	10.9	(1.8)
Investments consolidated during the year	-	(25.8)
Other movements	(2.4)	(1.4)
Carrying amount at year end	426.0	307.4
This is represented by:		
Less than one year	29.7	-
Greater than one year	396.3	307.4
Carrying amount at year end	426.0	307.4
(Gain)/loss on valuation as above	10.9	(1.8)
Less : transaction costs incurred	(1.2)	(0.5)
(Gain)/loss on investments	9.7	(2.3)

The losses have been included in Gains/(loss) on investments presented in the consolidated income statement as capital items.

The Kemble Water junior loan, which is classified as Level 1 in the fair value hierarchy, had a gain in valuation of £4.9 million during the year (2010: £6.4 million). The remaining investments were all classified as Level 3 in the fair value hierarchy.

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2011. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also obtained an independent opinion from a third party, with considerable expertise in valuing these type of investments, supporting the reasonableness of the valuation. The Kemble Water junior loan was valued on a market quote basis and the other investments, which are all investments in PFI/PPP/P3 projects, are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied range from 8.4% to 10.0% (weighed average of 8.7%) (2010: 8.4% to 11.0% (weighted average of 8.7%)).

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

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

The economic assumptions for the year ended 31 March 2010 were as follows:

UK inflation rates	2.75%
UK deposit interest rates	1% for 2 years to March 2012 and 4.5% thereafter
Euro/Sterling exchange rate	0.89 for all future periods

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

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

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

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

	Percentage Holding					
	31 March 2011			31 March 2010		
Investments (project name)	Equity	Subordinated loanstock	Mezzanine debt	Equity	Subordinated loanstock	Mezzanine debt
Bishop Auckland Hospital	36.0%	36.0%	100.0%	36.0%	36.0%	100.0%
Blackburn Hospital	50.0%	50.0%	-	50.0%	50.0%	-
Bradford Schools[1]	34.0%	34.0%	-	34.0%	34.0%	-
Colchester Garrison	42.0%	42.0%	-	42.0%	42.0%	-
Darlington Schools	50.0%	50.0%	-	50.0%	50.0%	-
Defence Sixth Form College	45.0%	45.0%	-	45.0%	45.0%	-
Durham and Cleveland Firearms Training Centre	-	-	-	-	-	-
Dutch High Speed Rail Link[2]	43.0%	43.0%	-	37.5%	37.5%	-
Ealing Schools	50.0%	50.0%	-	50.0%	50.0%	-
GMPA Police Stations	-	-	-	-	-	-
Haverstock School	50.0%	50.0%	-	50.0%	50.0%	-
Health & Safety Laboratory	80.0%	90.0%	-	80.0%	90.0%	-
Health & Safety HQ	50.0%	50.0%	-	50.0%	50.0%	-
Helicopter Training Facility[1]/[3]	21.8%	59.0%	-	21.8%	59.0%	-
Highland Schools	50.0%	50.0%	-	50.0%	50.0%	-
Kemble Water Junior Loan	-	-	3.6%	-	-	3.6%
Kent Schools	50.0%	50.0%	-	-	-	-
Kicking Horse Canyon P3[4]	50.0%	-	-	-	-	-
M80 Motorway DBFO[1]	41.6%[5]	41.6%[5/6]	-	-	-	-
MPA South East London Police Stations	50.0%	50.0%	-	50.0%	50.0%	-
MPA Specialist Training Centre	-	-	-	-	-	-
Newcastle Libraries	50.0%	50.0%	-	50.0%	50.0%	-
North Tyneside Schools	50.0%	50.0%	-	50.0%	50.0%	-
North-West Anthony Henday P3[1]/[4]	50.0%	50.0%[6]	-	-	-	-
Oxford John Radcliffe Hospital	89.9%	100.0%	-	50.0%	50.0%	-
Pinnacle Schools, Fife	40.0%	40.0%	100.0%	40.0%	40.0%	100.0%
Queen Alexandra Hospital	89.9%	100.0%	-	-	-	-
Renfrewshire Schools	30.0%	30.0%	-	30.0%	30.0%	-
Romford Hospital	50.0%	50.0%	-	50.0%	50.0%	-
Sussex Custodial Centre	89.9%	100.0%	-	82.3%	82.3%	-
Wooldale Centre	50.0%	50.0%	-	50.0%	50.0%	-

1 - The Consolidated Group has future investment obligations totalling £47.0 million and its share of the projects capital commitments is £38.0 million.

