HICL Infrastructure Company Limited

24 May 2017

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The Directors of HICL Infrastructure Company Limited announce the results for the year ended 31 March 2017.

Highlights

For the year ended 31 March 2017

- Portfolio performance exceeded expectations during the year
- NAV per share as at 31 March 2017 of 149.0p, up 4.8% from 142.2p as at 31 March 2016
- Total shareholder return of 10.3% over the year (on a NAV per share appreciation plus dividends paid basis)
- Aggregate dividends declared for the year of 7.65p per share
- Target dividend per share of 7.85p for the year to March 2018 - a year-on-year increase of 2.6%
- Further guidance on a target dividend per share of 8.05p for the year to March 2019, reflecting Board's confidence in near-term forecast cash flow performance
- Profit before tax of £176.8m (2016: £157.2m)
- Directors' valuation of the portfolio of £2,380.0m, up 17% from £2,030.3m at 31 March 2016
- New investments for an aggregate consideration of £266.6m, comprising ten new acquisitions and five incremental investments
- Successful capital raisings of £381.0m in aggregate and an increased Revolving Credit Facility of £400m
- Post period-end, the Company has also acquired a significant interest in Affinity Water, a water-only company
- Improved inflation correlation in the portfolio: 0.7 at year-end (rising to 0.8 following the Affinity Water acquisition)
- Current funding requirement of £205m[1]
- The Board is confident that the current pipeline will generate new investment opportunities

[1] Following the acquisition of an interest in Affinity Water and taking into account the planned sell-down of £25m announced on 22 May 2017

Summary Financial Results
(on an Investment Basis)

for the year to	31 March 2017	31 March 2016	
Income	£207.6m	£182.9m	+ 13.5%
Profit before tax	£177.1m	£157.4m	+ 12.5%
Earnings per share	12.4p	11.9p	+ 4.2%
Total dividends declared per share for the year	7.65p	7.45p	+ 2.7%

	31 March 2017	31 March 2016

Net Asset Values

Net Asset Value (NAV) per share	149.0p	142.2p
Fourth quarterly interim dividend declared	1.92p	1.87p
NAV per share after deducting fourth quarterly interim dividend	147.1p	140.3p

Ian Russell, Chairman of the Board, said:
"We are pleased to report that HICL has delivered another good set of results this year, underpinned by a portfolio performance that has exceeded expectations. The Company delivered a total shareholder return of 10.3% in the year. The Board is reaffirming the dividend targets for both the year to 31 March 2018 and to 31 March 2019 at 7.85p and 8.05p per share respectively, reflecting the Board's confidence in the future performance of the Group's portfolio.

"HICL's investment proposition to deliver sustainable, long-term income to shareholders, while preserving the capital value of its portfolio, continues to resonate well with investors, particularly in a continued low interest rate environment. This was most evident in the context of the Company's recent £260m equity issue, which was more than three times oversubscribed.

"We remain disciplined in our approach and are committed to ensuring that new investments enhance the existing portfolio. During the year we invested £266.6m in 10 new and five incremental investments, which increased both the scale and the diversity of the Company's portfolio. We are well placed to take advantage of new investment opportunities in our pipeline and, since the year-end, have secured an interest in Affinity Water which brings new benefits to the portfolio, including enhanced inflation correlation, which has increased from 0.6 at 31 March 2016 to 0.8 currently.

"Today marks the culmination of a two-year succession plan at our Investment Adviser, with Harry Seekings assuming leadership of the InfraRed team responsible for the Company. The Board wishes to thank Tony Roper for his leadership and vision which, together with the excellent team at InfraRed, have driven the Company's successful track record."

Tony Roper, Director, InfraRed Capital Partners Limited, the Investment Adviser added:
"The current Portfolio continues to perform well for both the Company's clients and shareholders, in part due to the value preservation and enhancement initiatives of our asset management team. We remain confident of our ability to deliver outperformance in the medium term, particularly by taking a strategic approach to realising economies of scale across the portfolio.

"Our broad range of industry relationships has enabled us to source a number of new investments at attractive prices during the year, such that only two of the 15 new investments were sourced via full market auctions.

"Although demand for operational infrastructure assets remains high, we remain disciplined in our approach to sourcing new investments. The pipeline for further investments is healthy and diversified across the Company's target market segments and geographies."

This announcement contains Inside Information.

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Copies of this announcement can be found on the Company's website, www.hicl.com. The Annual Report and Consolidated Financial Statements for the year ended 31 March 2017 will be published in late May and an electronic version will be available from the Company's website at that time.

Chairman's Statement

"HICL has delivered another good set of results, underpinned by portfolio performance that exceeded expectations."

I am pleased to present the Annual Report for HICL Infrastructure Company Limited. The Company has delivered another good set of results, underpinned by portfolio performance that exceeded expectations.

During the financial year the Company successfully raised £381.0m of new equity capital and completed fifteen investments for a combined value on an Investment Basis of £266.6m. In addition, since year-end we have completed the £269m acquisition of a substantial interest in Affinity Water. These investments demonstrate the excellent progress made in delivering the Company's Acquisition Strategy. The new investments are consistent with the Company's objective of delivering income to shareholders from a portfolio that is positioned at the lower end of the risk spectrum.

Dividends for the year amounted to 7.65p, an increase of 2.7% on the prior year, and a yield on the share price at 31 March 2017 of 4.5%. With our focus on delivering dividend income to shareholders, we believe the investment proposition has remained attractive in a climate of persistently low interest rates. Furthermore, with the prospect of higher inflation in the UK, the inflation-correlated returns generated over the long term by the Group's portfolio have come more into focus.

Both the Board and the Investment Adviser believe the Company is in a good position to make further, suitable investments, based on the current pipeline of prospective investments and the Investment Adviser's origination skills and investment network.

Financial Results

The Investment Adviser prepared a fair market valuation of the portfolio at 31 March 2017. As in prior years, this is based on a discounted cash flow analysis and it uses key assumptions recommended by the Investment Adviser based on its experience and having taken into account market intelligence gained from bidding activities. The Directors have satisfied themselves with the methodology and assumptions used and as usual have taken independent third party advice on the valuation. The Directors have approved the portfolio valuation of £2,380.0m on an Investment Basis at 31 March 2017 (£2,030.3m at 31 March 2016). A reconciliation between the IFRS basis and Investment Basis financial statements can be found in the Pro Forma Statements in Operational and Financial Review.

The Net Asset Value ("NAV") per share was 149.0p at 31 March 2017, an increase of 6.8p on the 142.2p at 31 March 2016. This increase was supported by portfolio performance that exceeded expectations, downward pressure on discount rates, contributions from new acquisitions and share issuance at a premium to NAV. After deducting the fourth quarterly interim dividend of 1.92p to be paid on 30 June 2017, the NAV per share at 31 March 2017 was 147.1p.

From IPO in March 2006 to 31 March 2017, the Company has delivered a total shareholder return of 9.6% p.a. based on dividends paid and the growth in NAV per share. This compares favourably to Company's long-term target of 7-8% per annum. Further guidance was given in the Company's recent prospectus, being a target long-term return of 5.6% p.a. based on an issue price of 159p per share.

Cash received from the portfolio by way of distributions was ahead of expectations. After operating and finance costs on an Investment Basis, a net cash flow of £122.8m (2016: £107.3m) covered the cash dividend 1.22 times (2016: 1.15 times).

On an IFRS basis at 31 March 2017 investments at fair value were £2,419.4m (2016: £1,973.7m).

The Portfolio

During the year the Company completed 10 new investments and made five incremental investments in existing projects. As at 31 March 2017, the portfolio consisted of 114 investments (2016: 104).

The Investment Adviser's Asset Management and Portfolio Management teams actively seek strong day-to-day relationships with key stakeholders and work to find efficiencies and savings across the portfolio over the longer term. This active engagement has contributed to a good performance during the year with cash flow from the portfolio being ahead of our projections.

The Company's acquisition strategy is focused on three principal market segments: PPP projects, regulated assets (e.g. gas and electricity transmission projects; water utilities) and demand-based assets (e.g. toll road concessions and student accommodation). The Investment Adviser maintains a disciplined approach to assessing potential investment opportunities based targeting those that are accretive to the existing portfolio.

The correlation of the portfolio's long-term returns to inflation improved during the year, being 0.7 at 31 March 2017 (2016: 0.6), and the portfolio's weighted-average asset life increased to 24.4 years (2016: 21.5 years). This improvement to the portfolio was largely the result of the investment made by the Group in the Northwest Parkway (Colorado, USA), a long-concession toll road with an operational track record of more than a decade.

The Company's Investment Policy permits up to 35% of the portfolio to be invested in demand-based assets, assets under construction and/or other funds. However, it is the current intention of the Board and the Investment Adviser that no more than 20% of the portfolio by value will be invested in demand-based assets with returns that are correlated to the economic cycle.

Capital Raising

During the period the Company raised equity capital of £381.0m, including scrip dividends. In September 2016, £113.4m was raised through a tap issue. In March 2017, the Company raised £260m through the issue of new shares via a Placing, Open Offer, Offer for Subscription and Intermediaries Offer. The latest issue was more than three times oversubscribed.

The Board is grateful for the support from the Company's shareholders, both existing and new. The success of the capital raisings reflects the attraction and popularity of infrastructure as an asset class and also the Company's track record, portfolio and business model. The Placing, Open Offer, Offer for Subscription and Intermediaries Offer represented the Company's first prospectus fundraising since 2013, enabling both existing and new retail shareholders to subscribe for new shares at a slight discount to the prevailing market share price.

The Company is in advanced discussions to partially sell down up to £25m of its investment in Affinity Water. This is part of a strategy to build relationships with aligned co-investors in order to enable the Group to manage its portfolio exposure to larger investment opportunities. Once this has been completed, the Company will have a net funding requirement of approximately £205m.

The Company increased the capacity of its revolving credit facility from £200m to £300m in December 2016 and to £400m in April 2017. The facility maintains the Company's flexibility to acquire further investments prior to raising fresh equity. This reduces the impact of cash drag on the investment returns which can result from holding uninvested cash on the balance sheet.

Distributions

Since IPO in 2006, the Company has met or exceeded all of its dividend guidance targets and this set of results marks the Company's tenth successive year of dividend growth.

On 18 May 2017 the Board declared a fourth quarterly interim dividend for the year to 31 March 2017 of 1.92p per share which will be paid on 30 June 2017. This results in an aggregate dividend for the year of 7.65p per share, an increase of 2.7% over the prior year. A scrip dividend alternative is available.

The Board's confidence in the near-term forecast cash flow performance of the Group's portfolio underpins the dividend targets of 7.85p per share for the year ended 31 March 2018 and 8.05p per share for the year ended 31 March 2019 (increases of 2.6% and 2.5% respectively). The Board intends to continue paying quarterly dividends, with a scrip dividend alternative.

Risks and Uncertainties

The risks to which the Company is exposed and the strategies employed to mitigate them have not changed materially since 31 March 2016. They are set out in detail in the February 2017 Prospectus, which is available on the Company's website.

2016 was marked by political uncertainty and this theme has continued into 2017, most recently with the decision to call a general election in the UK. The long-term impact of the UK's EU Referendum is still uncertain. Sterling experienced a significant devaluation in the aftermath of the referendum and, as in previous years, the Company's hedging policy has successfully mitigated the impact of foreign exchange movements on NAV. Another consequence of sterling's relative weakness during the year has been to increase inflationary pressures in the UK, although this may not be sustained over the longer term.

With a large portfolio, investments with operational challenges are to be expected. Overall, the Group's portfolio continues to experience good operational performance. Progress has been made with public sector clients where there had previously been disagreements over operational issues with a series of settlement agreements being concluded. Nonetheless, it is essential that the Group maintains an active approach by continuing to manage stakeholder relationships and monitoring and resolving operational difficulties.

The Board also recognises the importance of identifying and actively monitoring the financial and non-financial risks facing the Company. Following an external review in 2015, an enhanced risk management and reporting framework for the Company was developed with the Investment Adviser. This was reviewed and subsequently adopted by the Directors during 2016. A risk dashboard summarises how risks have evolved, the controls and mitigants and also uses stress and scenario analysis to quantify the potential cash flow and valuation impact of key risks.

Corporate Governance and Regulation

Simon Holden and Kenneth Reid joined the Board of Directors in the year, bringing with them highly relevant financial expertise and commercial knowledge.

On 31 March 2017, Sarah Evans retired from the Board. Sarah joined the Board in 2008 and was chair of the Audit Committee. I would like to thank Sarah for the major contribution that she has made to HICL and her exemplary dedication and professionalism. With effect from 1 April 2017, Susie Farnon became chair of the Audit Committee and Simon Holden assumed the role of chair of the Risk Committee.

As in previous years and in line with good corporate governance, the Directors offered themselves for re-election at the Annual General Meeting ("AGM") held in July 2016 and were duly re-elected. They will be offering themselves for re-election again at the forthcoming AGM on 17 July 2017.

Investment Adviser

At InfraRed, Tony Roper, who has led the Investment Adviser's fund management activity in relation to HICL since 2006, is handing over the day-to-day responsibility for leading the Investment Adviser's team to Harry Seekings, who joined InfraRed in 1998. This is part of a two-year, well-coordinated succession plan that was agreed with the Board. Tony continues as a member of the InfraRed HICL Investment Committee and remains available to both the InfraRed team and the Board for support and advice as needed.

Market Developments and Outlook

Following the UK's Autumn Statement, expectations were raised for the announcement of a new pipeline of PPP projects in 2017. The Board remains optimistic that the Government will bring forward new projects after the current election has concluded. However, HICL's readiness to invest in UK infrastructure opportunities is not limited to PPP projects, as evidenced by the Company's recent acquisition of Affinity Water and participation in the OFTO programme, as well as bids for a number of student accommodation projects. The Investment Adviser actively continues to seek opportunities in the other target geographies identified in the Company's Acquisition Strategy.

Competition across the infrastructure asset class remains intense. The year has seen continued muted activity in PPP secondary markets. Nonetheless, the Investment Adviser has continued to source appropriate opportunities, principally from long-standing relationships. The recent Affinity Water acquisition demonstrated the value of relationships, as the Company partnered with like-minded investors to secure the investment, without the need to participate in an auction process.

The Board remains confident in the Company's future prospects. The Investment Adviser continues to manage the existing portfolio to preserve value and to generate outperformance where possible. Looking ahead, the Board is confident that the current pipeline will generate new investment opportunities that secure the delivery of income to shareholders for the long term.

Ian Russell
Chairman
23 May 2017

The Infrastructure Market

The Infrastructure market can be segmented by revenue type. Within each market segment, there are assets with differing risk profiles.

The infrastructure asset class covers a variety of sectors and risk profiles. HICL has segmented the market using revenue risk categories. The reason for this approach to segmentation is that in general terms infrastructure investments are perceived to offer long-term, stable and predictable cash flows and revenue is the fundamental building block of cash flow.

The spectrum of risk associated with infrastructure assets varies within each market segment and not all market segments offer the lowest categories of risk. For example, PPP projects can offer some of the lowest risk investment opportunities in the infrastructure market due to the contractual nature of revenues and limited residual risks borne by equity investors. However, if a PPP project is under construction or has not been structured to fully pass down key delivery risks to subcontractors, its risk profile can be incrementally higher when compared to a well-structured, operational PPP project. More information will be available in the Company's Annual Report.

HICL targets selective opportunities within each market segment, with a core focus on PPP projects, regulated assets and demand-based assets. The Company's positioning within the infrastructure market is discussed in more detail in Strategy & Objectives.

Investment Proposition

To deliver to shareholders a long-term, stable income from a portfolio of infrastructure investments positioned at the lower end of the risk spectrum.

Strategy & Objectives

This section summarises the Company’s strategy for the key activities covered by the business model. It also sets out objectives against which the Directors measure the Company’s delivery of its investment proposition to shareholders, both during the financial year and over the long term.

Strategy

The Company’s investments are almost exclusively made as risk capital (e.g. equity) in unlisted companies that operate within highly-structured business environments, e.g. complex contractual frameworks or regulated markets. In this context, specialist skills are a necessary prerequisite for originating and managing infrastructure investments.

Since its IPO in 2006, the Company has delegated to the Investment Adviser, InfraRed Capital Partners (‘InfraRed’), the bulk of the day-to-day activities required to deliver HICL’s business model.

Value Preservation and Value Enhancement

InfraRed’s Asset Management and Portfolio Management teams work closely together, and in partnership with the management teams in the Group’s portfolio companies, to preserve the value of the Group’s investments: ensuring portfolio companies perform in line with the relevant contractual and/or regulatory framework; and delivering the forecast base case investment return.

A second area of focus for the Asset Management and Portfolio Management teams is to seek opportunities to deliver outperformance from the portfolio. This upside is often shared, with benefit accruing to the Company’s shareholders and to public sector clients or, as part of regulatory price reviews, the customers of regulated assets.

More information is available in the Company's Annual Report.

Accretive Investment

The Company has a clearly defined Investment Policy, which can be found on the Company’s website. This sets the over-arching framework within which the Company aims to build a portfolio that delivers the Investment Proposition and is consistent with the Company’s overall risk appetite.

Working within delegated parameters approved by the HICL Board, InfraRed is responsible for the selection and pricing of new investments. The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed, most recently in October 2016.

InfraRed’s Origination and Transaction Team sources opportunities that are within the scope of the Acquisition Strategy by focusing on specific strategies and applying a consistent evaluation framework. More information is available in the Company's Annual Report.

InfraRed uses a variety of channels to source investments for the Group. These include:

- soliciting off-market transactions through relationships within InfraRed’s extensive network of investment partners and advisors;
- acquiring further equity interests from co-shareholders of existing portfolio companies;

- participating selectively in primary investment activity, as part of procurement processes sponsored by the public sector; and
- participating in competitive auctions of investments in the secondary market.

Performance-based Objectives

Dividends

The Company's principal financial return objective is to offer long-term, sustainable income for shareholders. This is delivered through the Company's dividend target - an annual distribution of at least that paid during the prior financial year - with the prospect of increasing the figure, provided it is sustainable with regard to the portfolio's forecast operational performance and the prevailing macro-economic outlook. Interim dividends are paid quarterly.

Total Return

The Company's secondary financial return objective is to preserve the capital value of its investment portfolio and deliver an element of capital growth, as reflected in its longer-term IRR return target of 7-8%, set at IPO. This target has been achieved to date and the Directors believe that it remains achievable looking forward.

Cash Cover

An ability to pay cash-covered dividends is a key measure of the Group's operating cash flow performance. The Company targets a cash-covered dividend and performs stress test analysis to assess the robustness of cash coverage in the future.

Inflation Correlation

The Board considers inflation correlation to be one of the key attributes of infrastructure investment. The Company therefore seeks to provide shareholders who hold their investment for the long term with a total return that has good positive correlation with inflation.

Ongoing Charges

The Board is committed to offering shareholders a competitive investment proposition through management of efficient gross (portfolio level) to net (investor level) returns. This is achieved through attractive ongoing charges relative to the Company's peer group, with the intention to reduce such charges where possible.

