HICL Infrastructure

Delivering Real Value.

Annual Report & Financial Statements 2017

Delivering Real Value.

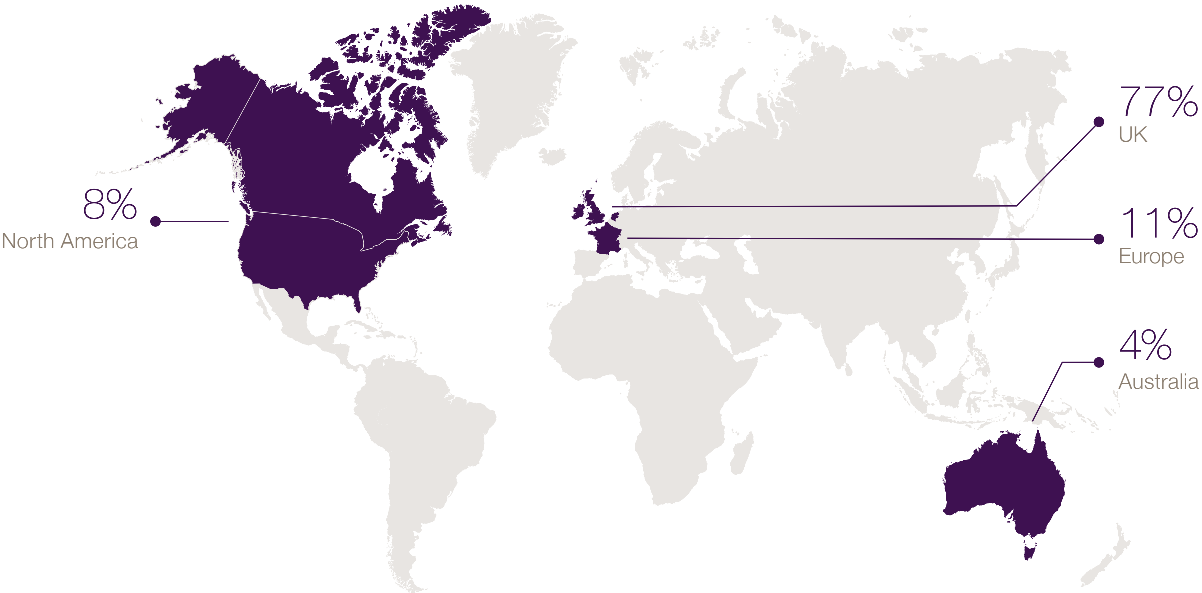
Health & Safety Executive Headquarters, UK

Contents

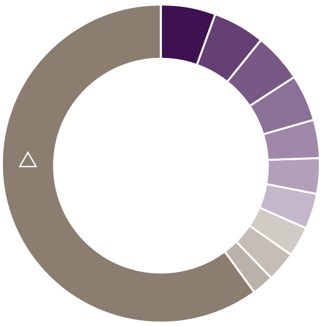
1.1 Summary of the Year

as at 31 March 2017

A Global Portfolio of Infrastructure Investments



TEN LARGEST INVESTMENTS



1. Northwest Parkway	6%
2. Southmead Hospital	5%
3. Home Office	5%
4. Pinderfields & Pontefract Hospitals	5%
5. A63 Motorway	4%
6. AquaSure	4%
7. Dutch High Speed Rail Link	3%
8. Queen Alexandra Hospital	3%
9. Allenby & Connaught	3%
10. A13 Senior Bonds	2%
Remaining Investments	60%

INVESTMENT STATUS

Fully operational	98%
Construction	2%

MARKET SEGMENT

PPP projects	88%
Demand-based assets	12%

Key Statistics (for the year ended 31 March 2017)

149.0p
NAV per share up 4.8%

7.65p
dividend per share up 2.7%

10.3%
total return for the year
(NAV per share appreciation plus dividend paid)

£2.38bn
Directors' Valuation of the portfolio

Our Business Model in Action – Case Studies

VALUE PRESERVATION

Protecting the value of HICL's portfolio.

Foreign Exchange Risk
Preserving value for shareholders does not just concern the investments in the portfolio – HICL also seeks to mitigate systemic risks where practical.

See page 52

VALUE ENHANCEMENT

Outperforming the base case, delivering upside to shareholders.

A Decade of Outperformance
HICL has delivered a total return since IPO of 9.6% (on a NAV per share appreciation plus dividends paid basis), outperforming the IPO target of 7-8%.

See page 22

ACCRETIVE INVESTMENT

Purchasing assets that enhance the delivery of the investment proposition.

Toll Roads
A deeper look at HICL's recent purchases of two operational toll roads. Includes information on the projects, a look at traffic performance and sensitivities.

See page 30

Defence Sixth Form College, UK

01 Overview

Delivering Real Value.

1.2 Chairman's Statement

Ian Russell
Chairman

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

£381.0m

new equity capital raised

£266.6m

total net investments on an Investment Basis, comprising 10 new and five incremental investments

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 15 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 Section 3.1 (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 the 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).

"Cash received from the portfolio by way of distributions was ahead of expectations. After operating and finance costs, net cash flow covered the dividend 1.22 times."

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.

1.2 Chairman's Statement

Continued

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 the revolving credit facility at Corporate Subsidiary level from £200m to £300m in November 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.

149.0p

NAV per share up 4.8%

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. Section 3.6 (Risk & Risk Management) of the Strategic Report provides more detail.

"The Board remains confident in the Company's future prospects... ...and that the current pipeline will generate new investment opportunities that secure the delivery of income to shareholders for the long term."

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

Oxford John Radcliffe Hospital, UK

02 Strategic Report

Delivering Real Value.

2.1 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.

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 Section 2.3 (Strategy & Objectives).

INFRASTRUCTURE MARKET MAP SHOWING RISK SPECTRUM

PPP PROJECTS

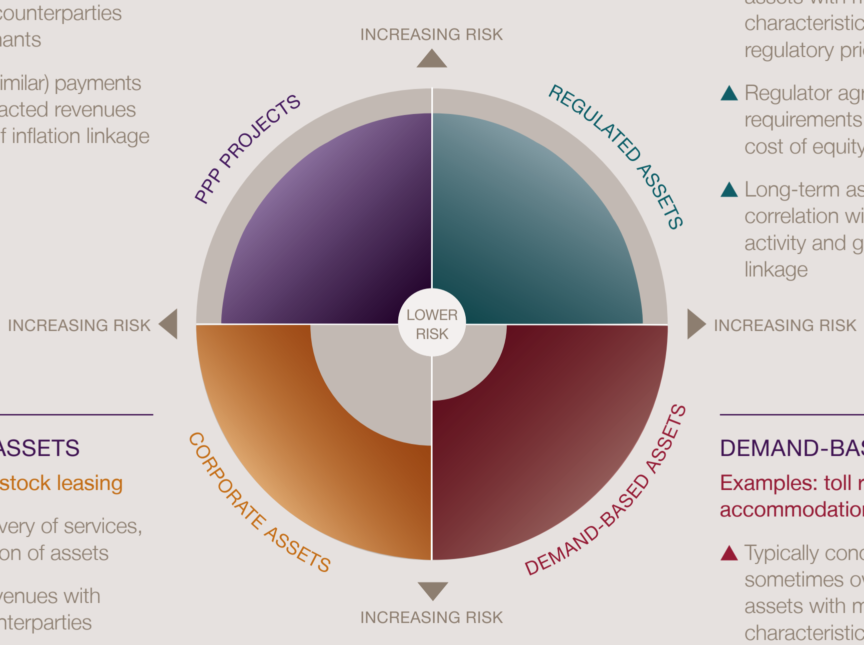
Examples: social infrastructure and transportation

- ▲ Long-term contracts – 20-30 year concessions
- ▲ Public sector counterparties – strong covenants
- ▲ Availability (or similar) payments – stable, contracted revenues with element of inflation linkage

REGULATED ASSETS

Examples: electricity and gas transmission & distribution; water utilities; district heating

- ▲ Owners of infrastructure assets with monopolistic characteristics – subject to regulatory price controls
- ▲ Regulator agrees investment requirements and determines cost of equity
- ▲ Long-term assets; low correlation with economic activity and good inflation linkage



CORPORATE ASSETS

Example: rolling stock leasing

- ▲ Can cover delivery of services, not just provision of assets
- ▲ Contracted revenues with corporate counterparties
- ▲ Often shorter-term contracts