2 - The company is incorporated in the Netherlands.

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

4 - The company is incorporated in Canada.

5 - The Consolidated Group has put and call options to increase these interests to 49.9%.

6 – Subordinated loanstock subscription commitments.

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

16a. Acquisition of subsidiaries

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

Year ended 31 March 2010
During the prior year the group acquired additional interests in the equity and loan stock of Durham and Cleveland Firearms Training Centre, GMPA Police Stations and MPA Specialist Training Centre. The acquisitions took the group's economic interest in these four projects to 72.9% in each. The total consideration paid in cash for the interests in these projects was £8.0 million. The transaction cost for the three acquisitions was de minimus.

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

Durham and Cleveland Firearms Training Centre

In November 2009 the group acquired 22.9% of the equity and loan stock in the project bringing the total equity and loan stock interests to 72.9%. The aggregate consideration paid for the interests in the project before the November acquisition was £1.3 million.

This project is a concession to design, construct, finance, operate and maintain a new firearms training facility for the Cleveland Police Authority, which became operational in 2001.

	Book value at acquisition	Fair value adjustments	Fair value acquired
	£million	£million	£million
Finance receivables at fair value through profit or loss*	6.7	2.2	8.9
Deferred tax assets	-	0.5	0.5
Cash and cash equivalents	1.5	-	1.5
Current liabilities	(0.3)	-	(0.3)
Deferred tax liabilities	(1.8)	(0.5)	(2.3)
Other non-current liabilities	(5.9)	(1.8)	(7.7)
Non-controlling interests	-	(0.2)	(0.2)
Net assets acquired	0.2	0.2	0.4
Goodwill			-
Fair value of consideration for equity			0.4
Fair value of consideration for loan stock			1.4
			1.8
Less: Carrying amount of investment previously held as fair value through profit or loss			(1.2)
Consideration paid for the remaining interests			0.6
Cash acquired			(1.5)
Net cash inflow			(0.9)

* - the finance receivable in the book value at acquisition under IFRS is valued at amortised cost rather than at fair value through profit or loss, and therefore there is a fair value adjustment to reflect the fair value acquired.

16a. Acquisition of subsidiaries (continued)

GMPA Police Stations

In November 2009 the group acquired 22.9% of the equity and loan stock in the project bringing the total equity and loan stock interests to 72.9%. The aggregate consideration paid for the interests in the project before the November acquisition was £14.1 million.

This project is a concession to design, construct, finance, operate and maintain a new traffic headquarters and 16 new police stations.

	Book value at acquisition	Fair value adjustments	Fair value acquired
	£million	£million	£million
Intangible assets	-	4.4	4.4
Finance receivables at fair value through profit or loss*	89.6	25.8	115.4
Deferred tax assets	-	4.0	4.0
Cash and cash equivalents	8.3	-	8.3
Other current assets	0.1	-	0.1
Current liabilities	(3.8)	-	(3.8)
Deferred tax liabilities	-	(8.5)	(8.5)
Other non-current liabilities	(93.7)	(14.3)	(108.0)
Non-controlling interests	-	(3.2)	(3.2)
Net assets acquired	0.5	8.2	8.7
Goodwill			-
Fair value of consideration for equity			8.7
Fair value of consideration for loan stock			8.7
			17.4
Less: Carrying amount of investment previously held as fair value through profit or loss			(12.1)
Consideration paid for the remaining interests			5.3
Cash acquired			(8.3)
Net cash inflow			(3.0)

* - the finance receivable in the book value at acquisition under IFRS is valued at amortised cost rather than at fair value through profit or loss, and therefore there is a fair value adjustment to reflect the fair value acquired.

16a. Acquisition of subsidiaries (continued)

Metropolitan Police Specialist Training Centre

In November 2009 the group acquired 22.9% of the equity and loan stock in the project bringing the total equity and loan stock interests to 72.9%. The aggregate consideration paid for the interests in the project before the November acquisition was £5.3 million.

This project involved a complete remodelling and refurbishment of the Metropolitan Police's existing training school, which was completed in 2003.