Quality-based Objectives

The Company measures performance against other, important objectives to protect shareholders' interests, including to:

- maintain a diversified portfolio of investments (e.g. by reference to single asset and/or counterparty concentration) and thereby mitigate concentration risk;
- make accretive investments in line with the risk- appetite of the Company and consistent with its Investment Policy;
- target long-term, predictable cash flow receipts from the portfolio by seeking where possible assets that maintain or extend the weighted average unexpired portfolio concession life;
- maintain effective treasury management processes, notably with respect to foreign exchange risk and efficient cash management; and
- manage the Group's exposure to refinancing risk.

Treasury Group Cash Management and Financing

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

The Group's multi-currency revolving credit facility was enlarged during the year from £200m to £300m - and to £400m in April 2017. ING was added to the existing banking group of HSBC, Lloyds Bank, National Australia Bank, Sumitomo Mitsui Banking Corporation and The Royal Bank of Scotland. The facility carries a margin of 1.70% and the term runs until May 2019. It is available to be drawn in cash and letters of credit for future investment obligations.

Treasury Group Foreign Exchange Hedging

The Board's hedging policy is designed to provide confidence in the near-term yield and to limit NAV per share sensitivity to no more than 1% for a 10% foreign exchange movement. This policy is being reviewed by the Board and the Investment Adviser.

Foreign exchange risk from non-sterling assets is managed by hedging investment income from overseas assets through the forward sale of the respective foreign currency (for up to 24 months) combined with balance sheet hedging through the forward sale of non-sterling currencies and by debt drawings under the Group's credit facility.

Volatility

The Board's view is that one of the attributes of investments in infrastructure assets (such as those that form part of the Company's Acquisition Strategy) is that valuations and returns typically demonstrate low correlation to movements in the wider equities markets. In line with this theme, the Company's share price has historically exhibited low correlation to the FTSE All-share Index of the largest equities (by market capitalisation) listed on the London Stock Exchange.

The Directors wish to preserve this low correlation to the extent it is possible.

Case Study: A Decade of Outperformance

Over the 10 years following its IPO in 2006, HICL delivered returns to shareholders of 9.6% per annum, exceeding the target set at IPO of 7-8%.

The ten-year return comprises a combination of NAV growth and dividends of 109.6p per share in aggregate, 44.2p higher than the earnings that could have been forecast from the portfolio managed at IPO without any subsequent acquisition activity. All data expressed in pence (p) is on a pence per share basis, assuming the share was acquired at the time of the IPO.

The Investment Adviser has considered the composition of this growth and determined that of the 44.2p, around 30p is contributed by portfolio outperformance while 14.2p is attributable to changes in economic assumptions.

The table below shows an analysis over the ten-year period taking the NAV at IPO of 98.4p to the NAV (post interim dividend) at March 2016 of 140.3p, taking into account 67.7p of dividends paid or declared.

Portfolio Outperformance

The 30p NAV outperformance has arisen from a variety of initiatives and milestones, the attribution of which has been estimated into 9 different categories, none of which is significantly larger than the others.

The Investment Adviser's Portfolio and Asset Management teams have delivered a substantial increase in NAV growth over the ten years. This has been achieved by identifying and implementing value enhancement opportunities through multiple initiatives, both at asset level and across the portfolio, creating a number of incremental improvements.

Within the portfolio companies, the Investment Adviser's proactive management of project costs has generated savings across the portfolio. For example, InfraRed created an insurance portfolio which has seen a reduction in insurance costs since it was launched in 2007. Successful asset management of construction projects has created value by successfully achieving construction completions to time and budget, leading to steady state operations, and enabling reduced discount rates reflecting the lower risk operational phase.

At the Group level, increased scale through accretive acquisitions has driven a reduction of the ongoing charges ratio, supported by the tapered management fee. Equity issuance, to enable growth through acquisitions, has been at a premium to the prevailing NAV per share which has added further value.

In summary, analysing historic performance shows the benefit of accretive acquisitions combined with proactive portfolio and asset management from InfraRed where many small incremental initiatives contribute to significant outperformance.

The Investment Adviser is confident that there will be future opportunities to outperform current forecasts. However, the scale of outperformance in the current portfolio may be less than delivered historically given the optimisation achieved to date.

Economic Assumptions

Changes in economic assumptions have clearly benefitted HICL over the 10 years with the largest benefit at 10.9p per share coming from reducing corporation tax rates, mainly in the UK which was 30% at IPO and at March 2016 was forecast to fall to 17% in 2020.

There has been a reduction in deposit interest rates since 2006. At IPO the UK assumption was 4% compared with the March 2016 assumption of 1% to March 2020 rising to 2.5% thereafter. This has reduced NAV by 8.4p per share which has largely been offset by the drop in discount rate that has contributed 8.3p of the total movement. The average discount rate at IPO was 8% rising to 8.7% in March 2010 before reducing over time to the average discount rate of 7.5% at March 2016.

Actual UK inflation over the 10 year period has averaged 2.84%, slightly up from valuation assumption applied since 2008 of 2.75% which is estimated to have increased NAV by 1.9p per share.

	Pence per share	
NAV IPO		**98.4p**
Forecast EPS		65.3p
Portfolio outperformance		**30.0p**
Tax rates	10.9p	
Change in discount rate	8.3p	
Inflation assumptions	1.9p	
Forex movement	1.5p	
Deposit interest rates	(8.4p)	
Sub-total economic assumptions		**14.2p**
Dividends paid/declared		(67.7p)
NAV March 2016 (post dividend)		**140.3p**

Investment Adviser's Report

The year ended 31 March 2017 saw the Group's portfolio deliver performance that exceeded expectations and the addition of new investments that were accretive, as well as increasing scale and diversity. Supporting this performance was an active year with a number of new initiatives pursued by our infrastructure team at InfraRed to increase efficiency, improve portfolio management and generate further value for the Company's shareholders.

The success of the Company is enhanced by our ability to deliver enhancements to portfolio value and cash flows. NAV per share, excluding dividends paid, increased by 6.8p, from 142.2p as at 31 March 2016 to 149.0p as at 31 March 2017. Of this growth, 1.6p per share was delivered through portfolio outperformance, continuing a successful trend over the last 10 years which is explored in more detail in Case Study – A Decade of Outperformance.

Financial Highlights

The Company achieved a profit before tax of £176.8m for the year ended 31 March 2017 (March 2016: £157.2m). The increase on the prior year's result was predominantly due to growth in the size of the portfolio, which was driven by acquisitions.

Cash received from the portfolio of investments on an Investment Basis was ahead of expectations at £148.9m (2016: £130.8m). After operating and finance costs, net operating cash flow on an Investment Basis of £122.8m covered the cash dividends paid 1.22 times.

The Company's ongoing charges for the year were 1.06% (2016: 1.12%), using the Association of Investment Companies' methodology. This compares well with other investment companies in the sector. Total management fees accruing to the Investment Adviser amounted to £24.4m for the year (2016: £20.4m), increasing in line with portfolio value. These fees include the tapered management fee (1.1% for assets up to £750m, 1.0% for assets above £750m, 0.9% for assets above £1.5bn and 0.8% for assets above £2.25bn).

The Company's total shareholder return ('TSR'), based on growth in NAV per share plus dividends paid, was 10.3% for the year (2016: 9.6%). The annualised TSR since the Company's IPO was 9.6% at 31 March 2017, which compares favourably to the 6.2% total return delivered by the FTSE All-Share Index over the same period.

Dividends declared in relation to the financial year were 7.65p per share in total, a 2.7% increase on the previous financial year. This represented the Company's tenth successive year of dividend growth since IPO.

Value Preservation and Value Enhancement

The portfolio's operational performance was in large part driven by the active management undertaken by our Asset and Portfolio Management teams. With a portfolio the size of the Group's, operational challenges are inevitable. However, during the year there were no assets where issues impacted the Company's NAV per share by more than 1%.

Our Asset Management team works hard to maintain relationships with key stakeholders, creating a platform to reduce the risk of commercial problems escalating. Occasionally issues arise that are complex and sometimes intractable. In this situation the team's focus is on bringing parties together to reach a mutually acceptable resolution. However, reaching an agreement is not always possible and formal legal proceedings, although a last resort, are sometimes necessary. In every scenario, our Asset Management team's approach is proactive.

The Asset Management team also works closely with our Portfolio Management team to seek value enhancements across the portfolio, often through cost saving initiatives. A number of variations to PPP contracts were signed during the year, covering over £700m of new construction work for public sector clients. The management service agreements for a group of projects were re-tendered during the year as part of a cross-portfolio procurement initiative, the goal being to ensure each project company benefits from high quality management services at a price that provides value to the Group.

More detail on Value Enhancement and Value Preservation can be found in Operational and Financial Review.

Accretive Investment

As Investment Adviser, we have agreed with the Board a clear Acquisition Strategy for the Company, focused on three target market segments: PPP projects, demand-based assets and regulated assets. More detail can be found in Strategy & Objectives.

As in previous years the Acquisition Strategy was reviewed at a dedicated, two-day Board meeting in October 2016. Our team presented portfolio development scenario analysis and stress-tests, helping the Board to assess the alignment of the Acquisition Strategy with the Company's objective of delivering long-term, stable income to shareholders.

Although the Acquisition Strategy provides a framework for new investment, implementation depends on the ability of our Origination and Transaction team to source opportunities that are accretive to the existing portfolio. The year saw material progress in this regard with 15 investments made in PPP projects and operational demand-based assets that are positioned at the lower end of the risk spectrum.

Since 31 March 2017, the Company has also announced the acquisition of a significant equity interest in Affinity Water, its first investment in a UK regulated asset. As in previous years, our Origination and Transaction team's relationships were an important source of off-market opportunities – indeed only two of the Group's acquisitions during the year came as the result of a full market auction.

Two new investments were made during the year in operational demand-based assets: the Northwest Parkway toll road in the USA and the M1-A1 Link shadow toll road in the UK. In addition, completion was reached on the purchase of an interest in the A63 Motorway in France (announced in the year to 31 March 2016). These three road projects, in combination with the University of Sheffield Student Accommodation project, mean that demand-based assets represented 12% of the portfolio at 31 March 2017 (2016: 5%).

Long concessions and inflation-linked revenues are attractive features of toll roads. For example, the portfolio's weighted-average asset life increased to 24.4 years as at 31 March 2017 (2016: 21.5 years) largely due to the impact of the Northwest Parkway acquisition. However, toll road projects also have a degree of exposure to wider economic activity and hence have returns that are influenced by changes in Gross Domestic Product ("GDP"). The Board and the Investment Adviser do not wish to fundamentally change the uncorrelated nature of returns from the Group's portfolio and the current intention is that no more than 20% of the portfolio by value will be invested in demand-based assets with returns that are correlated to the economic cycle.

More detail on individual acquisitions can be found in Operational & Financial Review. Sensitivities on GDP exposure can be found in Valuation of the Portfolio.

Capital Raising/Investor Relations

Our Management team met a large number of shareholders during the year, both in the context of the routine reporting cycle but also in conjunction with the Placing, Open Offer, Offer for Subscription and Intermediaries Offer that took place in March 2017. Retail investors have been an important component of the Company's shareholder register since IPO and this capital raising represented an opportunity for individuals to subscribe for new equity alongside institutional investors.

Feedback from all shareholders is valued by the Board and by us. There was a notable change in sentiment following the 2016 EU Referendum, with investors particularly focused on how the return of inflationary pressures might impact the portfolio. The correlation of returns from the portfolio to inflation is strong, increasing to 0.7 as at 31 March 2017 (2016: 0.6). This improvement was down to a number of acquisitions during the year, in particular the Northwest Parkway and the A13 index-linked senior bonds.

In addition to the standard sensitivity showing the impact of inflation scenarios of NAV per share, a cash flow sensitivity has been provided in Valuation of the Portfolio.

Risk and Risk Management

Considerable focus during the year was given to evolving the Company's risk evaluation and reporting systems. Our Management team has developed bespoke tools to support the work of the Company's Risk Committee. These have been subject to in-depth review and refinement in conjunction with the Directors.

One notable benefit of this initiative was to allocate existing scenario modelling to different classes of risk. This has the effect of facilitating a) systematic quantification of the inherent risks faced by the Company and b) evaluation of the effectiveness of available mitigation.

During the year we worked with the Board to review the Company's hedging policy. In particular, as the number of overseas assets is expected to increase over the medium term, attention is being given to the cost and benefit of the current hedging policy. Although the current policy is effective, consideration is being given to whether it can be adjusted while retaining the key objective of materially mitigating the impact of foreign exchange movements.

Infrastructure Market Developments

United Kingdom

PPP procurement has been limited in recent years but, following indications in the Autumn Statement of a new procurement programme, there may be more UK PPP opportunities announced, once the general election in June is over. In the near term, most UK PPP opportunities are likely to be in the secondary market.

The financial year saw significant activity in the regulated asset market segment. This is expected to continue, both with transactions involving assets subject to price controls and also other models such as certain transportation assets and the OFTO programme.

Demand-based assets in the UK include a small number of PPP assets which have usage risk in their revenues, such as shadow toll roads, and an increasing number of university-sponsored student accommodation projects. The Group will continue to pursue on-campus projects in partnership with key contractor relationships.

Europe

Procurement of new PPP projects has continued, albeit in a limited number of countries (e.g. the Netherlands, Germany, Ireland and Norway) and involving a relatively small number of projects. We expect the current rate of activity to continue in the current financial year, with slightly more deal flow anticipated in the secondary market for PPP projects.

We believe there will be further opportunities to invest in regulated assets in Europe. There was notable deal activity over the last year and this is expected to continue. Sectors of interest include gas and electricity transmission and distribution, district heating and water utilities.

Demand-based assets are mostly in the toll road sector, which we monitor in case suitable opportunities arise. Other sectors, such as car parking, have been reviewed but not all are considered appropriate investments for the Group.

North America

The new US President's clear statements of support for the role of private capital in the US infrastructure market are encouraging. However, our experience since opening an InfraRed New York office in 2008 is that the translation of political will in Washington into PPP procurement activity across the country takes time. Momentum is steady rather than spectacular and the challenge for the Federal Government remains how best to encourage and incentivise new forms of infrastructure procurement - responsibility for which is typically implemented at state or agency level.

The Company will continue to participate in greenfield US PPP and will consider opportunities in demand-based assets (principally operational toll roads) to build on the success of the Northwest Parkway toll road investment.

The 2016 Canadian federal budget promised to double infrastructure spending over 10 years, with CAD60bn in new funds available to build transport and energy systems meant to grow the economy over the long term. The first CAD11.9bn is expected to be allocated in the next two-to-five years. As one of the most sophisticated infrastructure markets globally, Canada is a popular destination for private investment. We will continue to seek opportunities but the need for pricing discipline in the face of domestic competition is expected to continue to limit the opportunity for the Company.

Australia & New Zealand

Our Origination and Transaction team is looking for appropriate opportunities in both the Australian and New Zealand primary and secondary markets, while noting the competition from domestic investors is fierce. Australia has a long history of PPP procurement and there are some signs that the rate of primary investment is picking up. In addition we continue to seek opportunities to develop student accommodation projects which may give rise to opportunities for the Group to invest.

Competition

The tight supply-demand dynamics of the infrastructure asset class represent an ongoing challenge to source new investments at suitable valuations. However, our team's reach across geographies and sectors, through our network of offices, will lead to further investment opportunities.

In the current market conditions, where auction processes continue to attract significant demand, relationships remain key to successful origination through bilateral negotiations. We have a proven track record in this regard and continue to seek off-market opportunities wherever possible.

The InfraRed Team

Tony Roper is handing over day-to-day responsibility for leading InfraRed's activities as Investment Adviser to Harry Seekings. Tony has held the role since the Company's IPO in 2006, when the portfolio was seeded with 15 investments from an infrastructure fund managed by InfraRed. Harry has worked at InfraRed since 1998 and has recently focused on HICL's strategy and origination. The change has been planned over two years, in close co-ordination with the Board. Tony retains his role on the InfraRed HICL Investment Committee and remains available to provide support and advice to both the InfraRed team and the Board as needed.

Outlook

With an infrastructure team of over 60 professionals, we continue to actively manage the existing portfolio, seeking to preserve the value invested in the Group's assets. In addition, there remains scope to deliver outperformance in the medium term, particularly through active management and by taking a strategic approach to realising economies of scale across the portfolio.

The pipeline of new investment opportunities is healthy and diversified across a number of initiatives. Based on experience, existing relationships and the expertise of our Origination and Transaction team, we are confident of sourcing further accretive acquisitions for the Group.

In summary, the prospects remain good for building on the Company's 11-year track record of delivering income for shareholders from a portfolio of attractive infrastructure investments.

Key Performance and Quality Indicators

The Board has identified metrics against which to clearly measure the Company's performance of its strategic objectives. The results for the year ended 31 March 2017 are set out below.

Key Performance Indicators

KPI	Measure	31 March 2017	31 March 2016
Dividends	Aggregate interim dividends declared per share for the year	**7.65p**	7.45p
Objective: An annual distribution of at least that achieved in the prior year		Commentary: Achieved.	
Total Return	NAV growth and dividends paid per share since IPO	**9.6% p.a.**	9.5% p.a.
Objective: A long-term IRR target of 7% to 8% as set out at IPO[1]		Commentary: Exceeded.	
Cash-covered Dividends	Operational cash flow / dividends paid to shareholders	**1.22x**	1.15x
Objective: Cash covered dividends		Commentary: Achieved.	
Inflation Correlation	Changes in the expected portfolio return for 1% p.a. inflation change	**0.7%**	0.6%
Objective: Maintain positive correlation		Commentary: Exceeded.	
Competitive Cost Proposition	Annualised ongoing charges/average undiluted NAV [2]	**1.06%**	1.12%
Objective: Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible		Commentary: Achieved.	

1 Set by reference to the issue price of 100p/share, at the time of the Company's IPO in February 2006. Previously reported on dividends declared basis.
2 Calculated in accordance with Association of Investment Companies' guidelines. Ongoing charges excluding non-recurring items such as acquisition costs.

Key Quality Indicators

KPI	Measure	31 March 2017	31 March 2016
Investment Concentration Risk	Percentage of the portfolio represented by the ten largest investments[1]	**40%**	39%
	Percentage of the portfolio represented by the single largest investment[1]	**6%**	6%
Objective: Maintain a diversified portfolio of investments (thereby mitigating concentration risk) and, at all times, remain compliant with the Company's Investment Policy		Commentary: Achieved.	
Risk/Reward Characteristics	Percentage of the portfolio represented by the aggregate value of projects with construction and/or demand-based risk[2]	**13%**	6%
Objective: Compliance with the Company's Investment Policy		Commentary: Achieved. Substantially lower than the aggregate limit of 35% for such investments.	
Unexpired Concession Length	Portfolio's weighted average unexpired concession length	**24.4 years**	21.5 years
Objective: Seek where possible investments that maintain or extend the portfolio concession life		Commentary: Achieved. Increase year-on-year primarily due to the acquisition of Northwest Parkway (89-year concession length remaining).	
Treasury Management	FX gain (loss)[3] as a percentage of the NAV	**0.0%**	0.3%
	Cash less current liabilities as a percentage of the NAV	**2.7%**	2.0%
Objective: Maintain effective treasury management processes, notably: Appropriate FX management (confidence in near term yield and managing NAV volatility from FX); Efficient cash management (low net cash position)		Commentary: Achieved.	
Refinancing Risk	Investments with refinancing risk[4] as a percentage of the portfolio	**9%**	3%
Objective: Manage exposure to refinancing risk		Commentary: Increase year-on-year due to the acquisition of Northwest Parkway that has refinancing risk.	