DEMAND-BASED ASSETS

Examples: toll roads, student accommodation, airports

- ▲ Typically concessions, sometimes owners of assets with monopolistic characteristics
- ▲ Revenues linked to usage of the underlying assets
- ▲ Usually have good inflation linkage; some (but not all) assets have revenues correlated to GDP

2.2 Business Model

Investment Proposition and Business Model

TO DELIVER TO SHAREHOLDERS → A LONG-TERM, STABLE INCOME → FROM A PORTFOLIO OF INFRASTRUCTURE INVESTMENTS → POSITIONED AT THE LOWER END OF THE RISK SPECTRUM

ACCRETIVE INVESTMENT

VALUE PRESERVATION

VALUE ENHANCEMENT

VALUE PRESERVATION

Protecting the value of HICL's portfolio, principally through active management of the assets

- Ensure that investments perform in line with business plans and regulatory/contractual expectations
- Focused management of issues when they arise
- Proactive initiatives across the portfolio to reduce systemic risks

See case study on page 52

VALUE ENHANCEMENT

Outperforming the base case, delivering upside to shareholders

- Pursuit of portfolio-wide cost-saving initiatives, leveraging economies of scale
- Initiatives at the level of individual investments to outperform base case
- Selectively dispose of investments to the extent this delivers value that cannot be delivered through continued ownership

See case study on page 22

ACCRETIVE INVESTMENT

Purchasing assets that enhance the delivery of the investment proposition

- Only consider opportunities that fit HICL's risk appetite
- Make attractively priced investments that are accretive to the existing portfolio
- Focus on careful portfolio construction to ensure balance and maintain diversification

See case study on page 30

2.3 Strategy & Objectives

This section summarises the Company's strategy for the key activities covered by the business model (see Section 2.2). 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. More information on the InfraRed business can be found at Section 5.3 (The Investment Adviser).

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.

Value Enhancement and Value Preservation

VALUE PRESERVATION

Delivering target returns

- Provide oversight and governance of portfolio companies,usually through Board representation
- Build relationships with key portfolio company counterparties, in particular public sector clients/ regulators
- Facilitate and/or drive resolution of operational issues, including disputes
- Promote ESG awareness within portfolio company management teams, encouraging the pursuit of specific initiatives
- Monitor financial performance of each investment against Group forecasts
- Improve cash efficiency by managing cash flow from Group investments and minimise cash drag on returns
- Manage the process and analysis required for valuations of the Group's portfolio
- Follow prudent financial management practices (e.g. accounting and tax policies; treasury processes)

VALUE ENHANCEMENT

Outperforming target returns

- Sponsor the implementation of initiatives within portfolio companies to reduce ongoing costs, but not to the detriment of service delivery (for example, refinancing existing senior debt facilities)
- Develop and implement procurement efficiencies across the Group's portfolio, in particular by leveraging economies of scale (for example, management services and insurances for PPP projects)
- Explore opportunities to add new revenues within existing portfolio companies (for example, undertaking contract variations on PPP projects that add to the scope of services)
- Drive efficient financial management of the Company, seeking opportunities to reduce ongoing charges
- Consider where value can be improved, or portfolio risk profile improved, through selective disposals

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 (see Section 2.2) 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, set out in the table below.

Accretive Investment – Current Acquisition Strategy

GEOGRAPHY

Located in target markets

- Europe/UK
- North America
- Australia/NZ

MARKET SEGMENT

Generates long-term revenues

- Principal focus:
  - PPP projects, e.g. availability payments
  - Regulated assets supported by clear robust regulatory framework
  - Demand-based assets with a track record of usage, downside protection or other mitigation of cash flow volatility
- Opportunistic approach:
  - corporate assets with contracted revenues and acceptable covenant

ASSET QUALITY

At the lower end of the risk spectrum

- Monopoly or essential asset/concession
- Long-term, stable cash flows built on:
  - revenues with good visibility
  - where relevant, good quality counterparties
  - where possible, long-term debt financing at asset level

OPPORTUNITY TO ADD VALUE

Enhances existing portfolio

- Accretive on one or more metric:
  - Total return
  - Yield
  - Inflation linkage
  - Asset life
- Pricing discipline
- Potential for upside
- Sustains prudent portfolio construction and diversification

2.3 Strategy & Objectives

Continued

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.

The schematic below overlays the Company's Investment Policy onto the infrastructure market map (see Section 2.1). It also illustrates the risk spectrum of investment opportunities within sub-sectors where the Origination and Transaction team is focusing activity to deliver the Acquisition Strategy.

In considering this illustration, the following should be taken into account:

- ▲ lower risk investments are towards the centre of the schematic, with higher risk investments towards the outside;
- ▲ not all sub-sectors are shown, in particular some higher risk sub-sectors that are not relevant to the Company have been excluded;
- ▲ the schematic covers investments in developed markets (i.e. does not include developing market investments); and
- ▲ grey indicates that opportunities do not typically exist in the relevant sub-sector across the entire risk spectrum.

The diagram is designed to illustrate how the risk profiles of market segments overlap – there is not a neat delineation between the risk spectrum of each market segment based purely on revenue type. Risk is inherent in the scope of the activities performed by the underlying portfolio companies,

INFRASTRUCTURE MARKET MAP SHOWING RISK SPECTRUM AND HICL INVESTMENT POLICY

but the risk profile of investment cash flows can also be influenced by how the portfolio company has managed risk.

For example, it is possible to assess a poorly structured PPP project (e.g. one that does not pass down construction risk to a subcontractor) as higher risk than an operational toll road. This is a theme that was explored in some detail at the Company's Capital Markets Seminar in February 2016, for which the supporting presentation is available on the Company's website.

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.

Portfolio statistics can be found in Section 3.5 (Portfolio Analysis) and more information on the Company's Acquisition Strategy can be found above.

2.3 Strategy & Objectives
Continued

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.

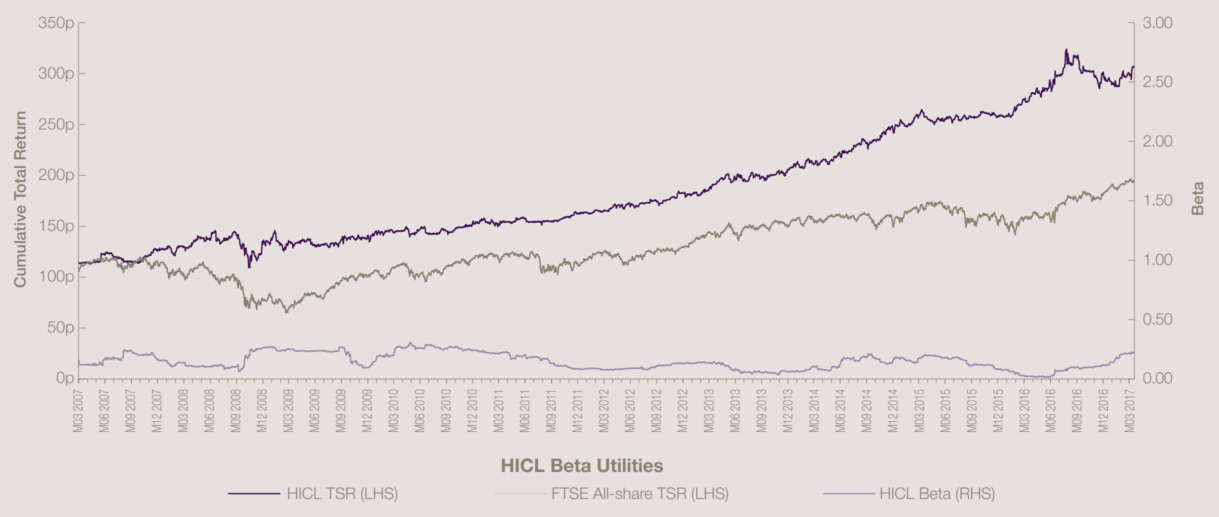
Treasury – Group Foreign Exchange Hedging
The Board's hedging policy is designed to provide confidence in the near-term yield and to limit NAV per share sensitivity to no more than 1% for a 10% foreign exchange movement. This policy is being reviewed by the Board and the Investment Adviser. More information can be found in Sections 2.5 (Investment Adviser's Report) and 3.3 (Case Study – Foreign Exchange Risk).