	Book value at acquisition	**Fair value adjustments**	**Fair value acquired**
	£million	£million	£million
Intangible assets	-	5.5	5.5
Finance receivables at fair value through profit or loss*	37.8	8.7	46.5
Deferred tax assets	-	1.6	1.6
Cash and cash equivalents	5.2	-	5.2
Other current assets	1.5	-	1.5
Current liabilities	(2.3)	-	(2.3)
Deferred tax liabilities	(6.7)	(4.0)	(10.7)
Other non-current liabilities	(35.0)	(5.7)	(40.7)
Non-controlling interests	-	(1.8)	(1.8)
Net assets acquired	0.5	4.3	4.8
Goodwill			-
Fair value of consideration for equity			4.8
Fair value of consideration for loan stock			2.2
			7.0
Less: Carrying amount of investment previously held as fair value through profit or loss			(4.9)
Consideration paid for the remaining interests			2.1
Cash acquired			(5.2)
Net cash inflow			(3.1)

* - the finance receivable in the book value at acquisition under IFRS is valued at amortised cost rather than at fair value through profit or loss, and therefore there is a fair value adjustment to reflect the fair value acquired.

If all the acquisitions had occurred on 1 April 2009, the estimated consolidated total income would have been £151.3 million and consolidated profit for the year would have been £11.6 million. The aggregate loss in respect of the acquired subsidiaries was £2.1 million during the year.

16b. Acquisition of other investments (continued)

Year ended 31 March 2011
The Consolidated Group has acquired a greater than 50% shareholding in certain entities (see Note 15), where in the opinion of the Directors it is unable to govern the financial and operating policies of the entities by virtue of agreements with the other shareholder(s). These entities are consequently not treated as subsidiaries, and instead they are accounted for as financial assets at fair value through profit or loss, as set out in Note 2(b).

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

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

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

The four interests are:

- a 50.0% interest in the equity and loanstock of Kent Education Partnership Limited through the acquisition of a 50.0% interest in the investment holding company, Kent Education Partnership Holdings Limited,

- a 41.6% indirect interest in the equity and loanstock of Highway Management (Scotland) Limited, currently under construction in Scotland, through the acquisition of a 41.6% interest in the investment holding company, Highway Management M80 Investment Management Limited. Through the future exercise of options rights over the holdings of the other shareholders, this interest will increase to 49.9%,

- a 50.0% interest in the North-West Connect General Partnership, currently in construction in Alberta, Canada, through the acquisition of a 50.0% interest in the investment holding company, North-West Connect Holdings Inc, and

- a 50.0% interest in the Transpark Highway General Partnership in British Columbia, Canada, part of the Trans-Canada Highway through the acquisition of a 50.0% interest in the investment holding company, Transpark Highway Holding Inc.

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

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

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

16b. Acquisition of other investments (continued)

Year ended 31 March 2010
In June 2009, the group acquired a 30% interest in the equity and loanstock of The Renfrewshire Schools Partnerships Limited through the acquisition of a 30% interest in the investment holding company, RSP (Holdings) Limited. The total consideration paid in cash for the interest in this project was £6.8 million.

In July 2009, the group acquired a 50% interest in the equity and loanstock of Alpha Schools Highland Limited through the acquisition of a 50% interest in the investment holding company, Alpha Schools Highland (Holdings) Limited. The total consideration paid in cash for the interest in this project was £16.8 million.

In September 2009, the group acquired a 34% interest in the equity and loanstock of Integrated Bradford SPV Two Limited through the acquisition of a 34% interest in the investment holding company, Integrated Bradford Hold Co Two Limited. The total consideration for the interest in this project was £7.4 million, the majority of which is a loanstock subscription obligation payable at the end of construction in 2011.

In December 2009, the group acquired a 50% interest in the equity and loanstock of Catalyst Healthcare (Romford) Limited through the acquisition of a 50% interest in the investment holding company, Catalyst Healthcare (Romford) Holdings Limited. The total consideration paid in cash for the interest in this project was £23.9 million.

In March 2010, the group acquired a 50% interest in the equity and loanstock of Kajima Newcastle Library Limited through the acquisition of a 50% interest in the investment holding company, Kajima Newcastle Library Holdings Limited. The total consideration paid in cash for the interest in this project was £3.0 million.

17. Finance receivables at fair value through profit or loss

	31 March 2011 £million	**31 March 2010** £million
Opening balance	788.6	646.6
Acquisition of subsidiaries	-	170.8
Gain/(loss) on valuation	6.6	(19.3)
Repayments in the year	(17.4)	(13.6)
Other movements	1.3	4.1
Carrying amount at year end	779.1	788.6
This is represented by:		
Less than one year	17.5	16.6
Greater than one year	761.6	772.0
Carrying amount at year end	779.1	788.6

The operating subsidiaries' concession contracts with public sector bodies are considered as financial assets. Gain in fair values of financial assets of £6.6 million for the year ended 31 March 2011 (2010: £19.3 million loss), are separately disclosed in the consolidated income statement as a capital amount. See Note 3 (ii) for the methods and assumptions used in determining the fair values. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in the balance sheet.