1 The Company's Investment Policy stipulates that any single investment (being, for this purpose, the sum of all incremental interests acquired by the Group in the same project) must be less than 20% (by value) of the gross assets of the Company, such assessment to be made immediately post acquisition of any interest in a project.

2 ‘More diverse infrastructure investments’ which are made with the intention ‘to enhance returns for shareholders’, as permitted under the terms of the Company’s Investment Policy - namely pre-operational projects, demand-based project and/or other vehicles making infrastructure investments. Further details are set out in the Investment Policy, available from the Company’s website. In the year ended 31 March 2017, 2% of projects were in construction and 12% were demand-based (13% total); in the year ended 31 March 2016, 5% of projects were demand-based and 1% were in construction (6% total).
3 Impact of foreign exchange after hedging on NAV.
4 There are two projects with refinancing risk – Aquasure Desalination plant, Australia and Northwest Parkway, USA – and their future refinancing requirements are reflective of the fact that their respective debt markets do not offer debt for the concession term.

Operational and Financial Review

Operating Performance

Portfolio Statistics

During the year the number of investments in the portfolio increased from 104 to 114, with the 10 largest holdings representing 40% of the Directors’ valuation as at 31 March 2017 (2016: 39%). In May 2017, the Group made a further acquisition, being an equity interest in Affinity Water Group, resulting in 115 investments in the portfolio as at 23 May 2017.

During the year two PPP projects (RD901 and PSBP Northeast Batch) completed construction. Of the 114 investments as at 31 March 2017, five (representing 2% of the portfolio, based on the Directors’ valuation) are in construction: Irish Primary Care Centres, the A9 Road, Centrale Supelec, the N17/N18 Road and the accommodation project in northern Europe.

As at 31 March 2017 four assets were exposed to demand risk, comprising 12% of portfolio value, an increase from 31 March 2016 when there were two assets exposed to demand risk representing 5% of portfolio value.

Counterparty exposure

On a quarterly basis the portfolio’s counterparty exposure to both the operational supply chain and the financial providers of bank deposit accounts and interest rate swaps is formally reviewed. The Investment Adviser’s risk and control function monitors financial creditworthiness between the formal reviews, while the Asset Management team actively monitors the performance of the supply chain, where poor performance can be an early indication of looming financial difficulties. The review processes have not identified any material counterparty concerns for the portfolio’s construction or facilities management contractors. The Directors ensure that the portfolio is diversified by counterparty to mitigate concentration risk.

Value Preservation

The operational performance of the portfolio has been good in the year ended 31 March 2017 and there have been no issues at asset level that have resulted in material losses to the Company. In this context, the threshold for materiality is defined as a loss from an investment that negatively impacts NAV per share by more than 1%. The commentary that follows in this section is therefore provided to give an insight into the asset management challenges and activities within the portfolio.

Solid progress has been made on projects which had previously suffered operational challenges. During the previous year, some of the Company’s projects experienced instances of public sector clients who alleged asset faults and attempted to make deductions from their service payments using a strict interpretation of contractual terms. This year has seen the Asset Management team resolve many of these issues and a number of important settlement agreements have been signed that provide the solution to appropriately accommodate and bind all parties involved. In doing so, no material financial impact was borne by the Company’s investments, with the costs and penalties of rectification being either passed down to the responsible contractor, or retracted.

There are some specific instances of latent construction defects that have caused operational challenges during the year. The following are examples that the Investment Adviser’s Asset Management team has been actively managing during year:

In accommodation PPP projects the adequacy of fire-stopping measures in some assets has led to clients deducting – or threatening to deduct – against availability payments. A handful of projects were affected by such deductions and the focus of the Asset Management team has been on ensuring that the contractual framework operates as expected and that deductions applied are passed down to the supply chain.

There has been media coverage, particularly in Scotland, of the alleged deficient installation of brick wall ties (which secure exterior brick walls to the structure of a building) – in relation to public buildings procured both conventionally and using PPP. The Group takes the safety of all facilities seriously, and the Asset Management team is working closely with management service providers to actively investigate this issue, including in collaboration with public sector clients.

On the Aquasure PPP, the project company successfully rectified a defect with the power cable that connects the desalination plant to the local electricity grid. However, the re-powering of the facility led to a technical fault which, in turn, led to a delay in water production. The plant is now performing very well.

The Investment Adviser expects that such operational issues will arise from time to time but it has the resources in place, through its Asset Management team, to help prevent, resolve and mitigate them.

At the time of the 2016 Annual Report, the Company highlighted some non-material ongoing issues. These are updated below:

Progress resolving alleged building defects and operational issues at a hospital PPP has been slow. Although some of the outstanding matters were closed, a number of challenges remain. A concerted effort will be required from all parties if further progress is to be made. The value of the investment in the portfolio is in the range of £0-5m.

As previously reported, a school PPP project was voluntarily terminated during the year at the election of the local authority client. Certain building defects need to be solved, and negotiations are ongoing with the client regarding the quantification and payment of market value compensation to the Group. The value of the investment in the portfolio is in the range of £5-10m.

Progress has been made on the road PPP that has suffered from a number of operational issues and construction defects. The dispute with the construction subcontractor was proceeding to court but legal action was postponed when heads of terms for an acceptable commercial settlement were agreed between the parties. The focus during the coming year will be to document the agreement. The value of the investment in the portfolio is in the range of £0-5m.

The previously reported issues with a biomass boiler at a hospital PPP have been resolved. Since year-end the project has made its first distribution, representing a significant milestone and an indication of the progress made on the ground.

Remedial works on two grouped schools PPPs in the north of England were substantially completed during the year.

Value Enhancement

During the year, a number of cost savings and other incremental revenue-generating initiatives were undertaken by the Investment Adviser. Examples of such initiatives include:

Contract Variations

Public sector clients often make variation requests to amend the scope of services delivered, be it a capital project or an additional or amended service. In some cases the project may earn incremental revenue. During the year over £700m of new capital works commenced at PPP projects in the portfolio, including at the Allenby & Connaught project as part of the Army Basing Programme. Some variations do not involve new construction works but can greatly assist clients to more efficiently manage their estate. One example of this was with the Mid Yorkshire NHS Trust where a variation involving energy supply responsibilities saw significant benefit delivered to the Trust.

Re-tendering of Management Service Agreements ("MSAs")

The Investment Adviser identified MSA contracts that were capable of being re-tendered and created an innovative procurement plan to ensure that the best service would delivered by the winning provider at a price that represented best value. The focus of the plan was to select specialist MSA providers who were able to demonstrate an ability to work efficiently and effectively for each project company and in doing so increase robustness, resolve project issues and deliver cost savings. The first procurement batch, involving 18 projects, commenced in November 2016. Preferred providers for the projects have been selected and the handover process from incumbent providers, where applicable, has commenced. The process is expected to be concluded in 2017.

Refinancing of projects

Over £600m of debt and derivative products have been refinanced in the year across four projects, where the benefits of doing so are typically shared with the public sector clients in accordance with the contracts and agreed industry guidelines.

Accretive Investment

During the year the Group made 10 new investments and five incremental investments for a total consideration of £266.6m. Further detail can be found in Note 14 to the Financial Statements.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
April 16	£14.5m	New	Operational	M1--A1 Road	Demand--based	30.0%	30.0%
April 16	£5.3m	New	Operational	Hinchingbrooke Hospital	PPP	37.5%	37.5%
June 16		Incremental	Construction	Hinchingbrooke Hospital	PPP	37.5%	75.0%
May 16	£9.9m	New	Operational	Irish Primary Care Centres	PPP	60.0%	60.0%
September 16	£50.1m	New	Operational	A13 Senior Bonds	PPP	N/A	N/A
November 16	£22.7m	New	Operational	Bangor and Nendrum Schools	PPP	20.4%	20.4%
November 16		New	Operational	Salford Schools	PPP	25.5%	25.5%
November 16		New	Operational	East Ayrshire Schools;	PPP	25.5%	25.5%
November 16		New	Operational	North Ayrshire Schools	PPP	25.5%	25.5%
November 16		Incremental	Operational	Manchester School	PPP	25.5%	75.5%
November 16		Incremental	Operational	Cork School of Music	PPP	25.5%	75.5%
December 16	£19.8 m	New	Construction	A9 Road	PPP	20.0%	20.0%
December 16		Incremental	Operational	Zaanstad Prison	PPP	25.0%	100.0%

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
March 17	£136.8m	New	Operational	Northwest Parkway	Demand-based	33.3%	33.3%
March 17	£7.5m	Incremental	Operational	Helicopter Training Facility (loan)	PPP	N/A	N/A
	£266.6m						

* Reconciles to £272.7m of investments shown in the analysis of change in the Directors' Valuation in Valuation of the Portfolio with the addition of a £6.1m foreign exchange movement on the Euro consideration for A63 Motorway between 31 March 2016 and completion in January 2017.

Since the financial year end, the Group has acquired an equity interest in the various entities that comprise the Affinity Water Group. HICL's share of the consideration for the acquisition amounted to approximately £269m, prior to a proposed sell-down of up to £25m of the investment to a group of co-investors.

Earlier in the year the Group bid (as part of a consortium) for a minority interest in one of the UK's regulated gas distribution businesses, losing narrowly to a rival bidder. The Group continues to participate in auction processes, gaining valuable market intelligence on competition and pricing. During the year, offers were made as part of eight separate market auction processes, with the Group successful in two of these situations.

Financial Performance

Accounting

The Company applies IFRS 10, 11 and 12 as well as Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27. A further amendment to IFRS 10 – Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) as issued in December 2014 has been adopted by the Company for these financial statements following endorsement of the amendment by the EU in September 2016. This requires the Company to prepare IFRS financial statements which do not consolidate any subsidiaries, including those that are themselves investment entities.

This has resulted in a change from the March 2016 Consolidated Financial Statements in which the Company consolidated the results of HICL Infrastructure S.a.r.l. 1, HICL Infrastructure S.a.r.l. 2 and Infrastructure Investments Limited Partnership (together the "Corporate Subsidiaries") as under the current IFRS basis the Corporate Subsidiaries can no longer be consolidated.

References to the "Corporate Group" in this section refer to the Company and its Corporate Subsidiaries.

The adoption of the latest IFRS 10 Amendments has not changed the NAV per share or earnings per share compared to the previous approach used for the March 2016 Annual Report.

The Company and its advisers have concluded that in order to continue reporting the most relevant financial performance and position to stakeholders, the Company will prepare pro forma summary financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries. This basis we designate the Investment Basis and presents the financial information in the same manner as previously in the March 2016 Consolidated Financial Statements. In particular they provide shareholders with further information regarding the Corporate Group's gearing and expenses, coupled with greater transparency in the Company's capacity for investment and ability to make distributions.

A reconciliation between the summary financial information prepared on the Investment Basis below and the results of the Company included in the Financial Statements under IFRS can be found in the Pro Forma Statements further below.

Summary financial statements

Investment Basis Summary Income Statement

	Year to 31 March 2017			Year to 31 March 2016		
£m	Investment Basis	Consolidation adjustments	IFRS	Investment Basis	Consolidation adjustments	IFRS (Restated)
Total income[1]	207.6	(29.0)	178.6	182.9	(24.1)	158.8
Expenses & finance costs	(30.5)	28.7	(1.8)	(25.5)	23.9	(1.6)
Profit/(loss) before tax	177.1	(0.3)	176.8	157.4	(0.2)	157.2
Tax	(0.3)	0.3	-	(0.2)	0.2	-
Earnings	176.8	-	176.8	157.2	-	157.2
Earnings per share	12.4p	-	12.4p	11.9p	-	11.9p

1 Includes net foreign exchange gain of £0.1m (2016: £5.2m gain).

On an Investment Basis, Total income of £207.6m (2016: £182.9m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. Total Income has increased by 14% (£24.7m) reflecting a 21% increase in investments at fair value on an Investment Basis which has been partly offset by a lower contribution from discount rate reductions in the year than in the prior year. Further detail on the valuation movements is given in Valuation of the Portfolio.

On an IFRS basis, both Total income and Expenses and finance costs are lower than the Investment Basis as they do not include expenses incurred by the Corporate Subsidiaries. Total Income of £178.6 (2016: £158.8m) comprises interest income received by the Company and valuation movements in its investments.

Foreign exchange movements have not materially impacted profits. On an Investment Basis a £17.8m foreign exchange gain (2016: £13.9m gain) on revaluing the non-UK assets in the portfolio using March 2017 exchange rates has been offset by £17.7m (2016: £8.7m loss) foreign exchange hedging losses. The net gain of £0.1m (2016: £5.2m) is included in Total Income.

Earnings on an Investment Basis and IFRS basis were £176.8m, an increase of £19.6m against the prior year. This reflects the factors stated above whilst Corporate Group Expenses and finance costs were higher at £30.5m compared with £25.5m in the comparable period, reflecting acquisition activity and the growth in the portfolio. Earnings per share were 12.4p (2016: 11.9p).

A reconciliation between the Investment Basis Income Statement and the Income Statement of the Company can be found further below.

Investment Basis Cost Analysis

£m	Year to 31 March 2017	Year to 31 March 2016
Interest expense	2.4	2.2
Investment Adviser fees	24.4	20.4
Auditor – KPMG – for the Group	0.3	0.3
Directors' fees & expenses	0.4	0.3
Acquisition bid costs	1.7	0.8
Professional fees	1.1	1.3
Other expenses	0.2	0.2
Expenses & finance costs	30.5	25.5

Total fees accruing to InfraRed Capital Partners Limited ("the Investment Adviser") were £24.4m (2016: £20.4m) for the year, comprising the 1.1% p.a. management fee for assets up to £750m, 1.0% for assets above £750m, 0.9% for assets above £1.5bn and 0.8% for assets above £2.25bn, a 1.0% fee on acquisitions made from third parties, and the £0.1m p.a. advisory fee.

The increase in the Investment Adviser's fees is due to a larger portfolio and includes acquisition fees of £3.4m (2016: £1.5m).

In the year, the Corporate Group incurred £1.7m of third party costs (2016: £0.8m) on unsuccessful bids and bids in progress (mainly legal, technical and tax due diligence). The increase in bid costs in the year arose from greater bid activity for regulated assets and demand-based assets.

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

On an IFRS basis, expenses and finance costs were £1.8m (2016: £1.6m) as they exclude those incurred by the Corporate Subsidiaries.

Ongoing Charges

£m	Year to 31 March 2017	Year to 31 March 2016
Investment Adviser[1]	21.0	18.9
Auditor – KPMG – for the Group	0.3	0.3
Directors' fees and expenses	0.4	0.3
Other ongoing expenses	1.3	1.3
Total expenses	23.0	20.8
Average NAV	2,172.2	1,852.1
Ongoing charges	1.06%	1.12%

1 Excludes acquisition fees of £3.4m (2016: £1.5m), in line with AIC calculation methodology.

Ongoing charges, in accordance with AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. On the basis of including costs incurred by the

Corporate Subsidiaries, the Ongoing charges percentage is 1.06% (March 2016: 1.12%) with the reduction arising from the impact of the £373m of equity capital raisings in September 2016 and March 2017 combined with the growth in the portfolio providing efficiencies.

Investment Basis Summary Balance Sheet

£m	Investment Basis	Consolidation adjustments	31 March 2017 IFRS	Investment Basis	Consolidation adjustments	31 March 2016 IFRS (Restated)
Investments at fair value	2,347.5	71.9	2,419.4	1,932.9	40.8	1,973.7
Working capital	(10.3)	9.4	(0.9)	(11.7)	11.4	(0.3)
Net cash	82.2	(81.3)	0.9	52.7	(52.2)	0.5
Net assets attributable to Ordinary shares	2,419.4	-	2,419.4	1,973.9	-	1,973.9
NAV per share (before dividend)	149.0p	-	149.0p	142.2p	-	142.2p
NAV per share (post dividend)	147.1p	-	147.1p	140.3p	-	140.3p

On an Investment Basis, Investments at fair value increased 21% to £2,347.5m (March 2016: £1,932.9m), being the Directors' valuation of £2,380.0m (March 2016: £2,030.3m) net of £32.5m of future investment obligations (March 2016: £97.4m). Further detail on the movement in Investments at fair value is given in Valuation of the Portfolio.

The Corporate Group had net cash, on an Investment Basis, at 31 March 2017 of £82.2m (31 March 2016: net cash of £52.7m), which covers the 1.92p fourth quarterly interim dividend of £31.2m due for payment at the end of June 2017. The Group expects to invest its net cash holdings by June 2017 by completing the recently announced acquisition of Affinity Water. An analysis of the movements in net cash is shown in the cash flow analysis below.

On an IFRS basis, Investments at fair value increased to £2,419.4m (March 2016: £1,973.7m), reflecting the Investment Basis movements above as well as a £30.8m increase in the fair value of the Corporate Subsidiaries as a result of changes in net cash held by the Corporate Subsidiaries. On an IFRS basis, cash and cash equivalents increased marginally to £0.9m (March 2016: £0.5m). The Group's cash is mainly held in the Corporate Subsidiaries.

NAV per share was 149.0p before the 1.92p distribution (31 March 2016: 142.2p). NAV per share has increased 6.8p, of which 2.1p was as a result of the 67m tap issue shares issued at a premium in September 2016 and the 164m shares in March 2017 issued via the February 2017 Prospectus. The expected NAV growth, being the budgeted return attributable to the unwinding of the discount rate, less Corporate Group costs and the dividends paid, was 0.8p.

A reconciliation between the Investment Basis Balance Sheet and the Balance Sheet of the Company can be found further below.

Analysis of the Growth in NAV per Share Pence per share			
NAV per share at 31 March 2016[1]			140.3
Valuation movements			
Reduction in discount rates	2.8		
Changes in economic assumptions	(0.5)		
		2.3	
Portfolio performance			
Project outperformance	1.6		
Expected NAV growth	0.8		
		2.4	
Accretive issuance of shares		2.1	
Total		6.8	
NAV per share at 31 March 2017[1]			147.1

1 Post interim dividend declared, 1.92p for March 2017 and 1.87p for 31 March 2016
2 Expected NAV growth is the Company's budgeted EPS less target dividend

Cash Flow Analysis

Investment Basis Summary cash flow

			31 March 2017			31 March 2016
£m	Investment Basis	Consolidation adjustments	IFRS	Investment Basis	Consolidation adjustments	IFRS (Restated)
Cash from investments	148.9	(40.7)	108.2	130.8	(32.3)	98.5
Operating and finance costs outflow	(26.1)	24.9	(1.2)	(23.5)	21.9	(1.6)
Net cash inflow before capital movements	122.8	(15.8)	107.0	107.3	(10.4)	96.9
Net cost of new investments	(339.5)	(36.2)	(375.7)	(165.7)	(15.2)	(180.9)
Share capital raised net of costs	369.7	-	369.7	176.8	-	176.8
Forex movement on borrowings/hedging[1]	(22.9)	22.9	-	(6.2)	6.2	-
Distributions paid	(100.6)	-	(100.6)	(93.0)	-	(93.0)
Movement in the year	29.5	(29.1)	0.4	19.2	(19.4)	(0.2)
Net cash at start of year	52.7	(52.2)	0.5	33.5	(32.8)	0.7
Net cash at end of year	82.2	(81.3)	0.9	52.7	(52.2)	0.5

1 Includes capitalised debt issue costs of £0.7m (2016: £1.4m)

Cash inflows from the portfolio on an Investment Basis were £148.9m (2016: £130.8m). Growth in underlying cash generation was driven by contributions from acquisitions combined with active cash management across the portfolio.