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 (see chart below).

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

HICL Total Shareholder Return ("TSR") and Rolling 250-day Beta vs. the FTSE All-share Index



Source: Thomson Reuters, May 2017.

Oldham Library, UK

2.4 Case Study: A Decade of Outperformance

Over the 10 years following its IPO in 2006, HICL delivered returns to shareholders of 9.5% per annum [1], 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.

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.[2]

The chart on the right shows a bridge 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 and is shown in the chart to the right.

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 benefited 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.

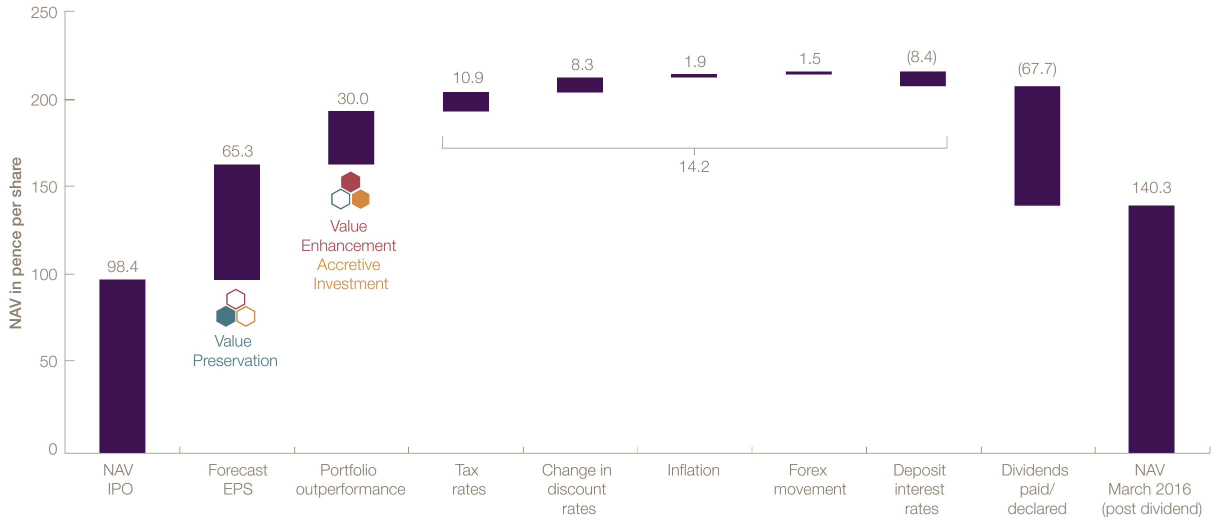
There has been a reduction in deposit interest rates since 2006. At IPO the UK assumption was 4% compared with the March 2016 assumption of 1% to March 2020 rising to 2.5% thereafter. This has reduced NAV by 8.4p per share which has largely been offset by the drop in discount rate that has contributed 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.

[1] NAV per share appreciation plus dividends paid over the 10 years to 31 March 2016.
[2] All data expressed in pence (p) is on a pence per share basis, assuming the share was acquired at the time of the IPO.

University of Sheffield Student Accommodation, UK

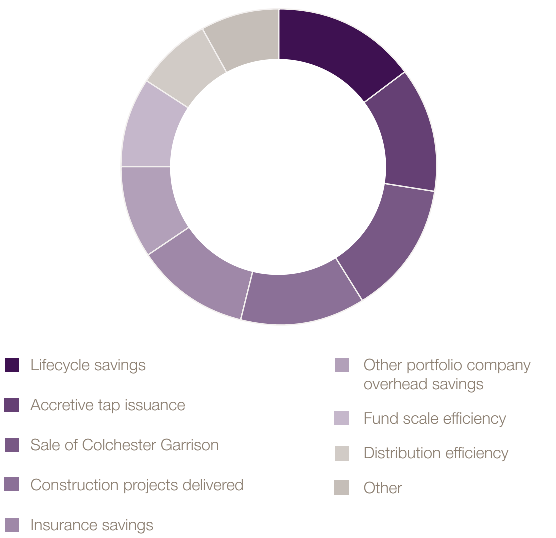
Drivers of Cumulative Change in NAV, IPO to March 2016 [1]



[1] Source: InfraRed. Attribution is based upon a number of estimates and assumptions.

> "Over the 10 years following its IPO in 2006, HICL delivered returns to shareholders of 9.5% per annum, exceeding the target set at IPO of 7-8%."

Portfolio Outperformance [1]



[1] Source: InfraRed. Attribution is based upon a number of estimates and assumptions.

2.5 Investment Adviser's Report

Tony Roper
Director

Harry Seekings
Director, Infrastructure

Keith Pickard
Director, Infrastructure

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 Section 2.4 (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.

"9.6% p.a. TSR since IPO vs. 6.2% p.a. total return delivered by the FTSE All-Share Index"

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%.

> "1.6p of growth in NAV per share delivered through portfolio outperformance during the year"

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.

> "Contract variations signed to deliver over £700m of capital works for public sector clients"

More detail on Value Enhancement and Value Preservation can be found in Section 3.1 (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 Section 2.3 (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.

> "13 investments made during the year as the result of off-market negotiations or limited auctions"

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 Section 3.1 (Operational and Financial Review). Sensitivities on GDP exposure can be found in Section 3.2 (Valuation of the Portfolio).

2.5 Investment Adviser's Report
(continued)

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 Section 3.2 (Valuation of the Portfolio).

Risk & 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.

"…the correlation of returns from the portfolio to inflation is strong, increasing to 0.7 as at 31 March 2017."

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. More detail, and a schematic of the output produced for the Risk Committee, can be found in Section 3.6 (Risk & Risk Management).

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. More information can be found in Section 3.3 (Case Study – Foreign Exchange Risk).

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.

"Focus during the year was given to evolving the Company's risk evaluation and reporting systems"

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 pipeline of new investment opportunities is healthy and diversified across a number of initiatives."

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.

2.6 Key Performance and Quality Indicators

The Board has identified metrics against which to measure clearly 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:** Achieved.	
Cash-covered Dividends	Operational cash flow / dividends paid to shareholders	**1.22x**	1.15x
Objective: Cash covered dividends		**Commentary:** Achieved.	
Positive Inflation Correlation	Changes in the expected portfolio return for 1% p.a. inflation change	**0.7%**	0.6%
Objective: Maintain positive correlation		**Commentary:** Achieved.	
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 a 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

KQI	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]	**14%**	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:** 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 on an Investment Basis as a percentage of the NAV	**2.7%**	2%
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 (14% 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.

Radclyffe School, UK

2.7 Case Study: Toll Roads

HICL has invested in two operational toll roads – the A63 Motorway in France and Northwest Parkway in Colorado, USA.

A63 Motorway

The A63 Motorway is a 104km road linking Bordeaux and Bayonne/Biarritz. It forms part of a Trans-European Network – a corridor identified by the European Union as of strategic importance to the movement of goods and people around the single market. At its northern end, the road connects to links to Paris and northern and central France; and to the south the road continues to the border with Spain.

On the A63, much of the car traffic is dominated by the large number of tourist destinations near to the corridor, making it highly seasonal. Truck traffic on the other hand is primarily related to trade within Europe, particularly between Spain, Portugal and northern Europe.

Northwest Parkway

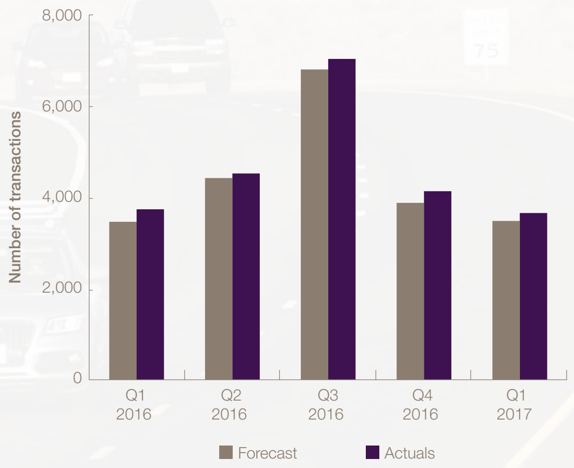
Northwest Parkway is a 14km section of the beltway system extending around the Denver Metropolitan area. It intersects with several other roads, providing convenient access to links into Denver, Denver International Airport and suburban centres in the region.