Interest income in relation to finance receivables of £40.6 million has been recognised in the consolidated income statement for the year ended 31 March 2011 as a revenue amount (2010: £35.5 million).

18. Trade and other receivables

	31 March 2011 £million	31 March 2010 £million
Trade receivables	9.8	5.1
Other debtors	1.0	0.5
Prepayments and accrued income	4.9	6.5
	15.7	12.1

19. Cash and cash equivalents

	31 March 2011 £million	31 March 2010 £million
Bank balances	34.5	39.5
Call deposits	80.4	27.6
Cash and cash equivalents	114.9	67.1

The effective interest rate on call deposits was between 0.3% and 1.0% (2010: between 0.3% and 0.9%). The deposits had a maturity of between 7 and 338 days (2010: between 30 and 183 days).

20. Trade and other payables

	31 March 2011 £million	31 March 2010 £million
Trade payables	7.6	4.4
Accruals	15.7	11.5
Other payables	5.6	5.0
	28.9	20.9

21. Loans and borrowings

	31 March 2011 £million	31 March 2010 £million
Non-current liabilities		
Bank borrowings	350.1	369.5
Subordinated debt	23.4	16.8
RPI-linked bonds	157.6	159.7
Fixed rate bond	85.2	84.5
	616.3	630.5
Current liabilities		
Bank borrowings	19.4	18.6
Subordinated debt	0.7	1.0
RPI-linked bonds	11.3	10.0
	31.4	29.6
Total loans and borrowings	647.7	660.1

21. Loans and borrowings (continued)

Terms and debt repayment schedule

The terms and conditions of outstanding loans are as follows:

	Weighted average effective interest rate	Average year of maturity	Carrying amount 2011 £million	Carrying amount 2010 £million
Secured bank borrowings – Operating Subsidiaries	5.9%	2025	369.5	386.3
Secured bank borrowings – Partnership	5.8%	2012	-	1.8
Subordinated debt	12.9%	2021	24.1	17.8
RPI-linked bonds	6.0%	2030	168.9	169.7
Fixed rate bond	5.7%	2031	85.2	84.5
			647.7	660.1

The interest rate profile for secured bank borrowings is floating. This debt is hedged using fixed floating interest rate swaps. The bonds have either fixed interest coupons or are RPI-linked bonds where the interest coupon varies with inflation.

The bonds are guaranteed by FSA (UK) Limited and Ambac Assurance UK Limited and are secured by a fixed and floating charge over the assets of the respective subsidiary companies. The index-linked bonds are indexed annually and semi-annually using published RPI figures. The index ratio uses a base index figure ranging from 173.3 to 174.5 and a numerator index figure that is published by the Office for National Statistics.

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

	31 March 2011		31 March 2010	
	Carrying amount £million	Fair value £million	Carrying amount £million	Fair value £million
RPI-linked bonds	168.9	190.8	169.7	204.5
Fixed rate bond	85.2	94.1	84.5	91.4
	254.1	284.9	254.2	295.9

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

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

	2011 £million	2010 £million
Pound Sterling	647.7	657.0
Euro	-	3.1
	647.7	660.1

The exchange rate used as at 31 March 2010 to convert the Euro loan was 0.89.

21. Loans and borrowings (continued)

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

	2011	2010
Floating rate:	£million	£million
Secured		
- expiring within one year	-	-
- expiring between 1 and 2 years	153.3	-
- expiring between 2 and 5 years	-	189.7
- expiring after 5 years	8.0	8.0
	161.3	197.7
Unsecured		
- expiring within one year	-	-
	161.3	197.7

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

The Company is also required to meet certain bank covenants on its debt, the most significant of which are maintaining a Forward and Historic Interest Cover Ratio above 1.15 and Gearing Ratio not greater than 1:1.

22. Other financial liabilities (fair value of derivatives)

	31 March 2011	**31 March 2010**
	£million	£million
Non-current liabilities		
Interest rate swaps	56.4	63.5
Inflation swap	26.1	22.6
Forward foreign exchange contract	0.3	(1.2)
	82.8	84.9

Financial liabilities have been fair valued in accordance with Note 2(d). The gain in fair value of interest and inflation rate swaps of £1.7 million for the year ended 31 March 2011 (2010: Gain £0.8 million) is disclosed within finance income in the consolidated income statement as a capital amount (see Note 9).