The cost of new investments by the Corporate Group on an Investment Basis of £339.5m (2016: £165.7m) represents the cash cost of the 10 new investments and the five incremental acquisitions, loan note subscriptions on three investments and acquisition costs of £2.0m (2016: £3.1m).

On an IFRS basis, the Company received £108.2m from a direct Corporate Subsidiary (2016: £98.5m). These payments are sized by the Company to pay shareholder dividends assuming no scrip dividend take up and the Company's operating costs. On an IFRS basis, costs of new investments of £375.7m (2016: £180.9m) reflects loans extended by the Company to its direct Corporate Subsidiary in the year and broadly reflects scrip dividend take up and share capital raised net of costs.

Hedging and borrowing for the Corporate Group is undertaken by a Corporate Subsidiary and therefore the Company had no cash flows for this on an IFRS basis. On an Investment Basis, the £22.9m cash outflow (2016: £6.2m cash outflow) in foreign exchange rate hedging and borrowings arises from strengthening of the Euro, Australian Dollar and Canadian Dollar against Sterling in the year, as well as including £0.7m in debt issue costs (2016: £1.4m) to increase the revolving credit facility by £100m. The Corporate Group enters forward sales to hedge forex exposure in line with the Company's hedging policy set out in Strategy & Objectives. Overall foreign exchange movement has not materially impacted the Company's total income in the year, as set out in detail under the Income Statement above.

The issue of 231m shares in September 2016 and March 2017 at a premium to the prevailing NAV per share provided net cash receipts in the year of £369.7m (2016: £176.8m).

Dividends paid in the year increased £7.6m to £100.6m (2016: £93.0m). Dividend cash cover, which compares operational cash flow of £122.8m (2016: £107.3m) to dividends paid, was 1.22 times (2016: 1.15 times).

The scrip dividend alternatives for the fourth quarterly interim dividend in respect of the year ended 31 March 2016, and for the first three quarterly interim dividends for the reported financial year, resulted in an aggregate of 4.6m (2016: 3.6m) new shares being issued in June 2016, September 2016, December 2016 and March 2017.

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

Corporate Group Drawings and Gearing Levels

As at 31 March 2017, the Corporate Group's drawings under its multi-currency revolving credit facility ("RCF") were £nil by way of cash and £30.9m by way of letters of credit.

The Association of Investment Companies ("AIC") has published guidance in relation to gearing disclosures which is defined for a company with net cash as the net exposure to cash and cash equivalents, expressed as a percentage of shareholders' funds after any offset against its gearing. It is calculated by dividing total assets (less cash/cash equivalents) by shareholders funds. Applying this to the Investment Basis, the Corporate Group had a net cash position of 2.7% at 31 March 2017 (2016: 2.0% net cash). This analysis excludes any debt in the Corporate Group's investments.

In view of the current term of the RCF, the Company is able to confirm that sufficient working capital is available for the financial year ending 31 March 2018, without needing to refinance. The Investment Adviser will, however, consider refinancing options periodically aligned to the pipeline of potential transactions.

Further details of the Group's Revolving Credit Facility are set out in Strategy and Objectives.

Pro Forma Financial Statement Reconciliations

Below are reconciliations between the Company's IFRS financial statements and the Corporate Group's Investment Basis financial statements.

The IFRS financial statements comprise the Company only and all subsidiaries are measured at fair value through profit or loss. The Investment Basis financial statements consolidate the Corporate Subsidiaries in the Company's financial statements, while all other subsidiaries are measured at fair value through profit or loss.

All the adjustments in the reconciliations are due to the IFRS 10 Amendments under which the Company cannot consolidate the Corporate Subsidiaries. Further details are in Note 2 of the financial statements.

The below reconciliations are for the year ended 31 March 2017 for the Income Statement, Balance Sheet and Cash Flow Statement.

Further reconciliations for the year ended 31 March 2016 for the Income Statement and Cash Flow Statement and for the years ended 31 March 2015 and 31 March 2016 for the Balance Sheet can be found in Note 2 to the Financial Statements.

Unaudited Pro Forma Income Statement for the year ended 31 March 2017

	Investment Basis £m	Adjustments £m	IFRS Basis £m
Investment income	207.5	(28.9)	178.6
Total income	207.5	(28.9)	178.6
Fund expenses	(28.1)	26.3	(1.8)
Profit before net finance costs and tax	179.4	(2.6)	176.8
Finance costs	(2.4)	2.4	-
Finance income	0.1	(0.1)	-
Profit before tax	177.1	(0.3)	176.8
Income tax expense	(0.3)	0.3	-
Profit for the period	176.8	-	176.8
Earnings per share – basic and diluted (pence)	12.4	-	12.4

Unaudited Pro Forma Balance Sheet at 31 March 2017

	Notes	Investment Basis £m	Adjustments £m	IFRS Basis £m
Non-current assets				
Investments at fair value through profit or loss	1	2,347.5	71.9	2,419.4
Total non-current assets		2,347.5	71.9	2,419.4
Current assets				
Trade and other receivables		1.8	(1.7)	0.1
Other current financial assets		5.1	(5.1)	-
Cash and cash equivalents		82.2	(81.3)	0.9
Total current assets		89.1	(88.1)	1.0
Total assets		2,436.6	(16.2)	2,420.4
Current liabilities				
Trade and other payables		(15.2)	14.2	(1.0)
Other current financial liabilities		(2.0)	2.0	-
Total current liabilities		(17.2)	16.2	(1.0)
Total liabilities		(17.2)	16.2	(1.0)
Net assets		2,419.4	-	2,419.4
Equity				
Ordinary Share capital		0.2	-	0.2
Share premium		1,753.3	-	1,753.3
Retained reserves		665.9	-	665.9
Total equity		2,419.4	-	2,419.4
Net assets per Ordinary Share (pence)		149.0	-	149.0

Note 1 to the Unaudited Pro Forma Balance Sheet

	31 March 2017 £m	31 March 2016 £m
Directors' valuation	2,380.0	2,030.3
Less: future commitments (Note 18)	(32.5)	(97.4)
Investments at fair value on Investment Basis	2,347.5	1,932.9
Net cash in Corporate Subsidiaries	81.3	52.2
Working capital in Corporate Subsidiaries	(9.4)	(11.4)
Investments at fair value per Balance Sheet	2,419.4	1,973.7

Unaudited Pro Forma Cash Flow Statement for the year ended 31 March 2017

	Investment Basis £m	Adjustments £m	IFRS Basis £m
Cash flows from operating activities			
Profit before tax	177.1	(0.3)	176.8
Adjustments for:			
Investment income	(207.5)	28.9	(178.6)
Finance costs	2.4	(2.4)	-
Finance income	(0.1)	0.1	-
Operator acquisition investment fees	3.4	(3.4)	-
Operating cash flow before changes in working capital	(24.7)	22.9	(1.8)
Changes in working capital:			
Decrease in receivables	(0.2)	0.2	-
Decrease in payables	3.9	(3.3)	0.6
Cash flow from operations	(21.0)	19.8	(1.2)
Interest received on bank deposits	0.1	(0.1)	-
Interest paid	(1.9)	1.9	-
Corporation tax paid	(0.3)	0.3	-
Interest received on investments	92.0	16.2	108.2
Dividends received	32.0	(32.0)	-
Fees and other operating income	14.3	(14.3)	-
Loanstock and equity repayments received	10.6	(10.6)	-
Net cash from operating activities	125.8	(18.8)	107.0
Cash flows from investing activities			
Purchases of investments	(339.5)	(36.2)	(375.7)
Net cash used in investing activities	(339.5)	(36.2)	(375.7)
Cash flows from financing activities			
Proceeds from issue of share capital	369.7	-	369.7
Proceeds from issue of loans and borrowings	176.5	(176.5)	-
Repayment of loans and borrowings	(176.5)	176.5	-
Foreign exchange (loss)	(22.2)	22.2	-
Distributions paid to Company shareholders	(100.6)	-	(100.6)
Net cash from / (used in) financing activities	246.9	22.2	269.1
Net increase/(decrease) in cash and cash equivalents	33.2	(32.8)	0.4
Cash and cash equivalents at beginning of period	52.7	(52.2)	0.5
Exchange gains on cash	(3.7)	3.7	-
Cash and cash equivalents at end of period	82.2	(81.3)	0.9

Valuation of the Portfolio

Valuation Methodology and Approach Overview

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

The Group's investments are predominantly non-market traded investments, such that these investments are valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The exception to this is the listed senior debt in the A13 road project which is valued at a quoted market price of the bonds. This valuation methodology is the same as that used at the time of the Company's launch and in each subsequent six-month reporting period (further details can be found in the Company's February 2017 Prospectus, available from the Company's website).

The key external (macroeconomic and fiscal) factors affecting the forecast of each portfolio company's cash flows in local currency are inflation rates, deposit interest rates and local corporation tax rates. The Investment Adviser makes forecast assumptions for each of these external metrics, based on market data and economic forecasts. The Investment Adviser exercises its judgement in assessing the expected future cash flows from each investment based on detailed financial models produced for each portfolio company and adjusting where necessary to reflect the Group's economic assumptions as well as any specific operating assumptions.

The fair value for each investment is then derived from the application of an appropriate market discount rate and year-end currency exchange rate. The discount rate takes into account risks associated with the financing of a portfolio company such as specific risks (e.g. liquidity, currency risks, market appetite) and any risks to project earnings (e.g. predictability and covenant of the income), all of which may be differentiated by market segment and/or operational status. The Investment Adviser uses its judgement in arriving at the appropriate discount rate. This is based on its knowledge of the market, taking into account intelligence gained from its bidding activities, discussions with financial advisers in the appropriate market and publicly available information on relevant transactions.

The Directors' Valuation is the key component in determining the Company's NAV and so the Directors seek, from a third party valuation expert, an independent report and opinion on the valuation provided by the Investment Adviser. The Directors' valuation is the preferred valuation measure of the portfolio because it is the total value at risk for the group, as compared to investments at fair value through profit or loss which nets off future commitments. A reconciliation of the Directors' Valuation to investments at fair value as per the Balance Sheet and on an Investment Basis is provided in Note 1 to the Unaudited Pro Forma Balance Sheet in Operational and Financial Review.

Directors' Valuation at 31 March 2017

The Directors' Valuation of the portfolio at 31 March 2017 was £2,380.0m. This valuation compares to £2,030.3m at 31 March 2016 (up 17.2%). A reconciliation between the Directors' Valuation at 31 March 2017 and that shown in the financial statements is given in Note 13 to the financial statements, the principal difference being that the Directors' valuation includes the £32.5m outstanding equity commitments in respect of the A9, Centrale Supelec, Irish Primary Care, N17/N18 Road, Willesden Hospital and the Northern European Fire, Law & Order project.

A breakdown of the movement in the Directors' Valuation in the year

Valuation movements during the year to 31 March 2017 (£m)			% change
Directors' Valuation at 31 March 2016		2,030.3	
Investments	272.7		
Cash receipts from investments	(148.9)		
Less future commitments		(30.9)	
Rebased valuation of the portfolio		2,123.2	
Return from the portfolio	173.3		8.2%
Change in discount rate	40.4		1.9%
Economic assumptions	(7.2)		(0.3%)
Forex movement on non-UK investments	17.8		0.8%
		224.3	10.6%
Future commitments		32.5	
Directors' Valuation at 31 March 2017		2,380.0	

Future commitments of £30.9m measures year end commitments at 31 March 2016 exchange rates

Allowing for the investments during the year of £272.7m, and investment receipts of £148.9m, the rebased valuation was £2,123.2m. The growth in the Directors' Valuation of the portfolio at 31 March 2017 over the rebased value was 10.6%.

The increase arises from a £173.3m return from the portfolio, a £40.4m uplift from a 0.1% decrease in the weighted average discount rate used to value the portfolio combined with a £10.6m net valuation uplift from changes to certain economic assumptions (-£7.2m) and foreign exchange rates (+£17.8m). The negative movement in economic assumptions included lower forecast long term deposit rates and near term European inflation rates, partly offset by lower UK and French corporation tax rates.

Return from the Portfolio

The return from the portfolio of £173.3m (2016: £138.0m) represents an 8.2% (2016: 7.9%) increase in the rebased value of the portfolio. As expected, the majority of this 'return' (7.4%, being the average) was generated by the unwinding of the weighted-average discount rate used to value the portfolio in the year.

Incremental value was generated from the revaluation of acquisitions completed in the year as well as operational outperformance from various cost saving and efficiency initiatives, though these efficiencies were mostly negated by the adverse impact of actual UK inflation on average in the year running lower than the 2.75% p.a. forecast assumption.

Discount rates

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

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

The risk premium takes into account risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by market segment, operational status, jurisdiction and market participants' appetite for these risks.

In the portfolio there were five PPP projects in construction at 31 March 2017, all of which are located in Europe. An investment in a project under construction can offer a higher overall return (i.e. require a higher discount rate) compared to buying an investment in an operational project. However construction assets do not usually yield during the construction period and there is the risk that delays in construction may affect the investment value.

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

Country	31 March 2017 Long-term government bond yield	Risk premium	Discount rate	31 March 2016 Discount rate	Movement
UK	1.7%	5.5%	7.2%	7.5%	(0.3%)
Australia	3.1%	4.2%	7.3%	7.9%	(0.6%)
Eurozone	1.4%[1]	6.2%	7.6%	7.8%	(0.2%)
North America	2.8%	5.4%	8.2%	7.1%	1.1%
Portfolio	1.8%	5.6%	7.4%	7.5%	(0.1%)

1 The long-term government bond yield for a region is the weighted average for all of the countries in which the portfolio is invested in that region (for example for the Eurozone this is France, the Netherlands and Ireland).

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

As long-term government bond yields in the UK, Australia, North America and the Eurozone are currently low, this has resulted in higher country risk premiums (as discount rates have not fallen as far as bond yields). The Investment Adviser's view is that discount rates used to value investments don't rigidly follow bond yields, although naturally there is some correlation over the longer term. The implication from this is that an increase from these historically low bond yields could happen without necessarily directly adversely impacting discount rates.

The 0.1% reduction in the weighted average discount rate in the year arose from a reduction of 0.2% in the weighted average discount rate attributable to a more competitive environment for infrastructure assets which was then offset by a 0.1% increase from the US$166.4m acquisition of the Northwest Parkway toll road which is valued using a higher discount rate than the weighted average. While there is a slow supply of new PPP investment opportunities, new market entrants, attracted by the favourable risk-adjusted returns, have driven prices upward, and hence caused discount rates to reduce during the year.

Valuation Assumptions

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

		31 March 2017	31 March 2016
Inflation Rates	UK (RPI and RPIx)[1]	2.75% p.a.	2.75% p.a.
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% thereafter	1% p.a. until 2018, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	N/A
	Australia (CPI)	2.5% p.a.	2.5% p.a.
Deposit Rates	UK	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	Eurozone	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	Canada	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	USA	1.0% p.a. with a gradual increase to 2.0%	N/A
	Australia	2.6% p.a. with a gradual increase to 3.0% p.a. long-term	2.6% p.a. with a gradual increase to 3.0% p.a. long-term
Foreign Exchange Rates	EUR / GBP	0.85	0.79
	CAD / GBP	0.60	0.54

	USD / GBP	0.80	N/A
	AUD / GBP	0.61	0.53
Tax Rates	UK	19% p.a. to March 2020, 17% p.a. thereafter	20% p.a. to March 2017, 19% p.a. to March 2020, 18% p.a. thereafter
	Eurozone	Various (no change apart from French tax rate reducing from 33.3% p.a. to 28% p.a. by 2019)	Various (no change)
	Canada	26% p.a. and 27% p.a.	26% p.a. and 27% p.a.
	USA	35% p.a. Federal & 4.6% p.a. Colorado State	N/A
	Australia	30% p.a.	30% p.a.
GDP	UK	2.0% p.a.	N/A
	Eurozone	1.8% p.a.	N/A
	USA	2.5% p.a.	N/A

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

Valuation Sensitivities

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

Discount Rate Sensitivity

Whilst not a macro-economic assumption, the weighted-average discount rate that is applied to each project's forecast cash flows, for the purposes of valuing the portfolio, is the single most important judgement and variable. The impact of a 0.5% change in the discount rate on the NAV per share is shown above.

Inflation Rate Sensitivity

The projects in the portfolio have contractual income streams derived from public sector clients, which are rebased every year for inflation. UK projects tend to use either RPI (Retail Price Index) or RPIx (RPI excluding mortgage payments) while non-UK projects use CPI (consumer price index) 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 correlation and sensitivity of the portfolio to inflation increased in the year with the acquisitions of the A63 Motorway and Northwest Parkway toll roads. The portfolio's inflation correlation at 31 March 2017 was 0.7 (2016: 0.6) such that should inflation be 1% higher than the valuation assumption for all future periods the expected return from the portfolio would increase 0.7% from 7.4% to 8.1%.

In the UK RPI and RPIx were 3.1% and 3.4% respectively as at March 2017. 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 2017 forecasts for RPI out to December 2018 range from 2.5% to 4.1% from 25 independent forecasters as compiled by HM Treasury, with an average forecast of 3.3%.

Deposit Rate Sensitivity

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

At 31 March 2017, cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average. There is a consensus that UK base rates will remain low for an extended period, with a current median forecast for UK base rates in December 2018 of 0.25% p.a.

The portfolio valuation assumes UK deposit interest rates are 1.0% p.a. to March 2021 and 2.0% p.a. thereafter. Once again this extends the period of 1.0% p.a. deposit interest rates and applies a lower long-term rate compared to that applied in the March 2016 valuation, which assumed 1.0% p.a. deposit interest rates to March 2020 and 2.5% p.a. thereafter. These changes have reduced the portfolio valuation and are included within the £7.2m aggregate decrease in portfolio value attributable to changes in Economic Assumptions.

Lifecycle Expenditure Sensitivity

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

The lifecycle expenditure, together with the budget and the risk, is usually either taken by a portfolio company (and hence the investor) or is subcontracted and taken by a suitable sub-contractor. Of the 114 investments, 53 have lifecycle as a portfolio company risk (i.e. not subcontracted to the supply-chain).