Trips to Denver International Airport form the largest proportion of users of Northwest Parkway. In addition almost a quarter of road users are making regular commuting trips.

Accretive Investment

The investments are expected to be accretive to the Group's portfolio in terms of total return. They have improved the correlation of the portfolio's returns to inflation and extended the portfolio's weighted average asset life.

A63 Motorway Traffic [1]



[1] Source: Atlandes S.A.

Traffic Performance

The Group made a commitment to acquire the investment in the A63 Motorway in January 2016. During the calendar year, traffic has performed ahead of the forecasts made at the time of the commitment (see chart).

The Northwest Parkway acquisition was signed in December 2016 and completed in March 2017. Performance to date is in line with expectations.

Inflation Correlation

The expected equity returns from HICL's investments in the A63 Motorway and Northwest Parkway are highly correlated to inflation and improve the overall inflation correlation of the portfolio. The graph right shows the sensitivity of the combined returns.

Long-term Income

The concession for the A63 Motorway expires in 2051 (34 years remaining); and the Northwest Parkway concession runs until 2106 (89 years remaining). As long duration assets, they improved the weighted average asset life of the portfolio which, at 31 March 2017, was 24.4 years (2016: 21.7 years).

Debt Financing

The A63 Motorway project company was refinanced during 2015 with 15-year debt from 14 banks.

Northwest Parkway is expected to undertake several refinancings during the remainder of its concession (which is due to expire in 2106). The initial debt financing, which resulted in a debt to equity ratio of 35:65, will be refinanced in phases between 2022 and 2027. The tenor of the debt that is used at that time will determine the timing of future refinancings.

Risks and Sensitivities

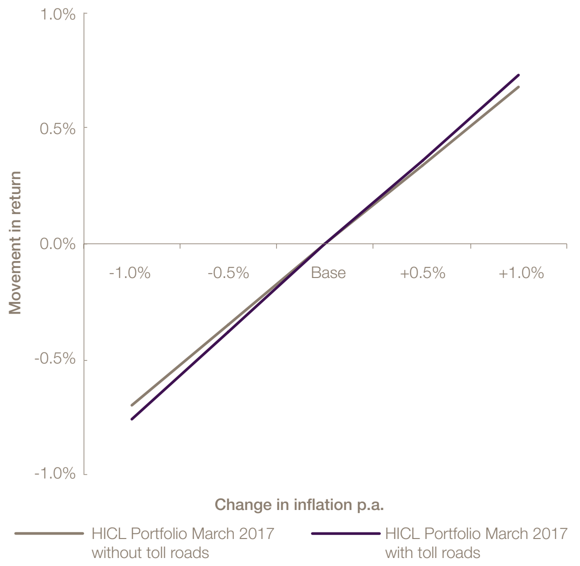
The chart to the right shows the sensitivity of the combined equity returns for the two projects against variations in the base case assumptions made in the Group's valuation of the two assets.

In addition, it is worth noting that should there be no further growth in traffic on either toll road – with revenue growth coming entirely from inflation – neither of the project companies will breach senior debt covenants.

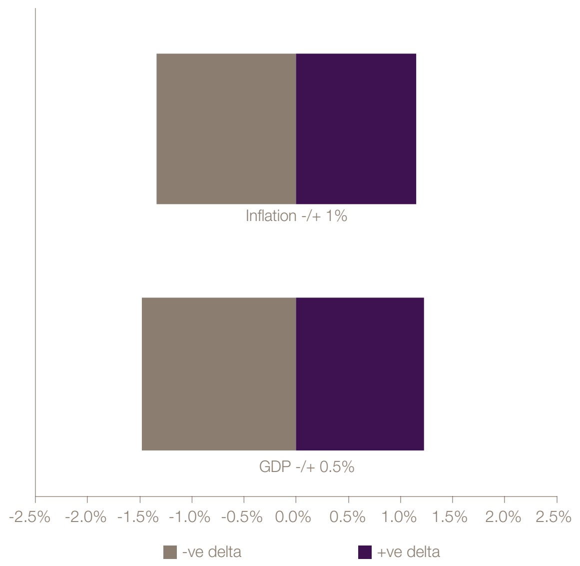
As seen in the chart, demand from road users for both roads is correlated to economic activity. Specifically, movements in GDP growth can affect the revenues of the project companies and thus impact on equity returns.

The accretive aspects of these investments, in terms of total return, asset life and inflation correlation, are undoubtedly attractive. However, the Board and the Investment Adviser have limited appetite to change the uncorrelated nature of returns from the portfolio. The current intention is that demand-based assets with returns that are correlated to the economic cycle should comprise no more than 20% of portfolio value.

Inflation – IRR impact on the HICL Portfolio of A63 Motorway and Northwest Parkway



Sensitivities – impact on combined A63 Motorway and Northwest Parkway IRR

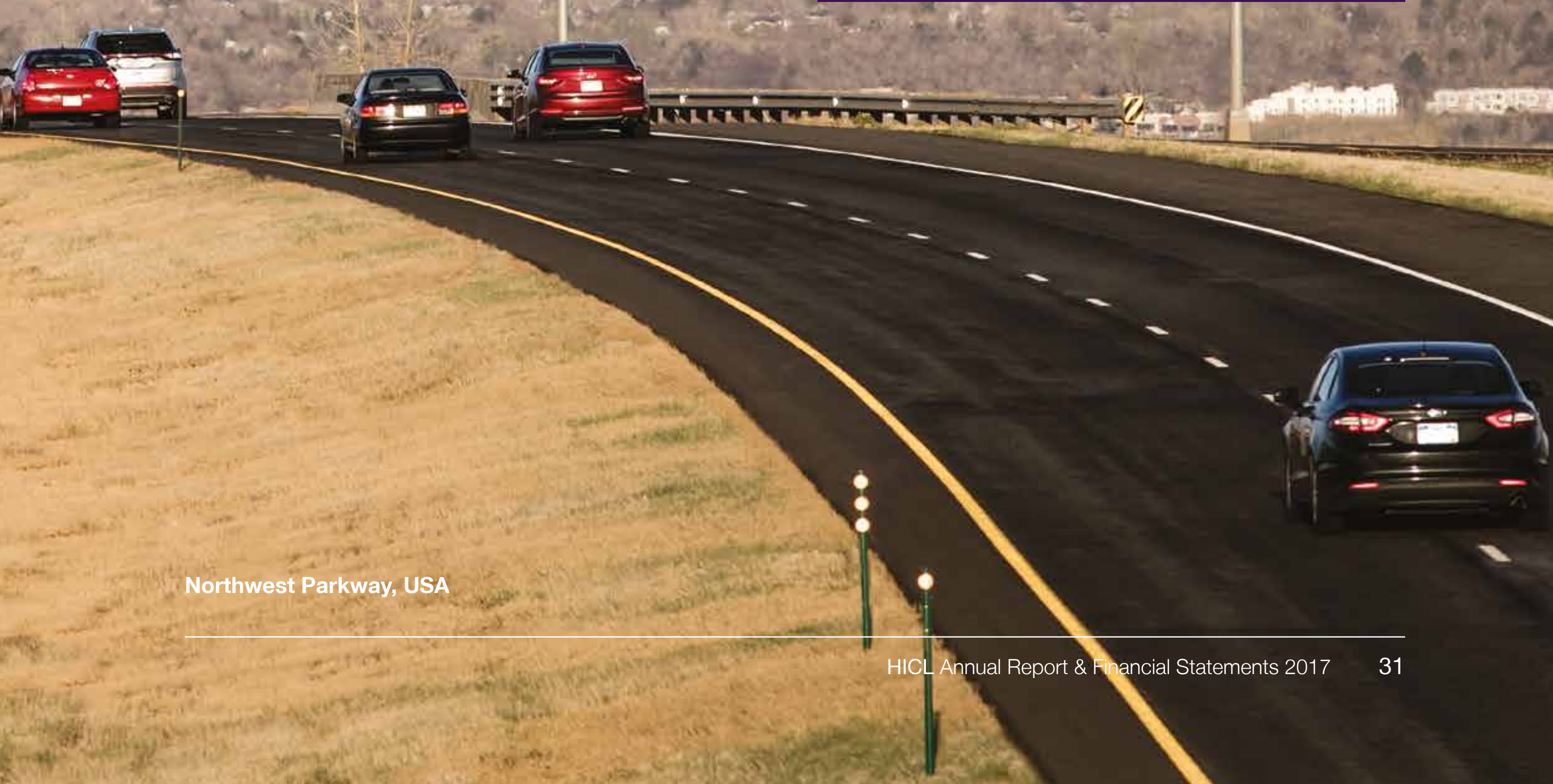


615km

A63 Motorway lane miles

56km

Northwest Parkway lane miles



Northwest Parkway, USA

Birmingham Hospital, UK

03 Performance & Risk

Delivering Real Value.