In order to manage exposure to movements in interest rates, project companies financed by floating rate debt swap their floating rate exposure for fixed rates using interest rate swaps. The notional amounts of the outstanding interest rate swap contracts at 31 March 2011 were £444.7 million (2010: £438.4 million). As at 31 March 2011, the fixed interest rates on the swaps range from 4.53% to 6.51% (2010: 4.53% to 6.51%) and maturities range from 2012 to 2036 (2010: 2012 to 2036). The notional amount of the outstanding inflation rate swap contracts at 31 March 2011 was £1.4 million (2010: £1.4 million). As at 31 March 2011, the fixed inflation rates on the swaps range from 2.12% to 2.77% (2010: 2.12% to 2.77%) and maturities range from 2034 to 2036 (2010: 2034 to 2036).

23. Capital and reserves

	Ordinary shares		Management shares	
	31 March 2011 million	**31 March 2010** million	**31 March 2011** million	**31 March 2010** million
On issue at 1 April	454.3	338.3	-	-
Issued for cash	139.0	115.0	-	-
Issued as a script dividend alternative	1.8	1.0	-	-
On issue at 31 March – fully paid	595.1	454.3	-	-

The holders of the 595,139,454 ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company (2010: 454,301,314).

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

Share capital and share premium

	31 March 2011 £million	**31 March 2010** £million
Opening balance	234.0	106.5
Premium arising on issue of equity shares	159.0	129.3
Expenses of issue of equity shares	(2.3)	(1.8)
Balance at 31 March	390.7	234.0

Share capital is £59.5 thousand (2010: £45.4 thousand).

For the year ended 31 March 2011
On 30 June 2010 0.3 million new ordinary shares of 0.01 p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2010.

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

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

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

For the year ended 31 March 2010
On 30 June 2009 0.1 million new ordinary shares of 0.01 p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the second interim dividend in respect of the year ending 31 March 2009.

23. Share capital and reserves (continued)

On 31 December 2009 0.9 million new ordinary shares of 0.01p each fully paid in the Company were issued as a scrip dividend alternative in lieu of cash for the interim dividend in respect of the year ending 31 March 2010.

On 11 December 2009 the Company announced the results of its Placing and Offer for Subscription of C shares. The Company raised £80.0 m (before expenses) through the issue of 80,000,000 C shares at a price of £1.00 per C share, of which 19,838,594 C shares were issued pursuant to the offer for subscription and 60,161,406 C shares were issued by way of the placing. The C shares were converted to 71,856,000 ordinary shares and admitted to trading on the London Stock Exchange on 15 January 2010.

In the year ending 31 March 2010 43.1 million new ordinary shares were issued to various institutional investors at an issue price per share (before expenses) ranging between 109.9 p and 115.75 p.

Retained reserves

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

24. Related party transactions

The Investment Adviser to the Company and the Operator of a limited partnership through which the group holds its investments is InfraRed Capital Partners Limited ("IRCP"). At 31 March 2011 IRCP was a wholly owned subsidiary of HSBC Group. Since year end IRCP's ownership changed as outlined in Note 26.

IRCP's appointment as Investment Adviser is governed by an Investment Advisory Agreement which may be terminated after an initial four year term, starting in February 2006, by either party giving one year's written notice. The appointment may also be terminated if IRCP's appointment as Operator is terminated. The Investment Adviser is entitled to a fee of £0.1 million per annum (disclosed within investment fees in Note 8) (2010: £0.1 million), payable half-yearly in arrears and which is subject to review, from time to time, by the Company.

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

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

The total Operator fees charged to the Income Statement was £6.5 million (2010: £5.2 million) of which £3.6 million remained payable at year end (2010: £2.7 million). The total charge for new portfolio investments (disclosed within investment fees in Note 8) was £1.5 million (2010: £0.7 million) of which £1.0 million remained payable at year end (2010: £0.3 million).