Corporation Tax Rate Sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the company is located. The UK corporation tax assumption for the portfolio valuation is 19% to March 2020 and 17% thereafter, which is a reduction from the rates assumed at March 2016, to reflect the legal enactment of the prospective changes to the rate of UK corporation tax. The French corporation tax rate assumption has reduced from 33% to 28% in line with French legislation enacted in 2016. These rate changes, have resulted in an increase to the portfolio valuation, which is netted off within the £7.2m aggregate reduction in portfolio value attributable to changes in Economic Assumptions.

Gross Domestic Product ("GDP") Sensitivity

The acquisition of demand risk assets in the year has resulted in an increased sensitivity of the portfolio to changes in GDP. At 31 March 2017 the portfolio had three investments which are considered sensitive to GDP, namely the A63 Motorway, M1-A1 Road and Northwest Parkway. Together these projects comprised 10.0% of the Directors' Valuation at year end. At times of higher economic activity there will be greater traffic volumes using these roads generating increased revenues for the projects than compared to periods of lower economic activity and therefore we assess these as GDP-sensitive investments. If GDP was 0.5% lower than our valuation assumptions for every future period, the expected return from the portfolio (before group expenses) would decrease from 7.4% to 7.2%.

Financial Statements

Income Statement

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 Total £m	Year ended 31 March 2016 Restated* Total £m
Investment income	6	**178.6**	158.8
Total income		**178.6**	158.8
Fund expenses	7	**(1.8)**	(1.6)
Profit before tax		**176.8**	157.2
Profit for the year			
Earnings per share – basic and diluted (pence)	10	**12.4**	11.9

*Comparative information has been restated. See Note 2 for details.

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

Balance Sheet

As at 31 March 2017

	Note	31 March 2017 £m	31 March 2016 Restated* £m
Non-current assets			
Investments at fair value through profit or loss	13	2,419.4	1,973.7
Total non-current assets		2,419.4	1,973.7
Current assets			
Trade and other receivables		0.1	0.1
Cash and cash equivalents		0.9	0.5
Total current assets		1.0	0.6
Total assets		2,420.4	1,974.3
Current liabilities			
Trade and other payables		(1.0)	(0.4)
Total current liabilities		(1.0)	(0.4)
Total liabilities		(1.0)	(0.4)
Net assets		2,419.4	1,973.9
Equity			
Ordinary Share capital	16	0.2	0.1
Share premium	16	1,753.3	1,376.5
Retained reserves		665.9	597.3
Total equity		2,419.4	1,973.9
Net assets per Ordinary Share (pence)	12	149.0	142.2

* Comparative information has been restated. See Note 2 for details.

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 2017, and signed on its behalf by:

S Farnon
Director

I Russell
Director

Statement of Changes in Shareholders' Equity

For the year ended 31 March 2017

	Year ended 31 March 2017 Attributable to equity holders of the parent		
	Share capital and share premium £m	Retained reserves £m	Total shareholders' equity £m
Shareholders' equity at 1 April 2016	1,376.6	597.3	1,973.9
Profit for the year	–	176.8	176.8
Distributions paid to Company shareholders in cash	–	(100.6)	(100.6)
Distributions paid to Company shareholders by scrip issue	–	(7.6)	(7.6)
Total distributions paid to Company shareholders in the year	–	(108.2)	(108.2)
Ordinary Shares issued for cash	373.3	–	373.3
Ordinary Shares issued for scrip dividend	7.6	–	7.6
Total Ordinary Shares issued in the year	381.0	–	381.0
Costs of issue of Ordinary Shares	(4.1)	–	(4.1)
Shareholders' equity at 31 March 2017	1,753.5	665.9	2,419.4

	Year ended 31 March 2016 Attributable to equity holders of the parent		
	Share capital and share premium £m	Retained reserves £m	Total shareholders' equity £m
Shareholders' equity at 1 April 2015	1,194.3	538.6	1,732.9
Profit for the year	–	157.2	157.2
Distributions paid to Company shareholders in cash	–	(93.0)	(93.0)
Distributions paid to Company shareholders by scrip issue	–	(5.5)	(5.5)
Total distributions paid to Company shareholders in the year	–	(98.5)	(98.5)
Ordinary Shares issued for cash	178.2	–	178.2
Ordinary Shares issued for scrip dividend	5.5	–	5.5
Total Ordinary Shares issued in the year	183.7	–	183.7
Costs of issue of Ordinary Shares	(1.4)	–	(1.4)
Shareholders' equity at 31 March 2016	1,376.6	597.3	1,973.9

Cash Flow Statement

For the year ended 31 March 2017

	Year ended 31 March 2017 £m	Year ended 31 March 2016 Restated* £m
Cash flows from operating activities		
Profit before tax	176.8	157.2
Adjustments for:		
Investment income	(178.6)	(158.8)
Operating cash flow before changes in working capital	(1.8)	(1.6)
Changes in working capital:		
Increase in payables	0.6	–
Cash flow from operating activities	(1.2)	(1.6)
Interest received on investments	108.2	98.5
Net cash from operating activities	107.0	96.9
Cash flows from investing activities		
Purchases of investments	(375.7)	(180.9)
Net cash used in investing activities	(375.7)	(180.9)
Cash flow from financing activities		
Net proceeds from issue of share capital	369.7	176.8
Distributions paid to Company shareholders	(100.6)	(93.0)
Net cash from financing activities	269.1	83.8
Net increase/(decrease) in cash and cash equivalents	0.4	(0.2)
Cash and cash equivalents at beginning of year	0.5	0.7
Cash and cash equivalents at end of year	0.9	0.5

*Comparative information has been restated. See Note 2 for details.

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

Notes to the Financial Statements

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 financial statements of the Company as at and for the year ended 31 March 2017 comprise the Company only. Up to and including 31 March 2016 the Company consolidated three subsidiaries (HICL Infrastructure 1 S.a.r.l., HICL Infrastructure 2 S.a.r.l. and Infrastructure Investments Limited Partnership – together the "Corporate Subsidiaries" and each a "Corporate Subsidiary") which are no longer consolidated due to a change in IFRS 10 – see Note 2 (b) for details.

2. KEY ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2017.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or 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 which have been applied in the preparation of these financial statements.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and meets the three essential criteria as defined in IFRS 10 and therefore the Company continues to apply Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS27).

The three essential investment entity criteria met by the Company are:

It obtains funds from one or more investors for the purpose of providing these investors with professional investment management services;

It commits to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and

It measures and evaluates the performance of substantially all of its investments on a fair value basis.

(b) Change in accounting policy

The Company has applied Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS27) and in these financial statements it has also applied Investment Entities: Applying the Consolidation Exemption (Amendment to IFRS 10, IFRS 12 and IAS 28) – this amendment was issued in December 2014 and adopted by the EU in September 2016, and first applied by the Company in its interim financial statements for September 2016.

The effect of applying the latest amendment is that the Company cannot consolidate subsidiaries that are themselves judged to be investment entities and as a result the Corporate Subsidiaries are no longer consolidated but instead included in Investments at fair value through profit or loss.

The change in accounting has not affected the Profit for the year or Net assets of the Company in this year or in comparative periods.

A reconciliation for the financial statements for the current year comparing the current IFRS basis with the previous basis, which is designated the Investment Basis, is shown in Operational and Financial Review.

Comparatives

Below is a reconciliation for each of the Income Statement, Balance Sheet and Cash Flow Statement as reported originally for 31 March 2016 compared to the restated results for 31 March 2016 as well as a reconciliation for the Balance Sheet as reported originally for 31 March 2016 and 31 March 2015 compared to the restated results.

The movements shown in the adjustments column are all as a result of the adoption of Investment Entities: Applying the Consolidation

Notes to the Financial Statements

Exemption (Amendment to IFRS 10, IFRS 12 and IAS 28). The impact on the financial statements of adopting the current IFRS basis, as opposed to the Investments Basis, can be summarised as follows:

Income Statement

As discussed in the Operational and Financial Review of the Strategic Report, Fund Expenses previously reported in the Consolidated Income Statement for 31 March 2016 included fees payable to the Investment Adviser (see Note 17 for further details). These expenses and various other costs are incurred by a Corporate Subsidiary whose results are no longer consolidated within the financial statements of the Company. As a consequence, Investment income recognised by the Company is net of these expenses and hence the restated Investment income is £24.0 million lower.

Balance Sheet

The increase in the Investments at fair value on the Balance Sheet is a result of now including the fair value of the Corporate Subsidiaries within this amount, including cash and working capital balances at the year end.

The reduction in Cash and cash equivalents is due to the Corporate Subsidiaries no longer being consolidated within the results of the Company. The Company's treasury function is undertaken by a Corporate Subsidiary, which receives distributions from the Company's underlying investment portfolio.

Cash Flow Statement

The Net cash from operating activities for the Company is lower on the restated basis because the only funds distributed to the Company are those to enable the Company to pay dividends and meet its sundry expenses.

Restated Income Statement for the year ended 31 March 2016	Original £m	Adjustments £m	Restated £m
Investment income	182.8	(24.0)	158.8
Total income	182.8	(24.0)	158.8
Fund expenses	(23.3)	21.7	(1.6)
Profit before net finance costs and tax	159.5	(2.3)	157.2
Finance costs	(2.2)	2.2	–
Finance income	0.1	(0.1)	–
Profit before tax	157.4	(0.2)	157.2
Income tax expense	(0.2)	0.2	–
Profit for the period	157.2	–	157.2
Earnings per share – basic and diluted (pence)	11.9	–	11.9

Restated Balance Sheet As at 31 March 2016	Original £m	Adjustments £m	Restated £m
Non-current assets			
Investments at fair value through profit or loss	1,932.9	40.8	1,973.7
Total non-current assets	1,932.9	40.8	1,973.7
Current assets			
Trade and other receivables	1.5	(1.4)	0.1
Other financial assets	0.2	(0.2)	–
Cash and cash equivalents	52.7	(52.2)	0.5
Total current assets	54.4	(53.8)	0.6
Total assets	1,987.3	(13.0)	1,974.3
Current liabilities			
Trade and other payables	(11.3)	10.9	(0.4)
Other current financial liabilities	(2.1)	2.1	–
Total current liabilities	(13.4)	13.0	(0.4)
Total liabilities	(13.4)	13.0	(0.4)
Net assets	1,973.9	–	1,973.9
Equity			
Ordinary Share capital	0.1	–	0.1
Share premium	1,376.5	–	1,376.5
Retained reserves	597.3	–	597.3
Total equity	1,973.9	–	1,973.9
Net assets per Ordinary Share (pence)	142.2	–	142.2

Notes to the Financial Statements

Restated Balance Sheet As at 1 April 2015	Original £m	Adjustments £m	Restated £m
Non-current assets			
Investments at fair value through profit or loss	1,709.7	22.7	1,732.4
Total non-current assets	1,709.7	22.7	1,732.4
Current assets			
Trade and other receivables	0.7	(0.6)	0.1
Other financial assets	1.9	(1.9)	–
Cash and cash equivalents	33.5	(32.8)	0.7
Total current assets	36.1	(35.3)	0.8
Total assets	1,745.8	(12.6)	1,733.2
Current liabilities			
Trade and other payables	(12.3)	12.0	(0.3)
Other current financial liabilities	(0.6)	0.6	–
Total current liabilities	(12.9)	12.6	(0.3)
Total liabilities	(12.9)	12.6	(0.3)
Net assets	1,732.9	–	1,732.9
Equity			
Ordinary Share capital	0.1	–	0.1
Share premium	1,194.2	–	1,194.2
Retained reserves	538.6	–	538.6
Total equity attributable to equity shareholders of the Company	1,732.9	–	1,732.9
Total equity	1,732.9	–	1,732.9
Net assets per Ordinary Share (pence)	136.7	–	136.7

Restated Cash Flow Statement for the year ended 31 March 2016	Original £m	Adjustments £m	Restated £m
Cash flows from operating activities			
Profit before tax	157.4	(0.2)	157.2
Adjustments for:			
Investment income	(182.8)	24.0	(158.8)
Finance costs	2.2	(2.2)	–
Finance income	(0.1)	0.1	–
Operator acquisition investment fees	1.5	(1.5)	–
Operating cash flow before changes in working capital	(21.8)	20.2	(1.6)
Changes in working capital:			
Decrease in receivables	(0.8)	0.8	–
Decrease in payables	(1.0)	1.0	–
Cash flow from operations	(23.6)	22.0	(1.6)
Interest received on bank deposits	0.1	(0.1)	–
Interest paid	(1.7)	1.7	–
Corporation tax	(0.1)	0.1	–
Interest received on investments	88.5	10.0	98.5
Dividends received	26.7	(26.7)	–
Fees and other operating income	7.8	(7.8)	–
Loanstock and equity repayments received	6.0	(6.0)	–
Net cash from operating activities	103.7	(6.8)	96.9
Cash flows from investing activities			
Proceeds from sale of investments	8.9	(8.9)	–
Purchases of investments	(172.9)	(8.0)	(180.9)
Net cash used in investing activities	(164.0)	(16.9)	(180.9)
Cash flows from financing activities			
Proceeds from issue of share capital	176.8	–	176.8
Proceeds from issue of loans and borrowings	61.1	(61.1)	–
Repayment of loans and borrowings	(61.1)	61.1	–
Distributions paid to Company shareholders	(93.0)	–	(93.0)
Net cash from/(used in) financing activities	83.8	–	83.8
Net increase/(decrease) in cash and cash equivalents	23.5	(23.7)	(0.2)
Cash and cash equivalents at beginning of period	33.5	(32.8)	0.7
Exchange gains on cash	(4.3)	4.3	–
Cash and cash equivalents at end of period	52.7	(52.2)	0.5

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Company, its cash flows, and liquidity position are described in Operational and Financial Review and Valuation of Portfolio. In addition, Notes 1 to 4 of the financial statements include the Company'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 Company through its Corporate Subsidiaries has considerable financial resources together with long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Company. As a consequence, the Directors believe that the Company is well placed to manage its business risks.

The Directors believe that the Company has adequate resources to continue in operational existence for the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

New standards effective for the current year

As per the above, the Company has applied Investment Entities: Applying the Consolidation Exemption (Amendment to IFRS 10, IFRS 12 and IAS 28) for the first time. Additional standards and amendments to standards that became effective during the period are listed below. These have no material impact on the reported performance or financial statements of the Company.

Annual improvements to IFRSs 2012-2014 cycle (effective date 1 January 2016)

Amendments to IFRS 11 Accounting for Acquisitions of interest in Joint Operations (1 January 2016)

Amendments to IAS 1 Disclosure initiative (1 January 2016)

Standards not yet applied

The Company notes the following amended and improved published standards and interpretations which were in issue at the date of authorisation of these Financial Statements. These are not expected to have a material impact on the reported performance or financial statements of the Company following endorsement.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

(c) Financial instruments

Financial assets and liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are de-recognised when the contractual rights to the cash flows from the instrument expire or the asset or liability is transferred and the transfer qualifies for de-recognition in accordance with IAS 39 'Financial instruments: Recognition and measurement'.

(i) Non-derivative financial instruments

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

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

Investments in equity and debt securities

Investments in the equity and loanstock of entities engaged in infrastructure activities which are not classified as subsidiaries of the Company or which are subsidiaries not consolidated in the Company, are designated at fair value through profit or loss since the Company 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.

Other

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

(ii) Fair values

Fair values are determined using 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 appropriate discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

(iii) Investment income

Income from investments is recognised in the Income Statement as it accrues on from the Company's direct subsidiary. Gains on investments relates solely to the investments held at fair value.

(d) Share capital and share premium

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

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Cash equivalents, including demand deposits, are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) 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 profits of each project company are subject to corporation tax in the country the project is located in. Sensitivity of the Company's portfolio to changes in tax rates are provided in Note 4 and impacts are reflected in the fair value of underlying investments.

(g) Foreign exchange gains and losses

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the re-translation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement.

(h) Segmental and geographical reporting

The Chief Operating Decision Maker (the "CODM") is of the opinion that the Company 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. The Company does not derive revenue from Guernsey. The Company has no single major customer.

The financial information used by the CODM to allocate resources, assess performance and manage the Company presents the business as a single segment comprising a homogeneous portfolio.

(i) Expenses

All expenses are accounted for on an accruals basis. The Company's investment advisory and administration fees, finance costs and all other expenses are charged through the Income Statement.

(j) Dividends payable

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

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Investments at fair value through profit or loss

Judgements

By virtue of the Company's status as an investment entity and the exemption provided by IAS 28 and IFRS 11 as well as the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

Estimates

The Company recognises the investment in its single directly owned holding company at fair value which includes the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment. Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks and the evidence of recent transactions. The Directors have satisfied themselves that PPP or similar investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

The weighted average discount rate applied in the March 2017 valuation was 7.4% (2016: 7.5%). The discount rate is considered one of the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the Investments at fair value through profit or loss.

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

4. FINANCIAL INSTRUMENTS

Fair value estimation

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

Financial instruments

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

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

Note 2 discloses the methods used in determining fair values on a specific asset or liability basis. Where applicable, further information about the assumptions used in determining fair value is disclosed in the Notes specific to that asset or liability.

Classification of financial instruments

	31 March 2017 £m	31 March 2016 (Restated) £m
Financial assets		
Investments designated at fair value through profit or loss	2,419.4	1,973.7
Financial assets at fair value through profit or loss	2,419.4	1,973.7
Trade and other receivables	0.1	0.1
Cash and cash equivalents	0.9	0.5
Financial assets – loans and receivables	1.0	0.6
Financial liabilities		
Trade and other payables	(1.0)	(0.4)
Financial liabilities – payables	(1.0)	(0.4)

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

Fair value hierarchy

The fair value hierarchy is defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 March 2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 13)	–	–	2,419.4	2,419.4
	–	–	2,419.4	2,419.4

Notes to the Financial Statements

	As at 31 March 2016 Restated			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 13)	–	–	1,973.7	1,973.7
	–	–	1,973.7	1,973.7

There were no transfers between Level 1, 2 or 3 during the year (2016: None). A reconciliation of the movement in level 3 assets is disclosed in Note 13.

Level 3

Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. All equity investments in PPP or similar projects are valued using a discounted cash flow methodology. The A13 investment in listed senior bonds is valued based on the quoted market price at the balance sheet date. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six monthly basis every September and March for all investments.

The Company records the fair value of the single directly owned top holding company by calculating and aggregating the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment.

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

Investments - The key valuation assumptions and sensitivities for the valuation

The following economic assumptions were used in the discounted cash flow valuations:

		31 March 2017	31 March 2016
Inflation Rates	UK (RPI and RPIx)	2.75% p.a.	2.75% p.a.
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% p.a. thereafter	1.0% p.a. to 2018, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	N/A
	Australia (CPI)	2.5% p.a.	2.5% p.a.
Deposit Rates	UK	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	Eurozone	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	Canada	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2020, 2.5% p.a. thereafter
	USA	1.0% p.a. with a gradual increase to 2.0%	N/A
	Australia	2.6% p.a. with a gradual increase to 3.0% long-term	2.6% p.a. with a gradual increase to 3.0% long-term
Foreign Exchange Rates	CAD/GBP	0.60	0.54
	EUR/GBP	0.85	0.79
	USD/GBP	0.80	N/A
	AUD/GBP	0.61	0.53
Tax Rates	UK	19% to March 2020,	20% to March 2017,

Notes to the Financial Statements

		31 March 2017	31 March 2016
		17% thereafter	19% to March 2020, 18% thereafter
	Eurozone	Various (no change apart from French tax rate reducing from 33.3% to 28% by 2019)	Various (no change)
	USA	35% Federal & 4.5% Colorado State	N/A
	Canada	26% and 27%	26% and 27%
	Australia	30%	30%
GDP	UK	2.0%	N/A
	Eurozone	1.8%	N/A
	USA	2.5%	N/A

Discount rates

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

The discount rates used for valuing each infrastructure investment vary on a project-by-project basis and take 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, jurisdiction and market participants' appetite for these risks.