3.1 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.

More portfolio metrics can be found in Section 3.5 – Portfolio Analysis.

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. An analysis of the diversification by exposure to counterparties can be seen in Section 3.4 – Investment Portfolio.

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 be 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 PPP 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	Operational	Hinchingbrooke Hospital	PPP	37.5%	75.0%
May 16	£9.9m	New	Construction	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%
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 Section 3.2 (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.

3.1 Operational and Financial Review

Continued

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. The Company prepares 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 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 in Section 3.1.

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 Section 3.2 (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 £178.6m (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 in Section 3.1.

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 and 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 and 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.

3.1 Operational and Financial Review

Continued

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

		31 March 2017			31 March 2016	
£m	Investment Basis	Consolidation adjustments	IFRS	Investment Basis	Consolidation adjustments	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 Section 3.2 (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 has since year-end invested its net cash holdings 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 in Section 3.1.

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 [2]	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

£m	Investment Basis	Consolidation adjustments	IFRS	Investment Basis	Consolidation adjustments	IFRS (Restated)
			31 March 2017			31 March 2016
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).

3.1 Operational and Financial Review

Continued

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 Section 2.3 (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 and Costs table 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 Section 2.3 (Strategy & 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**

3.1 Operational and Financial Review

Continued

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**

3.2 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.

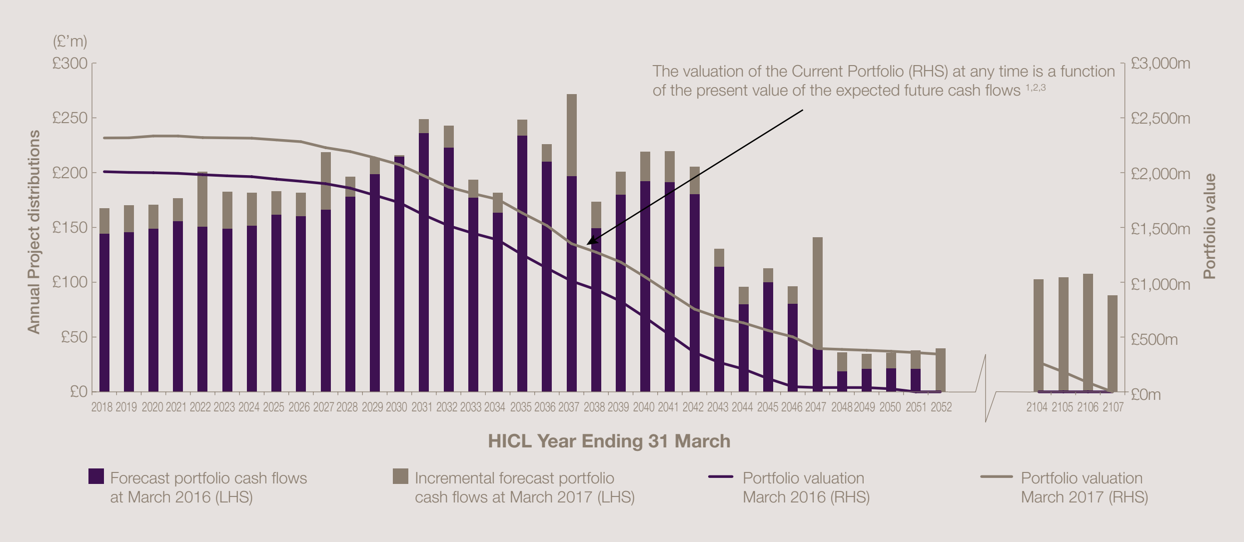
The Group's investments are predominantly non-market traded investments, such that these investments are valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The exception to this is the listed senior debt in the A13 road project which is valued at a quoted 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 (macro-economic 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 Section 3.1 – Operational and Financial Review.

Illustration of Expected Future Cash Flows to be received by the Group from the Current Portfolio



[1] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met.
[2] The cash flows and the valuation are based on a number of assumptions, including discount rates, inflation rates, deposit interest rates, tax rates and foreign exchange rates. These assumptions and the valuation of the current portfolio may vary over time.
[3] The cash flows and the valuation are from the portfolio of 114 investments at 31 March 2017 and does not include other assets or liabilities of the Group, and assumes that during the period illustrated above (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains.

Investment Portfolio: Cash Flow Profile

The chart above shows the expected future cash flows to be received by the Group from the portfolio as at 31 March 2017 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions.

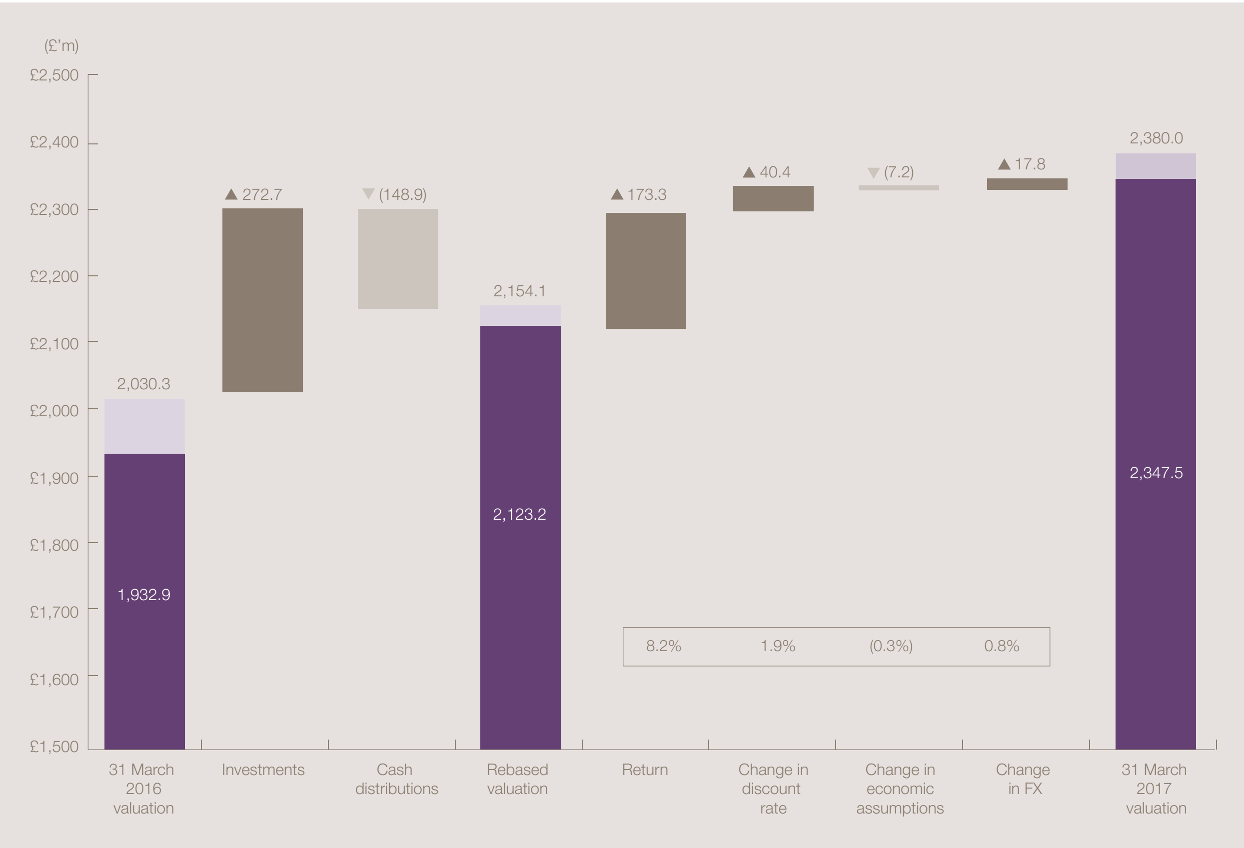
The chart shows the steady long-term nature of the cash flows from the portfolio, coupled with a stable portfolio valuation in the medium term. The benefit of the new investments made in the year, increasing forecast cash flows and the valuation over time, is also shown. Based on current forecasts over the long term, the portfolio will move into a repayment phase when cash receipts from the portfolio will be paid to the Company's shareholders as capital and the portfolio valuation reduces as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments.