24. Related party transactions (continued)

Transactions during the year

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

	Transactions		Balance	
	Year ended 31 March 2011	Year ended 31 March 2010	31 March 2011	31 March 2010
	£million	£million	£million	£million
Loanstock investments	66.1	29.1	285.2	199.9
Loanstock repayments	(2.5)	(2.1)	-	-
Equity investments	47.0	21.6	152.9	84.1
Equity repayments	(4.0)	(1.3)	-	-
Outstanding subscription obligations	-	-	-	-
Loanstock interest	18.8	14.8	10.8	10.9
Dividends received	5.8	5.4	-	-
Fees and other income	1.5	1.3	-	-

At 31 March 2011 the Consolidated Group had total cash holdings with HSBC Bank plc of £81.4 million (2010: £34.5 million). Total interest income earned from cash holdings held with HSBC Bank plc for the year was £0.1 million (2010: £0.2 million).

The Consolidated Group paid £nil (2010: £0.1 million) to HSBC Insurance Brokers Limited in the year for premiums in respect of Directors and Officers liability insurance.

The Consolidated Group entered into Euro and Canadian dollar to Sterling sale and forward sale agreements with HSBC Bank plc during the year. Net payments received in respect of these agreements were £1.4 million (2010: £1.5 million paid), and as at 31 March 2011 the mark to market of the outstanding Euro and Canadian sale agreements was a £0.3 million liability (2010: £1.2 million asset).

The Directors of the Consolidated Group, who are considered to be key management, received fees for their services. Further details are provided in the Report of the Directors.

Total fees for the year were £155,000 (2010: £129,000). Directors expenses of £10,634 (2010: £3,982) were also paid in the year.

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

25. Guarantees and other commitments

As at 31 March 2011 the Consolidated Group had £47.0 million in commitments for future project investments (2010: £8.3 million) and £20.3 million in capital commitments (2010: £12.3 million).

26. Events after balance sheet date

On 11 April 2011, the group received £30 million from its investment in the Kemble Water junior loan which was fully repaid at par. The £30 million proceeds received compares with the valuation of the investment in the group's portfolio as at 31 March 2011 of £29.7 million. The Company will seek to invest the proceeds of the repayment as and when suitable acquisition opportunities arise.

On 30 April 2011, HSBC Group successfully completed the majority sale of its infrastructure and real estate fund management business, of which the Investment Adviser is part, to the businesses' senior management. HSBC Group retained a 19.9% stake. The Company's Investment Advisor changed its name to InfraRed Capital Partners Limited (formerly HSBC Specialist Fund Management Limited).

In May 2011 the Group completed the acquisition of three school PFI projects from subsidiaries of Kier Group plc and Dexia SA for a consideration of £17.2 million. The interests acquired are 75% of the equity and loan note interests in both Norwich and Oldham Schools and 37.5% of the equity and loan note interests in Sheffield Schools.

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

27. Disclosure – Service Concession Arrangements

The group holds investments in 37 service concession arrangements in the Accommodation, Education, Health, Transport and Law and Order sectors. The concessions vary on the required obligations but typically require the financing and operation of an asset during the concession period. As at 31 March 2011 34 of the service concessions were fully operational.

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

Project	Short description of concession arrangements	Start date	End date	Number of years	Project Capex	Key subcontractors
Barnet Hospital	Design, construct, operate and maintain the re-building of Barnet General Hospital in North London for the Wellhouse National Health Service Trust.	1999	2032	33	£65m	Ecovert South Ltd Compass Contract Services (UK) Ltd
Bishop Auckland Hospital	Design, construct, finance, service and maintain a redevelopment of Bishop Auckland General Hospital, County Durham for South Durham Health Care NHS Trust.	1999	2062	60 (with break clause option by Grantor at Year 30, 40 & 50)	£66m	ISS Mediclean Ltd
Blackburn Hospital	Design, construct, finance and maintain new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust.	2003	2041	38	£100m	Haden Building Management
Bradford Schools	Design, construct, finance and maintain four secondary schools for Bradford Metropolitan District Council.	2009	2036	27	£175m	Amey Communities
Central Middlesex Hospital	Design, construct, finance and maintain new hospital facilities, and to refurbish some existing facilities, for the Brent Emergency Care and Diagnostic Centre on the Central Middlesex Hospital site in North West London.	2003	2036	33	£75m	Ecovert FM Ltd