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

Period ending	Range	Weighted average
31 March 2016	7.0% to 10.1%	7.5%
30 September 2016	6.5% to 9.9%	7.3%
31 March 2017	**5.6% to 9.8%**	**7.4%**

A change to the weighted average rate of 7.4% by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share.

Discount rate	-0.5% change	Investments at fair value through profit or loss	+0.5% change
March 2016 (Restated [2])	+£101.5m	£1,973.7m	-£93.7m
March 2017	**+£121.5m**	**£2,419.4m**	**-£111.2m**
Implied change in NAV per Ordinary Share[1] – March 2017 (March 2016)	**+7.5 pence** (+7.3 pence)	**149.0 pence** (142.2 pence)	**-6.9 pence** (-6.7 pence)

Notes to the Financial Statements

1 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
2 Comparative information has been restated. See Note 2 for details.

Inflation rates

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

A change to the inflation rate by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Inflation assumption	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2016 (Restated [3])	-£65.3m	£1,973.7m	+£72.0m
March 2017	**-£90.9m**	**£2,419.4m**	**+£100.4m**
Implied change in NAV per Ordinary Share – March 2017 (March 2016)	**-5.6 pence** (-4.7 pence)	**149.0 pence** (142.2 pence)	**+6.2 pence** (+5.2 pence)

1 Analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
2 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
3 Comparative information has been restated. See Note 2 for details.

Deposit rates

Each project in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 31 March 2017 cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average.

Each project's interest costs are either inflation-linked or fixed rate. This is achieved through fixed rate or inflation-linked bonds, or bank debt which is hedged with an interest rate swap. A project's sensitivity to interest rates relates to the cash deposits required as part of the project funding.

A change to the deposit rate by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Cash deposit rate	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2016 (Restated [3])	-£24.5m	£1,973.7m	+£23.2m
March 2017	**-£28.6m**	**£2,419.4m**	**+£27.5m**
Implied change in NAV per Ordinary Share[1] – March 2017 (March 2016)	**-1.8 pence (-1.8 pence)**	**149.0 pence (142.2 pence)**	**+1.7 pence (+1.7 pence)**

1 This analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
2 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
3 Comparative information has been restated. See Note 2 for details.

Gross Domestic Product

The portfolio has 3 projects (2016: nil) where revenues are positively correlated to changes in Gross Domestic Product. The projects are A63 Motorway, M1-A1 Road and Northwest Parkway which together comprise 9.8% of the Investments at fair value through profit or loss.

A change to the Gross Domestic Product by plus or minus 0.5% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Notes to the Financial Statements

Gross Domestic Product (GDP)	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
March 2016 (Restated [2])	£0m	£1,973.7m	£0m
March 2017	**-£49.5m**	**£2,419.4m**	**+£46.5m**
Implied change in NAV per Ordinary Share – March 2017 (March 2016)	**-3.0 pence** (0 pence)	**149.0 pence** (142.2 pence)	**+2.9pence** (0 pence)

1 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
2 Comparative information has been restated. See Note 2 for details.

Tax Rates

The profits of each project company are subject to corporation tax in the country the project is located in. The UK Finance Act 2016 enacted a reduction to the corporation tax rate to 17% effective from April 2020, which is assumed in the valuation of the portfolio.

A change to the tax rate by plus or minus 1.0% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Tax rate assumption	-1% p.a. change	Investments at fair value through profit or loss	+1% p.a. change
March 2016 (Restated [3])	+£13.5m	£1,973.7m	-£13.4m
March 2017	**+£14.8m**	**£2,419.4m**	**-£14.3m**
Implied change in NAV per Ordinary Share – March 2017 (March 2016)	**+0.9 pence (+1.0 pence)**	**149.0 pence (142.2 pence)**	**0.9 pence** (-1.0 pence)

1 This analysis is based on the Company's 25 largest investments, pro-rata for the whole portfolio
2 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
3 Comparative information has been restated. See Note 2 for details.

Risk management

Market risk

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

Financial risk management

The objective of the Company'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 risks, including financial risks, however the review and management of financial risks are delegated to the Investment Adviser and the Operator which has documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This Note presents information about the Company's exposure to financial risks, its objectives, policies and processes for managing risk and the Company's management of its financial resources.

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

Interest rate risk

The Company invests indirectly in subordinated loanstock of infrastructure project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecasted 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 Company has made limited use of borrowings at Corporate Subsidiary level 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 Company's policy is to ensure that interest rates are sufficiently hedged, when entering into material medium/long-term borrowings, typically via a Corporate Subsidiary, to protect the Company and Corporate Subsidiary's net interest margins from significant fluctuations in interest rates. This may include engaging in interest rate swaps or other interest rate derivative contracts.

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

Inflation risk
The infrastructure project companies in which the Company invests 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 Company's overall cash flows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Company's cash flows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. The sensitivity of the portfolio valuation to inflation is also shown above within Note 4.

Currency risk
The Company 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 against the effect of exchange rate fluctuations on the level of Sterling distributions that the Company expects to receive over the medium term, where considered appropriate. This may involve the use of forward exchange and other currency hedging contracts at Corporate Subsidiary level, as well as the use of Euro, Canadian dollar, Australian dollar, US dollar and other currency denominated borrowings via a Corporate Subsidiary. The Company at 31 March 2017 hedged its currency exposure through Euro, Canadian dollar, US dollar and Australian dollar forward contracts. This has reduced the volatility in the NAV from foreign exchange movements.

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

A change to foreign currency/Sterling exchange by plus or minus 5.0% has the following effect on the Net Asset Value and NAV per Ordinary share:

Foreign Exchange sensitivities	-5% change	Net Asset Value	+5% change
March 2016 (Restated [3])	-£5.5m	£1,973.9m	+£5.5m
March 2017	**-£4.8m**	**£2,419.4m**	**+£4.8m**
Implied change in NAV per Ordinary Share – March 2017 (March 2016)	**-0.3 pence (-0.4 pence)**	**149.0 pence (142.2 pence)**	**+0.3 pence** (+0.4 pence)

1 Sensitivities include effect of foreign exchange hedging contracts
2 NAV per Ordinary Share based on 1,623 million Ordinary Shares at 31 March 2017
3 Comparative information has been restated. See Note 2 for details.

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

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

The Company is also reliant on each project's sub-contractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Operator has a sub-contractor counterparty monitoring procedure in place.

The credit standing of sub-contractors 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 Company's largest credit risk exposure to a project at 31 March 2017 was to the Northwest Parkway project (6% of investments at fair value) and the largest sub-contractor counterparty risk exposure was to subsidiaries of the Carillion group which provided facilities management services in respect of 17% of the investments at fair value.

The Company is subject to credit risk on its loans, receivables, cash and deposits. The Company's cash and deposits are held with well-known banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment.

The Company's maximum exposure to credit risk over financial assets is the carrying value of those assets in the Balance Sheet. The Company does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company ensures it maintains adequate reserves and its Corporate Subsidiaries have sufficient banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company investments are predominantly funded by share capital.

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

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

The Company's investments may include obligations to make future investment amounts. These obligations will typically be supported by standby letters of credit, issued by the Company's bankers in favour of the senior lenders to the investment companies. Such investment obligations are met from the Company's cash resources when they fall due. Investment obligations totalled £32.5 million (2016: £97.4 million) and the Company also has a contingent commitment of €16.8 million at March 2017 (2016: €16.8 million) (See Note 18).

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

31 March 2017	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Trade and other payables	1.0	–	–	–
Total	**1.0**	–	–	–

31 March 2016	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Trade and other payables	0.4	–	–	–
Total	0.4	–	–	–

Capital management

The Company at 31 March 2017 had a £300 million revolving acquisition facility via a Corporate Subsidiary which had no cash drawings at year end. Further equity raisings are considered when debt drawings are at an appropriate level. The proceeds from the share issues are used to repay debt and to fund future investment commitments.

The Company makes prudent use of its available leverage. Under the Articles the Company's outstanding borrowings, including any financial guarantees to support outstanding subscription obligations but excluding internal Company borrowings of the Company'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 debt of the Company and the Corporate subsidiaries, to Adjusted Gross Asset Value at the end of the year was as follows:

Notes to the Financial Statements

	31 March 2017 £m	31 March 2016 £m
Outstanding drawings		
Bank borrowings	-	-
Letter of credit facility	**30.9**	36.6
	30.9	36.6
Adjusted Gross Asset Value		
Portfolio valuation (Note 13)	**2,380.0**	2,030.3
Cash and cash equivalents	**82.2**	52.7
	2,462.2	2,083.0
Borrowing ratio	**1.3%**	1.8%

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

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

make market purchases of up to 14.99% per annum of its issued Ordinary Shares; and

make tender offers for the Ordinary Shares.

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

5. GEOGRAPHICAL ANALYSIS

The tables below analyse the revenue and investments at fair value by the different regions the Company has indirect investments in.

March 2017	UK	Europe	North America	Australia	Total
Revenue	**£129.5m**	**£32.7m**	**£6.8m**	**£9.6m**	**£178.6m**
% of Total Revenue	**78%**	**18%**	**3%**	**6%**	**100%**
Investments at fair value through profit and loss	**£1,921.6m**	**£224.0m**	**£190.5m**	**£83.3m**	**£2,419.4m**
% of Total Investments	**80%**	**9%**	**8%**	**3%**	**100%**

March 2016	UK	Europe	North America	Australia	Total
Revenue	**£130.1m**	**£18.1m**	**£3.2m**	**£7.3m**	**£158.8m**
% of Total Revenue	**82%**	**11%**	**2%**	**5%**	**100%**
Investments at fair value through profit and loss	**£1,754.3m**	**£100.7m**	**£50.2m**	**£68.5m**	**£1,973.7m**
% of Total Investments	**89%**	**5%**	**3%**	**3%**	**100%**

6. INVESTMENT INCOME

	For year ended 31 March 2017 Total £m	For year ended 31 March 2016 (Restated) Total £m
Income from investment	108.6	98.4
Gains on valuation	70.0	60.4
	178.6	158.8

7. FUND EXPENSES

	For year ended 31 March 2017 Total £m	For year ended 31 March 2016 (Restated) Total £m
Fees to Company's auditor for audit of Company	0.1	0.1
Fees to Company's auditor for audit-related assurance services	0.1	0.1
Investment Adviser fees	0.1	0.1
Directors' fees (Note 17)	0.4	0.3
Professional fees	1.1	1.0
	1.8	1.6

The Company had no employees during the year (31 March 2016: Nil).

8. NET FINANCE COSTS

In the year ended 31 March 2017 the Company had de minimus net finance income consisting of interest earned on bank deposits offset by some bank charges.

9. INCOME TAX

Guernsey

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. Therefore, income from investments is not subject to any further tax in Guernsey.

Overseas tax jurisdictions

The financial statements do not include the tax charges for any of the Company's 114 (2016: 104) investments as these are held at fair value. All of these investments are subject to taxes in the countries in which they operate.

10. BASIC AND DILUTED EARNINGS PER SHARE

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

	2017	2016
Profit attributable to equity holders of the Company	£176.8 million	£157.2 million
Weighted average number of Ordinary Shares in issue	1,427.5 million	1,319.8 million
Basic and diluted earnings per Ordinary Share	12.4 pence	11.9 pence

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

11. DIVIDENDS

	For year ended 31 March 2017 £m	For year ended 31 March 2016 £m
Amounts recognised as distributions to equity holders during the year:		
Fourth quarterly interim dividend for the year ended 31 March 2016 of 1.87p (2015: 1.87p) per share	25.9	23.7
First quarterly interim dividend for the year ended 31 March 2017 of 1.91p per share (2016: 1.86p)	26.5	24.7
Second quarterly interim dividend for the year ended 31 March 2017 of 1.91p per share (2016: 1.86p)	27.9	24.7
Third quarterly interim dividend for the year ended 31 March 2017 of 1.91p per share (2016: 1.86p)	27.9	25.4
	108.2	98.5
Distributions paid to Company shareholders in cash	100.6	93.0
Distributions paid to Company shareholders by scrip issue	7.6	5.5
Total distributions paid to Company shareholders in the year	108.2	98.5
Amounts not recognised as distributions to equity holders during the year:		
Fourth quarterly interim dividend for the year ended 31 March 2017 of 1.92p (2016: 1.87p) per share	31.2	26.0

The fourth quarterly interim dividend was approved by the Board on 18 May 2017 and is payable on 30 June 2017 to shareholders on the register as at 26 May 2017. The fourth quarterly interim dividend is payable to shareholders as a cash payment or alternatively as a scrip dividend. The fourth quarterly interim dividend has not been included as a liability at 31 March 2017.

The 2016 fourth quarterly interim dividend of 1.87p and the first three 2017 quarterly interim dividends of 1.91p each are included in the statement of changes in shareholder equity.

Interim dividend	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013
3 month period ending 30 June	1.91p	1.86p	1.81p		
3 month period ending 30 September	1.91p	1.86p	1.81p		
3 month period ending 31 December	1.91p	1.86p	1.81p		
3 month period ending 31 March	1.92p	1.87p	1.87p		

Notes to the Financial Statements

Interim dividend	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013
6 month period ending 30 September				3.5p	3.425p
6 month period ending 31 March				3.6p	3.575p
	7.65p	7.45p	7.3p	7.1p	7.0p

12. NET ASSETS PER ORDINARY SHARE

	31 March 2017 £m	31 March 2016 £m
Shareholders' equity at 31 March	**2,419.4**	1,973.9
Less: fourth interim dividend (2016: fourth interim dividend)	**(31.2)**	(26.0)
	2,388.2	1,947.9
Number of Ordinary Shares at 31 March (million)	**1,623.3**	1,388.4
Net assets per share after deducting fourth interim dividend (2016: fourth interim dividend)	**147.1p**	140.3p
Add fourth interim dividend (2016 fourth interim dividend)	**1.92p**	1.87p
Net assets per Ordinary Share at 31 March	**149.0p**	142.2p

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2017 £m	31 March 2016 (Restated) £m
Opening balance	**1,973.7**	1,723.4
Investments in the year	**375.7**	180.9
Gains on valuation	**70.0**	60.4
Carrying amount at year end	**2,419.4**	1,973.7
This is represented by:		
Greater than one year	**2,419.4**	1,973.7
Carrying amount at year end	**2,419.4**	1,973.7

The Company recognises the investment in its single directly owned holding company at fair value which includes the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment.

Investments in the period reflect funds paid to the Company's immediate Corporate Subsidiary following issuance of equity to shareholders.

Refer to Note 3 for the valuation techniques and key model inputs used for determining investment fair values.

Notes to the Financial Statements

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2017. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also obtained an independent opinion from a third party with experience in valuing these types of investments, supporting the reasonableness of the valuation. All equity investments in PPP or similar projects are valued using a discounted cash flow methodology. The A13 investment in listed senior bonds is valued based on quoted market price at the balance sheet date. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied range from 5.6% to 9.8% (weighted average of 7.4%) (2016: 7.0% to 10.1% (weighted average of 7.5%)).

The valuation of the Company's underlying portfolio at 31 March 2017 reconciles to the Balance Sheet as follows:

	31 March 2017 £m	31 March 2016 (Restated) £m
Directors' valuation	2,380.0	2,030.3
Less: future commitments	(32.5)	(97.4)
Investments at fair value per Investment Basis	2,347.5	1,932.9
Net cash in Corporate Subsidiaries	81.3	52.2
Working capital in Corporate Subsidiaries	(9.4)	(11.4)
Investments per Balance Sheet	2,419.4	1,973.7

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

Historic and projected debt service and loan life cover ratios exceed a given threshold;

Required cash reserve account levels are met;

Senior lenders have agreed the current financial model that forecasts the economic performance of the project company;

Project company is in compliance with the terms of its senior funding arrangements; and

Senior lenders have approved the annual budget for the company.