It is these forecast cash flows from the Group's current portfolio of investments that give the Board the comfort that there should be sufficient cash cover for the target dividend of 7.85p per share for the year to 31 March 2018 and the dividend guidance of 8.05p per share for the year to 31 March 2019.

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 blocks (purple) have been split on an Investment Basis into investments at fair value (in dark purple) and future commitments (in light purple). The percentage movements have been calculated on investments at fair value as this reflects the returns on the capital employed in the year.

3.2 Valuation of the Portfolio

Continued

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)		
		123.8	
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, while £32.5m represents the same future commitments at 31 March 2017 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 a 8.2% (2016: 7.9%) increase in the rebased value of the portfolio. As expected, the majority of this 'return' (7.4%) 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 overleaf:

Country	31 March 2017 Long-term government bond yield [1]	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%	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 do not 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 upwards, and hence caused discount rates to reduce during the year.

3.2 Valuation of the Portfolio

Continued

Valuation Assumptions

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

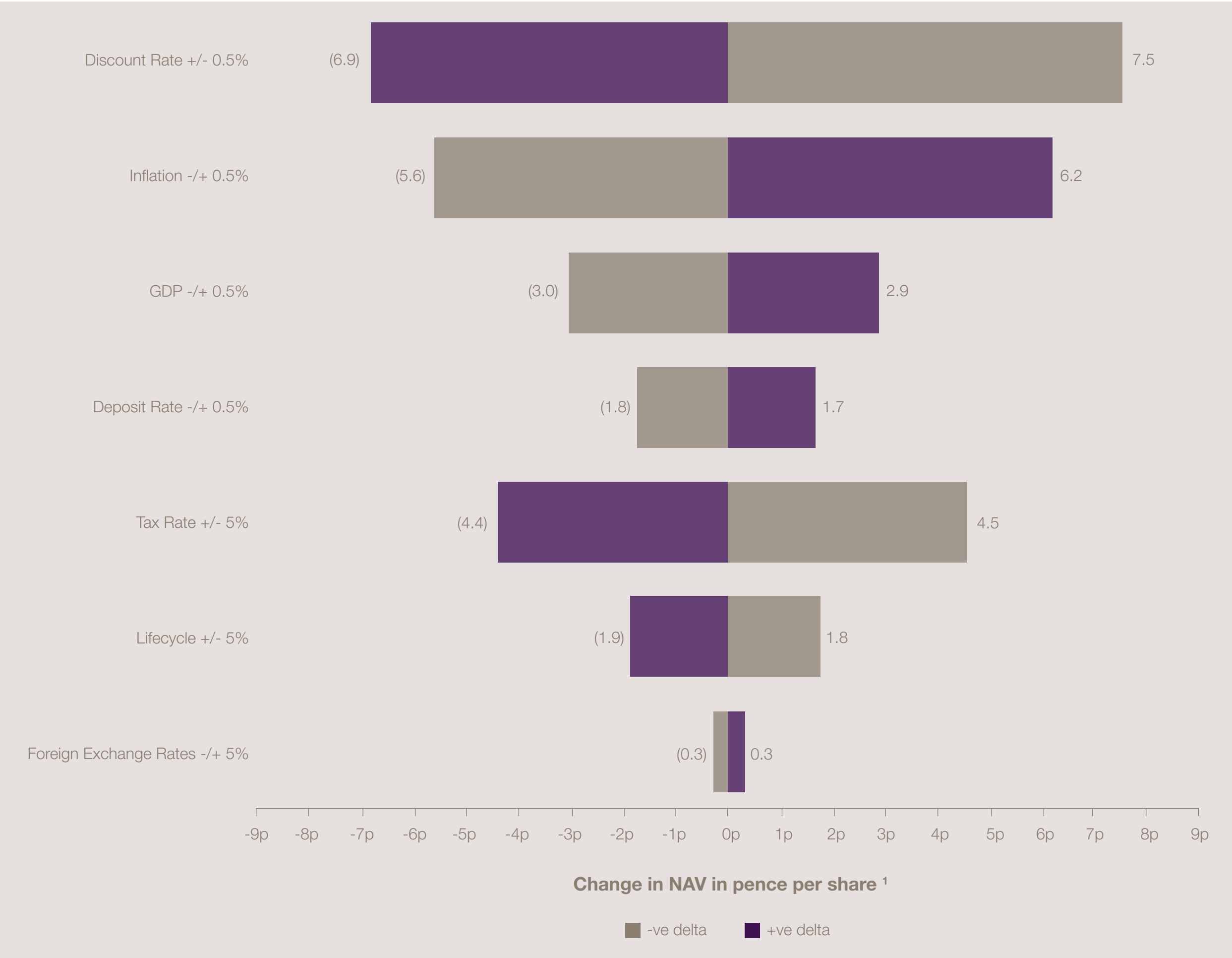
		31 March 2017	31 March 2016
Inflation Rates [1]	UK (RPI and RPIx) [2]	2.75% p.a.	2.75% p.a.
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% thereafter	1% p.a. until 2018, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	N/A
	Australia (CPI)	2.5% p.a.	2.5% p.a.
Deposit Rates	UK	1.0% 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% p.a. long-term	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 and 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] Some project income is fully indexed, whilst some is partially indexed.
[2] 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.

Valuation Sensitivities



[1] NAV per share based on 1,623m Ordinary Shares as at 31 March 2017.
[2] Sensitivities for inflation, deposit interest rates, tax rates and lifecycle are based on the 25 largest investments extrapolated for the whole portfolio.
[3] Foreign exchange rate sensitivity is net of Group hedging at 31 March 2017.

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.

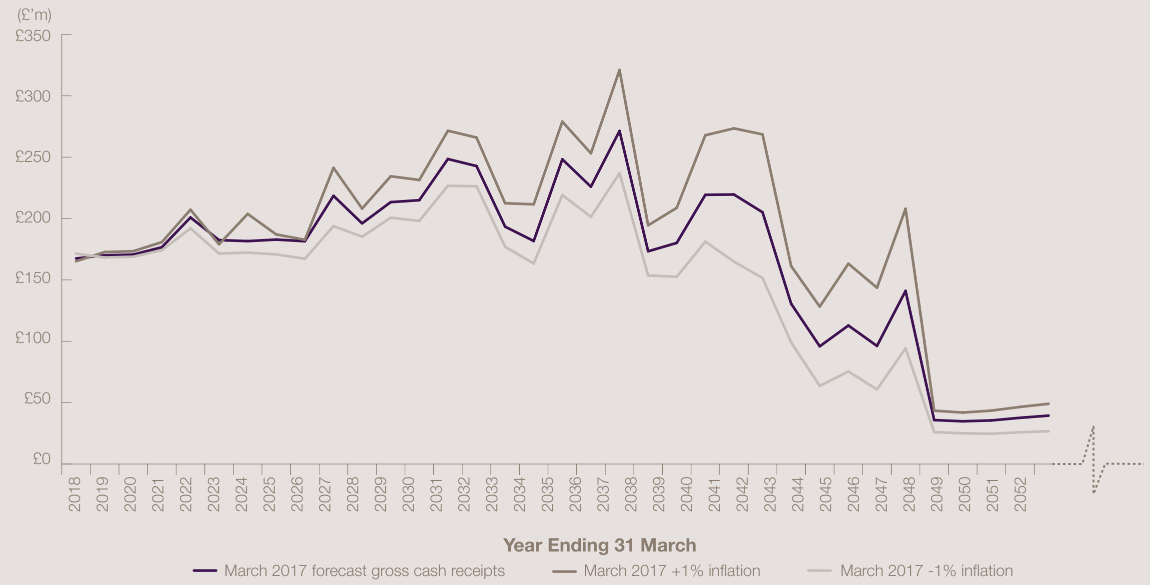
3.2 Valuation of the Portfolio

Continued

The chart shows that the NAV per share is positively correlated to inflation. 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%.

Cash flow Sensitivity to Inflation



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).