27. Disclosure – Service Concession Arrangements (continued)

Colchester Garrison	Design, construct, finance and maintain a new garrison facility at Colchester, Essex for The Secretary of State for Defence.	2004	2039	35	£550m	Sodexo Defence Services Ltd WS Watkins Facilities Management Ltd
Conwy Schools	Design, build, operate and maintain three schools for Conwy County Borough Council in North Wales.	2003	2030	27	£40m	Sodexo Education Services Ltd
Cleveland and Durham Police Tactical Training Centre	Construction of a state of the art firearms and tactical training centre at Urlay Nook in the North of England. Construction completed successfully in March 2002.	2000	2026	26	£6m	John Laing Integrated Services Ltd
Darlington Schools	Darlington Schools is a four-school education PFI project consisting of an Education Village (which brought together three existing schools) and one primary school. The facilities became available on a phased basis in 2005 and 2006	2004	2031	27	£31m	Mitie PFI Ltd
Defence 6th Form College	Design, build, operate, finance and maintain a new residential sixth form college for the Secretary of State for Defence.	2003	2033	30	£40m	TQ Education and Training Ltd Interserve Defence Ltd
Dutch High Speed Rail	Design, construct, finance, operate and maintain one of the largest high speed railway projects in Europe to date.	2001	2031	30	£625m	Siemens Nederland By Koninklijke BAM NBM NV Fluor Infrastructure BV
Ealing Schools	Ealing Schools is a four-school education PFI project consisting of one secondary school and three primary schools in the London Borough of Ealing. The schools became operational in 2004.	2004	2031	27	£31m	Mitie PFI Ltd
Exeter Crown Court	Build and service a new crown and county court building in Exeter.	2002	2034	32	£20m	Sodexo Ltd

27. Disclosure – Service Concession Arrangements (continued)

Fife Schools	The facility involved the construction of 3 new schools and a sports hall, all of which have been constructed successfully and are now fully operational.	2001	2028	27	£40m	Sodexo Ltd
GMPA Police Stations	Construction of 17 police stations on 16 sites around Greater Manchester. Construction of all stations were complete by September 2006.	2002	2030	28	£82m	John Laing Integrated Services Ltd
Haverstock School	Haverstock is a single school education PFI project consisting of a new secondary school on an existing school site on Haverstock Hill, Camden. Phase 1 of the new school became operational in 2004 with subsequent phases handed over one year later.	2003	2030	27	£21m	Mitie PFI Ltd
Health & Safety Merseyside HQ	HSE Merseyside HQ is an accommodation PFI project. It is a four-storey office building that serves as the HSE s operational headquarters and houses 1,500 employees. The building became operational in 2005.	2002	2035	30	£62m	Honeywell Control Systems Reliance Integrated Services Ltd
Health & Safety Laboratory	Building of new workshops and offices in Buxton and the disposal of old facilities at Sheffield.	2002	2035	33	£60m	Interserve (Facilities Management) Ltd
Helicopter Training Facility	Design, construction, management, operation and financing of a simulator based training facility for RAF helicopter pilots.	1997	2037	40 (with break clause by Grantor at Year 20)	£100m	Serco Ltd Vega Software Engineering Ltd
Highland Schools	Design, construction and operate eleven urban and rural schools.	2006	2037	30	£143m	Morrison Facilities Services
Home Office HQ	Build, finance, operate and maintain a new headquarters building to replace the Home Office's existing London office accommodation with purpose-built serviced offices.	2002	2032	29	£200m	Ecovert FM ltd

27. Disclosure – Service Concession Arrangements (continued)

Kicking Horse Canyon	Upgrade, operate and maintain a section of highway in British Columbia. Full availability was completed in August 2007.	2008	2030	22	CAD$ 127m	HMC Services Inc
Kent Schools	Design, build, funding and partial operation of six schools in Kent under the UK Government's PFI programme. Construction was completed in June 2007.	2007	2035	26	£95m	Mitie PFI Ltd
M80 Motorway	Design, build, finance and operate a section of the M80 motorway in Scotland. Final completion is scheduled for December 2011.	2011	2041	30	£275m	Bear (Scotland) Ltd
MPA Specialist Training Centre	Construction of a firearms and public order training facility in Gravesend, Kent for the Metropolitan Police Authority. Construction was completed in February 2003.	2001	2028	27	£40m	John Laing Integrated Services Ltd
MPA SEL Police Stations	Construction of 4 police stations in South East London for the Metropolitan Police Authority. Construction was completed in February 2004.	2001	2029	28	£80m	John Laing Integrated Services Ltd
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. Construction was completed in March 2009.	2007	2034	27	£30m	Integral UK Limited
North Tyneside Schools	North Tyneside Schools is a four-school education PFI project consisting of one secondary school (Burnside) and three primary schools (Western, Marine, Coquet) in North Tyneside. The schools became operational in 2003 / 2004.	2002	2034	32	£30m	Mitie PFI Ltd
North West Anthony Henday	Financing, building, maintaining and rehabilitating the northwest leg of the Anthony Henday Drive ring road in the City of Edmonton, Alberta. Traffic availability is expected on or before November 2011.	2011	2041	30	CAD$ 995m	Carmacks Maintenance Services Ltd