Notes to the Financial Statements

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

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
A13 Road [7]	-	-		-	-	
A249 Road	50.00%	50.00%		50.00%	50.00%	
A63 Motorway	13.82%	13.82%		13.82%	13.82%	
A9 Road [2]	20.00%	-		-	-	
A92 Road	50.00%	50.00%		50.00%	50.00%	
Addiewell Prison	33.30%	33.30%		33.30%	33.30%	
Allenby & Connaught MoD	12.50%	12.50%		12.50%	12.50%	
AquaSure Desalination Plant [5]	9.70%	-		9.70%	-	
Bangor and Nendrum Schools	20.40%	25.50%		-	-	
Barking and Dagenham Schools	100.00%	100.00%		100.00%	100.00%	
Barnet Hospital	100.00%	100.00%		100.00%	100.00%	
Birmingham & Solihull LIFT	60.00%	60.00%		60.00%	60.00%	
Birmingham Hospitals	30.00%	30.00%		30.00%	30.00%	
Bishop Auckland Hospital	36.00%	37.00%	100.00%	36.00%	37.00%	100.00%
Blackburn Hospital	100.00%	100.00%		100.00%	100.00%	
Blackpool Primary Care Facility	75.00%	75.00%		75.00%	75.00%	
Boldon School	100.00%	100.00%		100.00%	100.00%	
Bradford BSF Phase 1	29.20%	35.00%		29.20%	35.00%	
Bradford BSF Phase 2	34.00%	34.00%		34.00%	34.00%	
Brentwood Community Hospital	75.00%	75.00%		75.00%	75.00%	
Brighton Hospital	50.00%	50.00%		50.00%	50.00%	
Central Middlesex Hospital	100.00%	100.00%		100.00%	100.00%	
Connect	33.50%	33.50%		33.50%	33.50%	
Conwy Schools	90.00%	90.00%		90.00%	90.00%	
Cork School of Music [1]	75.50%	75.50%		50.00%	50.00%	
Croydon Schools	100.00%	100.00%		100.00%	100.00%	
Darlington Schools	50.00%	50.00%		50.00%	50.00%	

Notes to the Financial Statements

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
Defence Sixth Form College	45.00%	45.00%		45.00%	45.00%	
Derby Schools	100.00%	100.00%		100.00%	100.00%	
Doncaster Mental Health Unit	50.00%	50.00%		50.00%	50.00%	
Dorset Fire & Rescue	100.00%	100.00%		100.00%	100.00%	
Durham & Cleveland Police Tactical Training Centre	100.00%	100.00%		100.00%	100.00%	
Dutch High Speed Rail Link [2]	43.00%	43.00%		43.00%	43.00%	
Ealing Care Homes	63.00%	63.00%		63.00%	63.00%	
Ealing Schools	50.00%	50.00%		50.00%	50.00%	
East Ayrshire Schools	25.00%	25.00%		-	-	
Ecole Centrale Supelec [4]	85.00%	-		85.00%	-	
Edinburgh Schools	100.00%	100.00%		100.00%	100.00%	
Exeter Crown Court	100.00%	100.00%		100.00%	100.00%	
Falkirk NPD Schools	29.10%	29.10%		29.10%	29.10%	
Fife Schools 2	30.00%	30.00%		30.00%	30.00%	
Glasgow Hospital	25.00%	25.00%		25.00%	25.00%	
Gloucestershire Fire & Rescue	75.00%	75.00%		75.00%	75.00%	
Government Accommodation in Northern Europe	85.00%	-		85.00%	-	
Greater Manchester Police Authority	72.90%	72.90%		72.90%	72.90%	
Haverstock School	50.00%	50.00%		50.00%	50.00%	
Health & Safety Executive (HSE) Merseyside Headquarters	50.00%	50.00%		50.00%	50.00%	
Health & Safety Laboratory	80.00%	90.00%		80.00%	90.00%	
Helicopter Training Facility - AssetCo	86.60%	7.20%	100.00%	86.60%	7.20%	
Helicopter Training Facility - OpCo	23.50%	74.10%		23.50%	74.10%	
Highland Schools	100.00%	100.00%		100.00%	100.00%	
Hinchingbrooke Hospital	75.00%	75.00%		-	-	
Home Office Headquarters	100.00%	100.00%		100.00%	100.00%	
Irish Grouped Schools [1]	50.00%	50.00%		50.00%	50.00%	
Ireland Primary Care Centres [1]	60.00%	-		-	-	
Kent Schools	50.00%	50.00%		50.00%	50.00%	

Notes to the Financial Statements

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
Kicking Horse Canyon P3 [3]	50.00%	-		50.00%	-	
Lewisham Hospital	100.00%	100.00%		100.00%	100.00%	
M1-A1 Link Road	30.00%	30.00%		-	-	
M80 Motorway	50.00%	50.00%		50.00%	50.00%	
Manchester School	75.50%	75.50%		50.00%	50.00%	
Medway LIFT	60.00%	60.00%		60.00%	60.00%	
Medway Police	100.00%	100.00%		100.00%	100.00%	
Metropolitan Police Specialist Training Centre	72.90%	72.90%		72.90%	72.90%	
Miles Platting Social Housing	50.00%	33.30%		50.00%	33.30%	
Newcastle Libraries	50.00%	50.00%		50.00%	50.00%	
Newham Schools BSF	80.00%	80.00%		80.00%	80.00%	
Newport Schools	100.00%	100.00%		100.00%	100.00%	
Newton Abbot Hospital	100.00%	100.00%		100.00%	100.00%	
North Ayrshire Schools	25.50%	25.50%		-	-	
North Tyneside Schools	50.00%	50.00%		50.00%	50.00%	
Northwest Anthony Henday P3 [3]	50.00%	50.00%		50.00%	50.00%	
Northwest Parkway [6]	33.33%	-		-	-	
Northwood MoD Headquarters	50.00%	50.00%		-	-	
Norwich Schools	75.00%	75.00%		75.00%	75.00%	
Nuffield Hospital	25.00%	25.00%		25.00%	25.00%	
N17/N18 Road	10.00%	-		10.00%	-	
Oldham Library	90.00%	90.00%		90.00%	90.00%	
Oldham Schools	75.00%	75.00%		75.00%	75.00%	
Oxford Churchill Oncology	40.00%	40.00%		40.00%	40.00%	
Oxford John Radcliffe Hospital	100.00%	100.00%		100.00%	100.00%	
PSBP North East Batch Schools	45.00%	-		45.00%	-	
Perth and Kinross Schools	100.00%	100.00%		100.00%	100.00%	
Pinderfields and Pontefract Hospitals	100.00%	100.00%		100.00%	100.00%	
Queen Alexandra Hospital Portsmouth	100.00%	100.00%		100.00%	100.00%	

Notes to the Financial Statements

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
Queen's (Romford) Hospital	66.70%	66.70%		66.70%	66.70%	
RD901 Road [4]	90.00%	90.00%		90.00%	-	
Redbridge & Waltham Forest LIFT	60.00%	60.00%		60.00%	60.00%	
Renfrewshire Schools	30.00%	30.00%		30.00%	30.00%	
Rhonnda Cynon Taf Schools	100.00%	100.00%		100.00%	100.00%	
Royal Canadian Mounted Police 'E' Division Headquarters [3]	100.00%	-		100.00%	-	
Royal School of Military Engineering	26.00%	32.10%		26.00%	32.10%	
Salford Hospital	50.00%	50.00%		50.00%	50.00%	
Salford Schools	25.50%	25.50%		-	-	
Salford & Wigan BSF Phase 1	80.00%	80.00%		80.00%	80.00%	
Salford & Wigan BSF Phase 2	80.00%	80.00%		80.00%	80.00%	
Sheffield BSF	59.00%	59.00%		59.00%	59.00%	
Sheffield Hospital	75.00%	75.00%		75.00%	75.00%	
Sheffield Schools	75.00%	75.00%		75.00%	75.00%	
South Ayrshire Schools	100.00%	100.00%		100.00%	100.00%	
South East London Police Stations	50.00%	50.00%		50.00%	50.00%	
South West Hospital, Enniskillen	39.00%	39.00%		39.00%	39.00%	
Southmead Hospital	62.50%	62.50%		62.50%	62.50%	
Staffordshire LIFT	60.00%	60.00%		60.00%	60.00%	
Stoke Mandeville Hospital	100.00%	100.00%		100.00%	100.00%	
Sussex Custodial Services	100.00%	100.00%		100.00%	100.00%	
Tameside General Hospital	50.00%	50.00%		50.00%	50.00%	
Tyne & Wear Fire Stations	100.00%	-		100.00%	-	
University of Bourgogne [4]	85.00%	85.00%		85.00%	85.00%	
University of Sheffield Accommodation	50.00%	50.00%		50.00%	50.00%	
West Lothian Schools	75.00%	75.00%		75.00%	75.00%	
West Middlesex Hospital	100.00%	100.00%		100.00%	100.00%	
Willesden Hospital	100.00%	100.00%		100.00%	100.00%	
Wooldale Centre for Learning	50.00%	50.00%		50.00%	50.00%	

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
Zaanstad Prison [2]	100.00%	100.00%		75.0%	-	

1 The project is located in Ireland.
2 The project is located in the Netherlands.
3 The project is located in Canada.
4 The project is located in France.
5 The project is located in Australia.
6 The project is located in the United States of America.
7 Senior debt investment

14. INVESTMENTS – ACQUISITIONS AND DISPOSALS

The Company, via its Corporate Subsidiaries, made the following acquisitions for the year ended 31 March 2017:

In April 2016 the Company acquired a 30% equity and loan interest in the M1-A1 Link Road project for a total consideration of £14.5 million.

In April 2016 and June 2016 the Company acquired through two transactions a 75% equity and loan interest in the Hinchingbrooke Hospital project for a total consideration of £5.3 million through an existing joint venture holding company, Redwood Partnership Ventures 2 Limited in which the Company has a 75% shareholding.

In May 2016 the Company acquired a 60% equity and loan interest in the Irish Primary Care Centres project for a total consideration of €11.6 million including a loanstock subscription obligation of €9.5 million in 2018.

In September 2016 the Company acquired a proportion of the Road Management Services (A13) PLC Index-Linked Guaranteed Secured Bonds 2028 for a total consideration of £50.1 million.

In November 2016 the Company acquired a portfolio of six operational education PPPs for a total consideration of £22.7 million. The Portfolio compromised of four new investments; 20.4% interest in Bangor and Nendrum Schools, 25.5% interest in Salford Schools, 25.5% interest in East Ayrshire Schools, 25.5% interest in North Ayrshire Schools and incremental interests of 25.5% each in both Manchester School and Cork School of Music.

In December 2016 the Company acquired a 20% equity interest in A9 Road Project in the Netherlands and an incremental 25% equity interest in Zaanstad Prison for a total consideration of €21.3 million which includes a loan stock subscription obligation payable following the substantial completion of construction of the A9 Project.

In January 2017 the Company completed the acquisition of 13.8% interest in A63 Motorway project for a total consideration of €87.0 million.

In March 2017 the Company acquired a 33.3% equity interest in Northwest Parkway for a total consideration of $166.4 million.

In March 2017 the Company invested in an incremental mezzanine loan investment in the Medium Support Helicopter Aircrew Training Facility project of £7.5 million.

Acquisition after 31 March 2017

In May 2017, the Company, via its Corporate Subsidiaries, completed the acquisition of a 36.6% equity interest in the various entities that comprise the Affinity Water Group ("Affinity Water") (including the regulated entity, Affinity Water Limited) for a consideration of approximately £269 million.

HICL is part of a consortium, alongside DIF Infrastructure and Allianz Capital Partners on behalf of Allianz Group, which has acquired 100% of the equity interest in Affinity Water Acquisitions (Investments) Limited.

15. LOANS AND BORROWINGS

The Company had no cash loans or borrowings outstanding at 31 March 2017 (2016: Nil). A Corporate Subsidiary had letters of credit utilised on the revolving bank facility totalling £30.9 million at 31 March 2017 (2016: £36.6 million).

The Company through its Corporate Subsidiaries has the following undrawn borrowing facilities at 31 March:

	2017 £m	2016 £m
Secured		

	2017 £m	2016 £m
- expiring within one year	–	–
- expiring between 1 and 2 years	–	–
- expiring between 2 and 5 years	269.1	163.4
- expiring after 5 years	–	–
	269.1	163.4

The Company's multi-currency revolving bank facility via a Corporate Subsidiary was increased from £200m to £300m in November 2016 and was jointly provided by The Royal Bank of Scotland, National Australia Bank, Lloyds Bank, Sumitomo Mitsui Banking Corporation, ING and HSBC. In April 2017, the multi-currency revolving bank facility was increased from £300m to £400m and Santander joined the existing banking group. The tenor and margin remained as before.

The facility runs until May 2019 and has a margin of 1.70%. It is available to be drawn in cash and letters of credit for future investment obligations.

During the year, the Company complied with its bank covenants on its revolving bank facility, the most significant of which were maintaining a forward and historic interest cover ratio above 3:1 and gearing ratio not greater than 0.275:1.

16. SHARE CAPITAL AND RESERVES

Ordinary Shares (million)	31 March 2017	31 March 2016
Authorised and issued at 1 April	1,388.4	1,267.7
Issued for cash	230.2	117.1
Issued as a scrip dividend alternative	4.7	3.6
Authorised and issued at 31 March – fully paid	1,623.3	1,388.4

The holders of the 1,623,260,735 Ordinary Shares of 0.01p each are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company (2016: 1,388,426,479 Ordinary Shares).

Ordinary Share capital and share premium	31 March 2017 £m	31 March 2016 £m
Opening balance	1,376.6	1,194.3
Premium arising on issue of equity shares	381.0	183.7
Expenses of issue of equity shares	(4.1)	(1.4)
Balance at 31 March	1,753.5	1,376.6

Share capital at 31 March 2017 is £162.3 thousand (2016: £138.8 thousand).

For the year ended 31 March 2017

On 30 June 2016, 1.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 162.6p as a scrip dividend alternative in lieu of cash for the fourth quarterly interim dividend in respect of the year ended 31 March 2016.

On 30 September 2016, 1.0 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 175.72p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ending 31 March 2017.

On 31 December 2016, 1.2 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 161.34p as a scrip dividend alternative in lieu of cash for the second quarterly interim dividend in respect of the year ending 31 March 2017.

On 31 March 2017, 0.8 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 164.14p as a scrip dividend alternative in lieu of cash for the third quarterly interim dividend in respect of the year ending 31 March 2017.

In September 2016, 66.7 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) of 170.0p.

In March 2017, 163.5 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) of 159.0p through issuing a Prospectus on 23 February 2017.

For the year ended 31 March 2016

On 30 June 2015, 0.7 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 152.66p as a scrip dividend alternative in lieu of cash for the fourth interim dividend of 1.87p in respect of the year ending 31 March 2015.

On 30 September 2015, 1.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 151.5p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend of 1.86p in respect of the year ending 31 March 2016.

On 31 December 2015, 0.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 152.34p as a scrip dividend alternative in lieu of cash for the second quarterly interim dividend of 1.86p in respect of the year ending 31 March 2016.

On 31 March 2016, 1.1 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 155.66p as a scrip dividend alternative in lieu of cash for the third quarterly interim dividend of 1.86p in respect of the year ending 31 March 2016.

In the year ending 31 March 2016, 117.1 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) ranging between 150.0p and 156.0p.

Retained reserves

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

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17. RELATED PARTY TRANSACTIONS

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

IRCP's appointment as Investment Adviser is governed by an Investment Advisory Agreement which may be terminated by either party giving one year's written notice. The appointment may also be terminated if IRCP's appointment as Operator is terminated. The Investment Adviser is entitled to a fee of £0.1 million per annum (disclosed within investment fees in Note 7) (2016: £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 fellow subsidiary of IRCP. The Operator and the General Partner may each terminate the appointment of the Operator by either party giving one year's written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Advisory Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term, however if IRCP ceases to be the Operator, the Company has the option to buy the entire share capital of the General Partner and IRCP Group has the option to sell the entire share capital of the General Partner to the Company, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In the year to 31 March 2017, in aggregate IRCP and the General Partner were entitled to fees and/or profit share equal to: i) 1.1 per cent per annum of the adjusted gross asset value of all investments of the Company up to £750 million, 1.0 per cent per annum for the incremental value in excess of £750 million up to £1,500 million, 0.9 per cent for the incremental value in excess of £1,500 million and 0.8 per cent for the incremental value in excess of £2,250 million and ii) 1.0 per cent of the value of new portfolio investment, that were not sourced from entities, funds or holdings managed by the IRCP Group.

The total Operator fees was £20.9 million (2016: £18.9 million) of which £10.8 million remained payable at year end (2016: £9.7 million). The total charge for new portfolio investments (disclosed within investment fees in Note 7) was £3.4 million (2016: £1.5 million) of which £2.6 million remained payable at year end (2016: £0.4 million).

The Directors of the Company received fees for their services. Total fees for Directors for the year were £393,334 (2016: £307,000). Directors expenses of £34,006 (2016: £12,939) were also paid in the year. One Director also receives fees of £5,000 for serving as director of the two Luxembourg subsidiaries.

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

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18. GUARANTEES AND OTHER COMMITMENTS

As at 31 March 2017 the Company had £32.5 million commitments for future project investments (2017: £97.4 million), and an additional contingent commitment of €16.8 million (2016: €16.8 million) to acquire a further 32% equity and loan interest in the N17/N18 Road project from existing co-shareholders following completion of construction which is currently expected to occur in 2018.

19. EVENTS AFTER THE BALANCE SHEET DATE

The fourth quarterly interim dividend for the year ended March 2017 of 1.92 pence per share was approved by the Board on 18 May 2017 and is payable on 30 June 2017 to shareholders on the register as at 26 May 2017.

In April 2017, the Company's multi-currency revolving bank facility via a Corporate Subsidiary was increased from £300m to £400m and to be jointly provided by The Royal Bank of Scotland, National Australia Bank, Lloyds Bank, Sumitomo Mitsui Banking Corporation, ING, HSBC and Santander. The facility runs until May 2019 and has a margin of 1.70%.

In May 2017, the Company, via its Corporate Subsidiaries, completed the acquisition of a 36.6% equity interest in the various entities that comprise the Affinity Water Group ("Affinity Water") (including the regulated entity, Affinity Water Limited) for a consideration of approximately £269 million. HICL is part of a consortium, alongside DIF Infrastructure and Allianz Capital Partners on behalf of Allianz Group, which has acquired 100% of the equity interest in Affinity Water Acquisitions (Investments) Limited.

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Company held at 31 March 2017 investments in 114 (2016: 103) service concession arrangements and one conditional contract to acquire an investment in the Accommodation, Education, Health, Transport and Law and Order sectors. The concessions vary on the required obligations but typically require the financing and operation of an asset during the concession period.