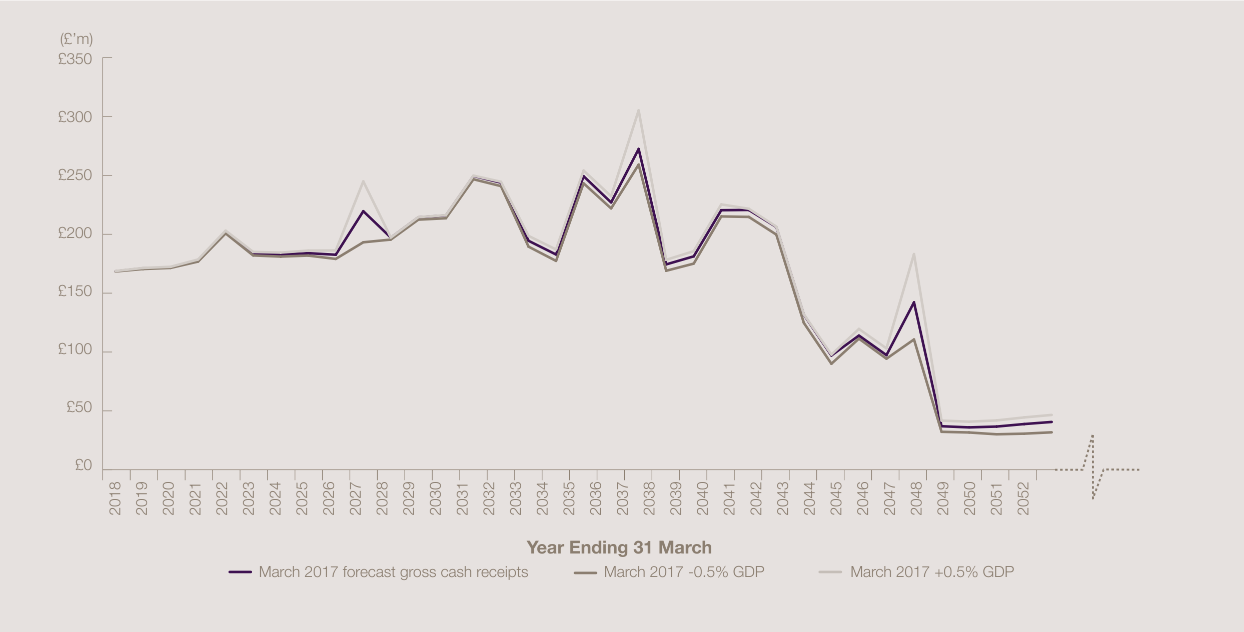
Corporation Tax Rate Sensitivity

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%.

Cash flow Sensitivity to GDP



3.3 Case Study: Foreign Exchange Risk

HICL hedges foreign exchange risk ("FX risk") in relation to assets it owns where cash flows are denominated in currencies other than British Pounds. The purpose of hedging is to provide confidence in the near-term yield and to mitigate the impact on NAV per share of forex movements.

What is HICL's objective in relation to FX risk?

- To manage FX risk as part of the Company's aim to provide investors with long-term income at sustainable levels and to preserve the capital value of its investment portfolio
- To provide an appropriate balance of managing FX risk and opportunity with the cost of hedging

How is this objective achieved?

FX risk from non-Sterling assets is managed by:

- Hedging forecast investment income from non-Sterling assets for up to 24 months through foreign exchange forward sales
- Hedging a portion of the portfolio value through rolling foreign exchange forward sales
- Borrowing in foreign currency from the revolving credit facility
- Regularly reviewing non-Sterling exposure in the portfolio and adjusting level of hedging accordingly

The level of FX hedging will vary by currency depending on the value of the Group's non-Sterling assets, the cost of FX hedges and over/under valuation of currencies.

Hedging currently includes forward sales of Euro, Australian Dollar, Canadian Dollar and US Dollar.

How do hedges work?

- A currency forward sale is a binding contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date
- The mechanism for determining a currency forward rate is straightforward, and depends on interest rate differentials for the currency pair
- Locking in rates of future non-Sterling receipts provide greater predictability of cash receipts
- Gains/losses on the currency forward sale contracts offset gains/losses on non-Sterling asset revaluations mitigating NAV fluctuations as foreign exchange rates vary

How is the effectiveness of HICL's hedging measured?

- Net FX gains/losses, taking into account hedging gains/losses is measured as a percentage of NAV [1]
- Non-Sterling assets and FX hedging is disclosed semi-annually

Hedging as at 31 March 2017 compared to non-Sterling portfolio values:

	Value £m	FX hedge £m	%
Euro	256	193	75%
North America	191	150	79%
Australia	83	61	73%
Total	**530**	**404**	**76%**

HICL's Hedging Policy

- The Company's current hedging policy limits the volatility of NAV per share to no more than 1% for a 10% movement in foreign exchange rates (i.e. the value of Sterling vs. other currencies to which the Group is exposed in its portfolio)
- In light of the cost of purchasing foreign exchange hedges, the Board and the Investment Adviser are reviewing whether to move to policy that targets volatility of NAV per share of no more than 2% for a 10% movement in foreign exchange rates
- The focus of the Board and the Investment Adviser is on cost benefit analysis such that any change continues to provide strong mitigation against FX risk in the portfolio, while managing hedging costs

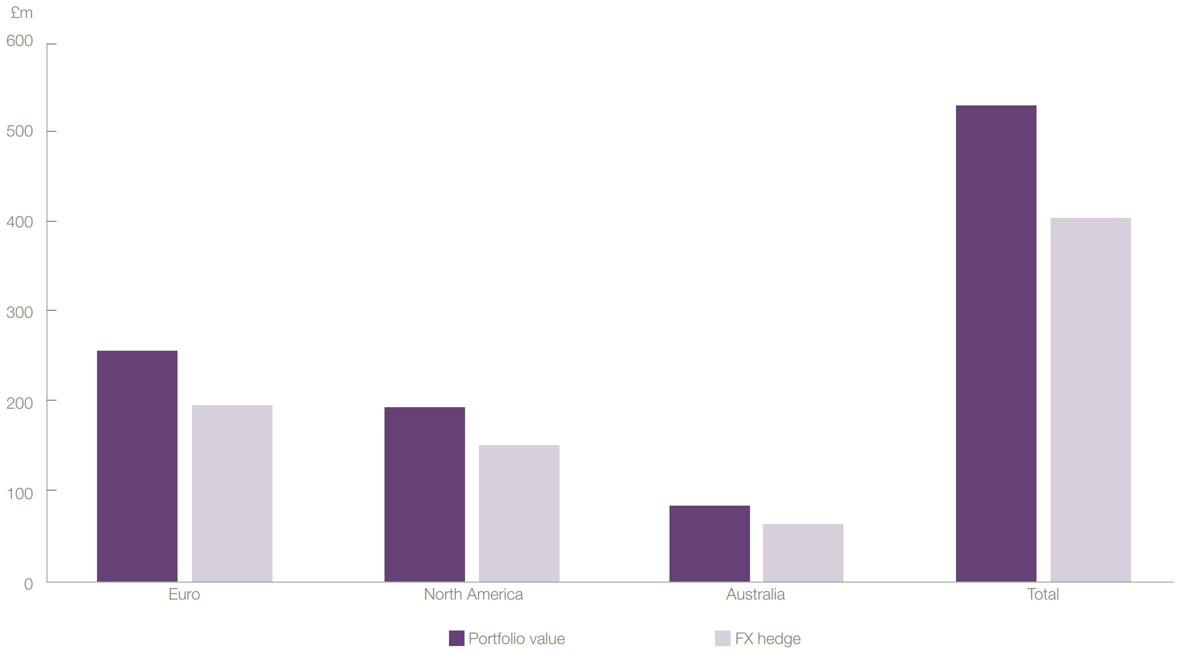
[1] Reported as a Key Quality Indicator – see Section 2.6 (Key Performance and Quality Indicators).