Notes to the consolidated financial statements *(continued)*
for the year ended 31 March 2011

Oxford John Radcliffe Hospital	Design, construction, management, financing, operation and maintenance of a new wing adjacent to the former Radcliffe Infirmary. Construction was completed ahead of schedule in March 2001.	2003	2036	33	£161m	Carillion Services Ltd
Portsmouth Hospital	Design and construction of a new hospital and retained estates work in Portsmouth. Construction was completed in June 2010.	2005	2040	35	£255m	Carillion Services Ltd
Renfrewshire Schools	Design, construction, management, financing, operation and maintenance of six primary and four secondary schools in Renfrewshire, Scotland.	2005	2037	32	£100m	Amey BPO Services Ltd
Romford Hospital	Design, construction, management, financing, operation and maintenance of a new hospital in Romford.	2004	2040	36	£211m	Sodexo Healthcare Services Ltd Sodexo Services Ltd Bovis Lend Lease Ltd

27. Disclosure – Service Concession Arrangements (continued)

Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust.	2004	2036	30	£40m	Sodexo Healthcare Services Ltd
Sussex Custodial Centre	Build and service three custody centres in Sussex for Sussex Police Authority. The centres are at Worthing, Chichester and Brighton. A fourth centre at Eastbourne was subsequently contracted for as a variation.	2001	2031	30	£20m	Reliance Task Management Ltd
West Middlesex Hospital	Design, construct, finance, operate and maintain a new 228 bed hospital for West Middlesex University Hospital NHS Trust.	2001	2036	35	£60m	Ecovert FM Ltd
Wooldale Centre for Learning	Wooldale Centre for Learning is an education PFI project consisting of a Centre for Learning (CfL) comprising a secondary school with sixth form, public library, primary school and nursery on a large site in Northamptonshire. The first phase of the CfL (the primary school, library and part of the secondary school) became operational in 2004.	2003	2029	26	£24m	Mitie PFI Ltd

28. Principal subsidiaries

Name	Country	Ownership interest
HICL Infrastructure 1 SARL	Luxembourg	100.0%
HICL Infrastructure 2 SARL	Luxembourg	100.0%
HICL Infrastructure 3 SARL	Luxembourg	100.0%
HICL Infrastructure (Canada) Inc	Canada	100.0%
Infrastructure Investments Limited Partnership	United Kingdom	100.0%
Infrastructure Investments Holdings Limited	United Kingdom	100.0%
Infrastructure Investments (Portsmouth) Limited	United Kingdom	100.0%
AGP Holdings (1) Limited*	United Kingdom	100.0%
AGP (2) Limited*	United Kingdom	100.0%
Annes Gate Property PLC*	United Kingdom	100.0%
ByCentral Holdings Limited*	United Kingdom	100.0%
ByCentral Limited*	United Kingdom	100.0%
ByWest Holdings Limited*	United Kingdom	100.0%
ByWest Limited*	United Kingdom	100.0%
CVS Leasing Limited	United Kingdom	80.4%
Enterprise Civic Buildings (Holdings) Limited*	United Kingdom	90.0%
Enterprise Civic Buildings Limited*	United Kingdom	90.0%
Enterprise Education Conwy (Holdings) Limited*	United Kingdom	90.0%
Enterprise Education Conwy Limited*	United Kingdom	90.0%
Enterprise Healthcare (Holdings) Limited*	United Kingdom	90.0%
Enterprise Healthcare Limited*	United Kingdom	90.0%
Metier Healthcare Limited	United Kingdom	100.0%
Metier Holdings Limited	United Kingdom	100.0%
Services Support (Cleveland) Holdings Limited*	United Kingdom	72.9%
Services Support (Cleveland) Limited*	United Kingdom	72.9%
Services Support (Gravesend) Holdings Limited*	United Kingdom	72.9%
Services Support (Gravesend) Limited*	United Kingdom	72.9%
Services Support (Manchester) Holdings Limited*	United Kingdom	72.9%
Services Support (Manchester) Limited*	United Kingdom	72.9%

* = Reporting date 31 December

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