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

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
A9 Road	Finance, construct, operate and maintain a section of the A9 road in the Netherlands	2041	20	€574m	Fluor
A13 Road	Design, build, finance and operate a 20km section of the A13 road between Limehouse, London and Wennington, Essex on behalf of Transport for London ("TfL").	2028	30	£220m	Carillion KBR
A249 Road	Design, construct, finance, operate and maintain the section from Iwade Bypass to Queensborough of the A249 road for the Secretary of State for Transport	2036	30	£79m	Carillion
A63 Motorway	Design, build, finance, operate and maintain an upgrade to the A63 highway between Salles and Saint Geours de Maremne in France	2051	40	€1,130m	Colas
A92 Road	Design, construct, finance and operate the upgraded A92 shadow toll road between Dundee and Arbroath for Transport for Scotland	2035	30	£54m	Bear
Addiewell Prison	Design, build, finance and operate a new maximum security prison at Addiewell, West Lothian	2033	25	£75m	Sodexo
Allenby & Connaught MoD	Design, build and finance new and refurbished MoD accommodation across four garrisons on Salisbury Plain and in Aldershot, comprising working, leisure and living quarters as well as ancillary buildings	2041	35	£1,557m	Carillion KBR
AquaSure Desalination Plant	Design, build, finance and operate a 150GL/year desalination plant and associated infrastructure.	2039	30	A$3,512m	SUEZ Environmental
Bangor & Nendrum Schools	Design, build, finance and operate two schools on behalf of the South Eastern Education and Library Board in Northern Ireland	2038	32	£31m	Bilfinger Berger
Barking and Dagenham Schools	Design, construct, finance, operate and maintain the Eastbury Comprehensive and Jo Richardson Community Schools for London Borough of Barking & Dagenham	2030	26	£47m	Bouygues
Barnet Hospital	Design, construct, operate and maintain the re-building of Barnet General Hospital in North London for the Wellhouse National Health Service Trust	2032	33	£65m	Bouygues
Birmingham & Solihull LIFT	Design, construct and invest in facilities of new health and social care facilities	2031	27	£65m	Carillion
Birmingham Hospitals	Design, construct, finance and maintain a new acute hospital and six mental health facilities for University Hospitals Birmingham NHS Foundation Trust and Solihull Mental Health NHS Foundation Trust	2046	40	£553m	Cofely
Bishop Auckland Hospital	Design, construct, finance, service and maintain a redevelopment of Bishop Auckland General Hospital, County Durham for South Durham Health Care NHS Trust	2059	60 (with break clause option by Grantor at Year 30, 40 & 50)	£66m	ISS
Blackburn Hospital	Design, construct, finance and maintain new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust	2041	38	£100m	Cofely
Blackpool Primary Care Facility	Design, construct, finance and operate a primary care centre in Blackpool for Blackpool Primary Care Trust	2040	32	£19m	Eric Wright
Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside	2031	26	£18m	Mitie
Bradford BSF Phase 1	Design, construct, finance and operate three new secondary schools (Buttershaw High School, Salt Grammar School and Tong School), along with routine and major lifecycle maintenance for the life of the concession.	2035	27	£84m	Amey
Bradford BSF Phase 2	Design, construct, finance and maintain four secondary	2036	27	£230m	Amey

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
	schools for Bradford Metropolitan District Council				
Brentwood Community Hospital	Design, construct, finance and maintain a new community hospital for South West Essex Primary Care Trust	2036	30	£23m	Interserve
Brighton Children's Hospital	Construct and operate a new children's hospital in Brighton	2034	30	£37m	Integral
Central Middlesex Hospital	Design, construct, finance and maintain new hospital facilities, and to refurbish some existing facilities, for the Brent Emergency Care and Diagnostic Centre on the Central Middlesex Hospital site in North West London	2036	33	£75m	Bouygues
Connect	Upgrade London Underground Limited's existing radio and telecommunications systems and implement and operate a new system	2019	20	£330m	Thales
Conwy Schools	Design, build, operate and maintain three schools for Conwy County Borough Council in North Wales	2030	27	£40m	Sodexo
Cork School of Music	Design, construct, finance and operate a new school of music in Cork to accommodate 130 academic staff, 400 full time and 2,000 part-time students for the Minister of Education and Science (Republic of Ireland).	2030	25	€50m	Bilfinger Berger
Croydon Schools	Design, construct, finance, operate and maintain a secondary school and community library in Croydon for the London Borough of Croydon	2034	30	£20m	Vinci
Darlington Schools	Design, construct, finance, operate and maintain an Education Village comprising four schools	2029	25	£31m	Mitie
Defence Sixth Form College	Design, build, operate, finance and maintain a new residential sixth form college for the Secretary of State for Defence	2033	30	£40m	Interserve
Derby Schools	Design, construct, finance, operate and maintain three primary schools and two secondary schools in Derby for Derby City Council	2031	27	£37m	Vinci
Doncaster Mental Health Unit	Design, construct, finance, operate and maintain a service accommodation for an elderly mental health unit in Doncaster for the Rotherham Doncaster and South Humber Mental NHS Foundation Trust	2031	28	£15m	Royal BAM
Dorset Fire & Rescue	Design, construct, finance, operate and maintain the fire and police facilities at three sites in Dorset for the Dorset Fire Authority & Police and Crime Commissioner for Dorset	2034	27	£45m	Cofely
Durham & Cleveland Police Tactical Training Centre	Finance, construct, operate and maintain a state of the art firearms and tactical training centre at Urlay Nook in the North of England	2025	25	£6m	Carillion
Dutch High Speed Rail Link	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and Belgian border in the Netherlands	2026	25	€890m	Fluor Royal BAM Siemens
Ealing Care Homes	Design, construct, finance, operate and maintain four care homes for the elderly in the London Borough of Ealing for the London Borough of Ealing	2035	30	£22m	Viridian
Ealing Schools	Design, construct, finance, operate and maintain a four-school education project consisting of one secondary school and three primary schools in the London Borough of Ealing	2029	27	£31m	Mitie
East Ayrshire Schools	Design, build, finance and operate three senior campus schools and a primary school on behalf of the North Ayrshire Council.	2038	32	£78m	Mitie
Ecole Centrale Supelec	Design, construct, finance and maintain a new facility for the Ecole Centrale Supelec in France, as well as a shared teaching and research facility	2041	26	€65m	Bouygues
Edinburgh Schools	Design, construct, finance, operate and maintain six secondary schools and two primary schools for the City of Edinburgh Council	2039	32	£165m	Mitie

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Exeter Crown & County Court	Build and service a new crown and county court building in Exeter	2034	32	£20m	Sodexo
Falkirk NPD Schools	Design, construct, finance and operate four secondary schools in the Falkirk area of Scotland	2039	32	£120m	FES
Fife Schools 2	Design, construct, finance and maintain nine primary schools and one special education facility in Fife, Scotland	2032	27	£64m	FES
Glasgow Hospital	Design, construct, finance, operate and maintain two new ambulatory care and diagnostic hospitals in Glasgow for the Greater Glasgow and Clyde Health Board	2036	30	£178m	Cofely
Gloucestershire Fire & Rescue	Construct and operate 4 community fire stations in Gloucestershire and a SkillZone education centre	2037	26	£23m	Capita
Greater Manchester Police Authority	Design, build, finance and operate a new traffic headquarters and 16 new police stations for the Greater Manchester Police Authority	2031	29	£82m	Carillion
Haverstock School	Design and construction of a single new secondary school on an existing school site on Haverstock Hill, Camden	2030	26	£21m	Mitie
Health & Safety Laboratory	Construct new workshops and offices in Buxton	2034	32	£60m	Interserve
Health and Safety Executive (HSE) Merseyside Headquarters	Finance, construct, operate and maintain a new four-storey office building for the Health and Safety Executive	2035	30	£62m	Honeywell
Helicopter Training Facility	Design, construct, management, operate and finance simulators based training facility for Royal Airforce (RAF) helicopter pilots	2037	40 (with break clause by Grantor at Year 20)	£100m	CAE
Highland Schools	Design, construct and operate eleven urban and rural schools	2037	30	£143m	Mears
Hinchingbrooke Hospital	Construction, financing, maintenance and operation of a two storey 8,500m2 diagnostic and treatment centre situated adjacent to the existing Hinchingbrooke District General Hospital.	2035	31	£19m	Kier
Home Office Headquarters	Build, finance, operate and maintain a new headquarters building to replace the Home Office's existing London office accommodation with purpose-built serviced offices	2031	29	£200m	Bouygues
Irish Grouped Schools	Design, construct, finance, operate and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills	2026	25	€34m	Bilfinger Berger
Ireland Primary Care Centres	Design, build, finance and maintain 14 primary care centres across Republic of Ireland.	2042	26	€145	Balfour Beatty
Kent Schools	Design, build, funding and partially operate six schools in Kent	2035	30	£95m	Mitie
Kicking Horse Canyon P3	Upgrade, operate and maintain a section of highway in British Columbia, Canada	2027	22	CAD$ 127m	HMC Services
Lewisham Hospital	Design, construct, finance, operate and maintain a new wing in Lewisham Hospital for the Department of Health	2036	32	£58m	Carillion
M1-A1 Link Road	Finance, construct, operate, and maintain a motorway linking the M1, M621 and M62 motorways to the south of Leeds and the A1(M) south of Wetherby.	2026	30	£250m	Balfour Beatty
M80 Motorway	Design, build, finance and operate a section of the M80 motorway in Scotland	2039	30	£275m	Bear
Manchester School	Design, construct, finance, operate and maintain the Wright Robinson College in Manchester for Manchester City Council	2031	26	£29m	Hochtief
Medway LIFT	Deliver health and social care infrastructure to NHS	2034	29	£19m	Rydon

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
	property services and Community Health Partnerships within the Medway area of North Kent				
Medway Police Station	Design, construct, finance, operate and maintain a divisional police headquarters for Police and Crime Commissioner for Kent	2034	30	£21m	Vinci
Metropolitan Police Specialist Training Centre	Finance, operate and maintain firearms and public order training facility in Gravesend, Kent for the Mayor's Office for Policing and Crime	2026	25	£40m	Carillion
Miles Platting Social Housing	Redesign and refurbish approximately 1,500 occupied properties, as well as to build 20 new extra care homes and 11 new family homes in Miles Platting, Manchester	2037	30	£79m	Morgan Sindall
Newcastle Libraries	Finance, develop, construct and operate a new city centre library in Newcastle and an additional satellite library in High Heaton, both in the North East of the UK	2032	25	£30m	Integral
Newham Schools BSF	Design, build, finance, maintain and operate two new secondary schools in Newham, London on behalf of the London Borough of Newham Council.	2036	27	£53m	Mitie
Newport Schools	Design, construct, finance, operate and maintain a nursery, infant and junior school for Newport City Council	2033	25	£15m	Vinci
Newton Abbot Hospital	Design, construct, finance, operate and maintain a community hospital for Devon Primary Care Trust	2039	32	£20m	Rydon
North Ayrshire Schools	Design, build, finance and operate three secondary schools and one primary school on behalf of the North Ayrshire Council.	2038	32	£84m	Mitie
North Tyneside Schools	Design, construct, finance, operate and maintain a four-school education project consisting of one secondary school and three primary schools in North Tyneside	2033	31	£30m	Mitie
Northwest Anthony Henday P3	Finance, build, maintain and rehabilitate the northwest leg of the Anthony Henday Drive ring road in the City of Edmonton, Alberta, Canada	2041	33	CAD$ 995m	Vinci
Northwest Parkway	Operate, manage, maintain, rehabilitate and toll a 14km four-lane road under an agreement with the Northwest Parkway Public Highway Authority.	2106	99	NA	None
Northwood MoD Headquarters	Design, construct and commission new-built facilities on behalf of the Ministry of Defence in Northwood, Greater London	2031	25	£198m	Carillion
Norwich Area Schools	Design, construct, finance and operate five primary schools and one secondary school; all new build with the exception of a small element of retained estate at the secondary school for the Norwich City Council	2032	26	£43m	Kier
Nuffield Hospital	Design, construct, finance, operate and maintain a new orthopaedic hospital for the Secretary of State for Health	2036	34	£37m	G4S
N17/N18 Road	Design, build, finance, operate and maintain the N17/N18 road in Ireland for the National Road Authority, which is responsible for the development and improvement of national roads in Republic of Ireland.	2042	28	€336m	Strabag
Oldham Library	Design, construct, finance, operate and maintain the Oldham Library and Lifelong Learning Centre for Oldham Metropolitan Borough Council	2029	25	£15m	Kier
Oldham Schools	Design, construct, finance and operate two secondary schools for Oldham Metropolitan Borough Council	2033	27	£54m	Kier
Oxford Churchill Oncology	Design, construct, finance, operate and maintain a 100 bed oncology unit, including provision of medical equipment for Oxford Radcliffe Hospitals NHS Trust.	2038	33	£124m	Impregilo
Oxford John Radcliffe Hospital	Design, construct, manage, finance, operate and maintain a new wing adjacent to the former Radcliffe Infirmary	2036	33	£161m	Carillion

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
PSBP North East Batch Schools	Design, construct, operate and maintain 6 new primary and 6 new secondary schools in various UK locations.	2041	26	£103m	Galliford Try
Perth and Kinross Schools	Design, construct, financing and operation of four secondary schools and five primary schools for the Perth and Kinross Council	2041	34	£136m	Mitie
Pinderfields and Pontefract Hospitals	Design, construct, manage, finance and operate a new 708 bed acute hospital in Pinderfields, West Yorks and a new diagnostic and treatment hospital in Pontefract, West Yorks for the Mid Yorkshire NHS Trust	2042	35	£311m	Cofely
Queen Alexandra Hospital, Portsmouth	Design and construct a new hospital and retained estates work in Portsmouth	2040	35	£255m	Carillion
Queen's (Romford) Hospital	Design, construct, manage, finance, operate and maintain a new hospital in Romford	2040	36	£211m	Sodexo
RD901 Road	Design, construct, finance and maintain a new 7km dual carriageway bypassing the small town of Troissereux, near Beauvais in France.	2039	25	€84m	Bouygues
Redbridge & Waltham Forest LIFT	Deliver health and social care infrastructure for NHS Property Services and Community Health Partnerships within Redbridge and Waltham Forest in North London.	2030	25	£15m	Rydon
Renfrewshire Schools	Design, construct, manage, finance, operate and maintain six primary and four secondary schools in Renfrewshire, Scotland	2038	30	£100m	Amey
Rhonnda Cynon Taf Schools	Design, construct, manage, finance and operate a primary school, secondary school, a day nursery and an adult learning centre in South Wales for Rhondda Cynon Taf Authority	2028	24	£22m	Vinci
Royal Canadian Mounted Police 'E' Division Headquarters	Design, construct, finance, operate and maintain a 72,000 sqm headquarters office facility building in Surrey, British Columbia, Canada	2040	28	CAD234m	Bouygues
Royal School of Military Engineering	Design, build, refurbish and maintain 32 new buildings, 21 refurbishments and five training areas across three UK locations on behalf of the UK Ministry of Defence, that supports the Royal School of Military Engineering	2038	30	£300m	Carillion
Salford Hospital	Design, construct and commission new-build facilities and associated site infrastructure for the Salford Royal NHS Foundation Trust	2042	35	£137m	Cofely
Salford Schools	Design, build, finance and operate two schools on behalf of the Salford City Council.	2033	27	£36m	Mitie
Salford & Wigan BSF Phase 1	Design, build, finance, maintain and operate two new secondary schools in Salford and Wigan, Greater Manchester on behalf of Salford City Council and Wigan Borough Council.	2036	26	£56m	SPIE
Salford & Wigan BSF Phase 2	Design, build, finance, maintain and operate three new secondary schools in Salford and Wigan, Greater Manchester on behalf of Salford City Council and Wigan Borough Council.	2038	27	£70m	SPIE
Sheffield BSF	Design, build, finance, maintain and operate two new secondary schools and one new special educational needs secondary school in Sheffield for Sheffield City Council	2034	25	£75m	Vinci
Sheffield Hospital	Design, construction, financing and management of a new 168 bed wing at the Sheffield Northern General Hospital for the Sheffield Teaching Hospitals NHS Foundation Trust	2036	32	£26m	Dalkia
Sheffield Schools	Design, construct, finance and operate two primary schools and two secondary schools for Sheffield City Council	2030	26	£53m	Kier
South Ayrshire Schools	Design, construct, finance and operate of three primary schools, two secondary academy schools and a new performing arts annex at an existing academy for South Ayrshire Schools	2039	33	£76m	Mitie

Notes to the Financial Statements

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
South East London Police Stations	Design, construct, finance and operate four police stations in South East London for the Mayor's Office for Policing and Crime	2026	25	£80m	Carillion
Southmead Hospital	Design, construct, finance, operate and maintain an 800-bed acute hospital on a single site at Southmead in North Bristol, on behalf of the North Bristol NHS Trust.	2049	35	£431m	Carillion
South West (Enniskillen) Hospital	Design, construct, finance and maintain a new acute hospital and key worker accommodation at Enniskillen in Northern Ireland	2042	34	£227m	Interserve
Staffordshire LIFT	Develop, design, construct, invest in and maintain health and social care facilities	2030	25	£40m	Integral
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust	2034	30	£40m	Sodexo
Sussex Custodial Services	Build and service custody centres in Sussex for the Police and Crime Commissioner for Sussex (formerly the Sussex Police Authority). The centres are at Worthing, Chichester, Brighton and Eastbourne	2031	30	£20m	Capita
Tameside General Hospital	Design, construct and commission new-build facilities and associated site infrastructure for the Tameside Hospital NHS Foundation Trust.	2041	34	£78m	Cofely
Tyne & Wear Fire Stations	Design, construct, manage, finance and operate seven fire station facilities and a headquarters building in Tyne and Wear for the Tyne and Wear Fire and Civil Defence Authority	2031	25	£23m	Carillion
University of Bourgogne	Design, construct, finance and maintain 3 new buildings on the Bourgogne university campus in France and the refurbishment of an existing one.	2040	27	€20m	Bouygues
University of Sheffield Accommodation	Construct and manage a new student village at the University of Sheffield	2046	40	£160m	Lend Lease
West Lothian Schools	Design, construct, finance and operate two new schools, Armadale Academy and the Deans Community High School for West Lothian Council	2039	31	£60m	Dawn Construction
West Middlesex Hospital	Design, construct, finance, operate and maintain a new 228 bed hospital for West Middlesex University Hospital NHS Trust	2036	35	£60m	Bouygues
Willesden Hospital	Design, construct, manage and finance a community hospital in north London for NHS Brent	2034	32	£24m	Accuro
Wooldale Centre for Learning	Design, construct, manage, finance and operate the Wooldale Centre for Learning consisting of a Centre for Learning (CfL) comprising a secondary school with sixth form, public library, primary school and nursery on a large site in Northamptonshire	2029	25	£24m	Mitie
Zaanstad Prison	Design, build, finance, maintain and operate of a new penitentiary institution at business park Hoogtij in Zaanstad, the Netherlands.	2041	25	€160m	Ballast Nedam

21. CORPORATE SUBSIDIARIES

The following subsidiaries have not been consolidated in these Financial Statements, as a result of applying IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). See Note 1 for details on the Corporate Subsidiaries.

Name	Country	Ownership interest
HICL Infrastructure 1 SARL	Luxembourg	100.0%
HICL Infrastructure 2 SARL	Luxembourg	100.0%
Infrastructure Investments Limited Partnership	United Kingdom	100.0%

22. SUBSIDIARIES

The following project subsidiaries have not been consolidated in these Financial Statements, as a result of applying IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27):

2003 Schools Services Limited	United Kingdom	100.0%
Ashburton Services Limited	United Kingdom	100.0%
Annes Gate Property Plc*	United Kingdom	100.0%
Alpha Schools Highland Limited **	United Kingdom	100.0%
Axiom Education (Edinburgh) Limited*	United Kingdom	100.0%
Axiom Education (Perth & Kinross) Limited*	United Kingdom	100.0%
Boldon School Limited	United Kingdom	100.0%
ByCentral Limited*	United Kingdom	100.0%
By Education (Barking) Limited*	United Kingdom	100.0%
ByWest Limited*	United Kingdom	100.0%
Consort Healthcare (Blackburn) Limited*	United Kingdom	100.0%
Consort Healthcare (Mid Yorks) Limited*	United Kingdom	100.0%
CVS Leasing Limited	United Kingdom	87.6%
Derby School Solutions Limited*	United Kingdom	100.0%
Education 4 Ayrshire Limited*	United Kingdom	100.0%
Enterprise Civic Buildings Limited*	United Kingdom	100.0%
Enterprise Education Conwy Limited*	United Kingdom	90.0%
Enterprise Healthcare Limited*	United Kingdom	100.0%
H&D Support Services Limited*	United Kingdom	100.0%
Green Timbers Limited Partnership	Canada	100.0%
Information Resources (Oldham) Limited*	United Kingdom	90.0%
Metier Healthcare Limited	United Kingdom	100.0%
Newport Schools Solutions Limited*	United Kingdom	100.0%
Newton Abbot Health Limited*	United Kingdom	100.0%
Pi2 B.V.	Netherlands	100.0%
PFF (Dorset) Limited*	United Kingdom	100.0%
Ravensbourne Health Services Limited*	United Kingdom	100.0%
Services Support (Cleveland) Limited*	United Kingdom	100.0%
Services Support (Gravesend) Limited*	United Kingdom	72.9%
Services Support (Manchester) Limited*	United Kingdom	72.9%
Sussex Custodial Services Limited*	United Kingdom	100.0%
THC (OJR) Limited*	United Kingdom	100.0%
THC (QAH) Limited*	United Kingdom	100.0%
TW Accommodation Services Limited	United Kingdom	100.0%
Willcare (MIM) Limited*	United Kingdom	100.0%

* = Reporting date 31 December
** = Reporting date 31 January

All other reporting dates are 31 March. END