<0.1% [2]

FX gain/loss as percentage of the NAV for year ending March 2017

[2] Year ending March 2016: 0.3%

FX hedges vs Non-Sterling assets



3.4 Investment Portfolio
as at 31 March 2017

Education 20%

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

Health 35%

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

Fire, Law and Order 7%

Addiewell Prison	Gloucester Fire & Rescue	Northern European Project	Tyne & Wear Fire Stations
Dorset Fire & Rescue	Greater Manchester Police Stations	Royal Canadian Mounted Police HQ	Zaanstad Prison
Durham & Cleveland Firearms Training Centre	Medway Police	South East London Police Stations	
Exeter Crown and County Court	Metropolitan Police Training Centre	Sussex Custodial Centre	

Transport 22%

A9 Road	A249 Road	M1-A1 Road	NW Anthony Henday P3
A13 Road Senior Bonds	Connect PFI	M80 Motorway DBFO	RD901 Road
A63 Motorway	Dutch High Speed Rail Link	N17/N18 Road	
A92 Road	Kicking Horse Canyon P3	Northwest Parkway	

Accommodation 12%

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

Water 4%

AquaSure Desalination Plant

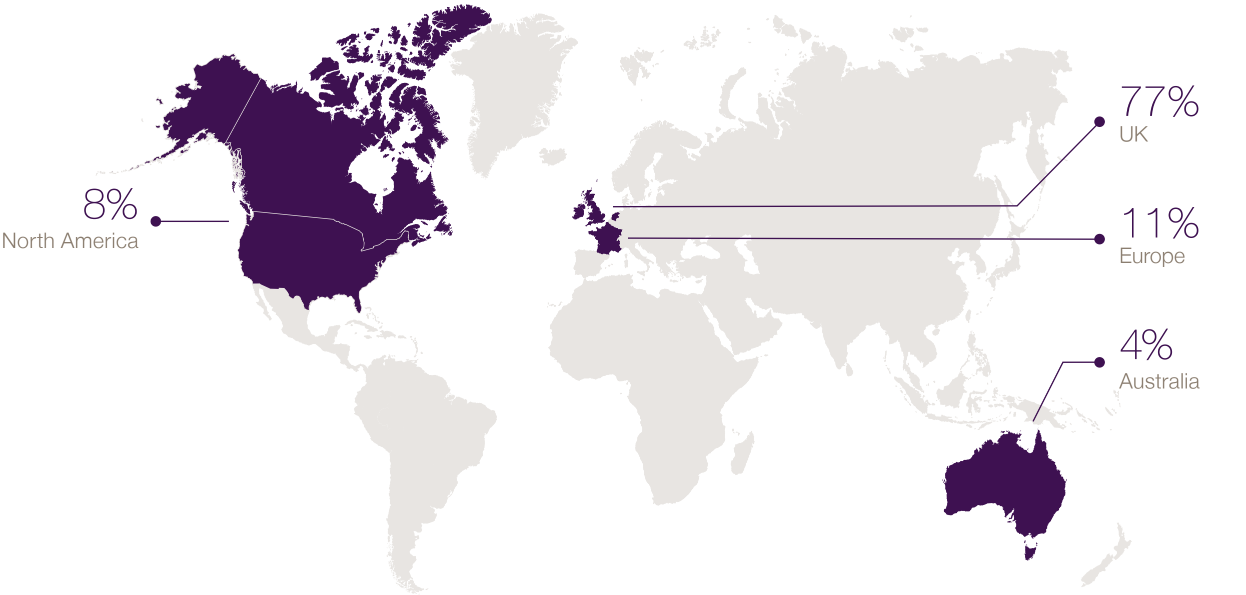
Key

▲ New investment since 31 March 2016

▲ Incremental stake acquired since 31 March 2016

3.5 Portfolio Analysis
as at 31 March 2017

GEOGRAPHIC LOCATION (2017)



PREVIOUS YEAR (2016)

UK	84%
EU	10%
Australia	3%
North America	3%

MARKET SEGMENT

This year (2017)

Previous year (2016)

	2017	2016
▲ PPP projects	88%	95%
▲ Demand-based assets	12%	5%

OWNERSHIP STAKE

This year (2017)

Previous year (2016)

	2017	2016
▲ 100% ownership	33%	38%
▲ 50%-100% ownership	32%	35%
▲ Less than 50% ownership	35%	27%

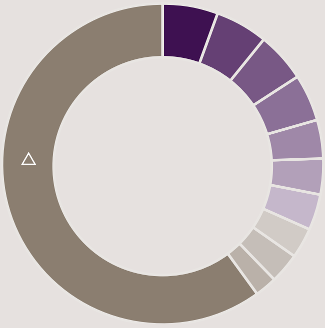
INVESTMENT STATUS

This year (2017)

Previous year (2016)

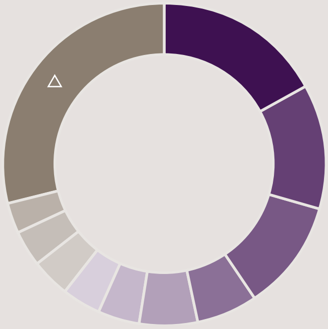
	2017	2016
▲ Fully operational	98%	99%
▲ Construction	2%	1%

TEN LARGEST INVESTMENTS (2017)



1. Northwest Parkway	6%
2. Southmead Hospital	5%
3. Home Office	5%
4. Pinderfields & Pontefract Hospitals	5%
5. A63 Motorway	4%
6. AquaSure	4%
7. Dutch High Speed Rail Link	3%
8. Queen Alexandra Hospital	3%
9. Allenby & Connaught	3%
10. A13 Senior Bonds	2%
▲ Remaining Investments	60%

FM COUNTERPARTY (2017)



1. Carillion	17%
2. Engie (Cofely)	12%
3. Bouygues	11%
4. Mitie	6%
5. SPV self-performed	6%
6. Fluor	4%
7. Sodexo	4%
8. Colas	4%
9. Suez Environ.	4%
10. KBR	3%
▲ Other contractors	29%

DEBT TENOR

This year (2017)

Previous year (2016)

	2017	2016
▲ Less than 10 years	7%	9%
▲ 10-20 years	48%	45%
▲ 20-30 years	45%	46%

CONCESSION LENGTH REMAINING

This year (2017)

Previous year (2016)

	2017	2016
▲ Less than 10 years	3%	3%
▲ 10-20 years	39%	36%
▲ 20-30 years	48%	53%
▲ Greater than 30 years	10%	8%

3.6 Risk & Risk Management

The Company has put a risk management framework in place covering all aspects of the Group's business, including the formation of a Risk Committee. The Risk Committee, which reports its findings to the Board, is tasked with the identification, assessment and management of risk for the Group.

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

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

The Board's Management Engagement Committee reviews the performance of the Investment Adviser (as well as all key service providers) at least annually and this review includes a consideration of the Investment Adviser's internal controls and their effectiveness. No issues were identified in the latest review. The Investment Adviser's risk and compliance team has developed a detailed self-assessment internal control report, and this is reviewed and debated on a quarterly basis by the Board.

The Directors set out the principal risks relating to the Group's portfolio and to shareholdings in the Company in the Company's February 2017 Prospectus, which is available from the Company's website.

The principal risks, which remained substantially unchanged during the year, and their possible mitigants are summarised below in seven Primary Risk Classes which the Risk Committee reviews each quarter. The Dashboard below shows the results of the stress testing for each Risk Class, being Inherent (before any mitigation at all and this can include poor contractual structures), and Residual (after risk mitigations, as described in the tables which follow).

HICL Risk Dashboard: Position at 31 March 2017

Primary Risk Class		Residual Risk Rating	Valuation Impact (Nav/share) Residual vs Inherent	12 mths Cash flow Impact (Dividend/share) Residual vs Inherent
01	Political risk	Medium		
02	Financial/market risk	Low		
03	Portfolio performance risk	Low		
04	Operational risk – execution	Low		
05	Operational risk – portfolio, administration, asset management	Very Low		
06	HICL central management risk	Very Low		
07	Operational risk – regulation and compliance	Very Low		

01 Political Risk

Risk Description	Risk Mitigation
ACQUISITION PIPELINE Investor appetite for infrastructure assets remains at an all-time high. As a consequence, the sourcing of new investments for the Group is increasingly difficult given the levels of competitive demand.	The Board is confident that the Investment Adviser, via its network of established relationships, is able to continue enjoying access to opportunities both in UK and abroad. In any event, a failure to make further investments would not impact the performance and returns from the existing portfolio.
CHANGE IN POLICY A change in policy or sentiment towards private financing is likely to affect the levels of procurement of new privately-financed infrastructure projects. This would in due course impact the availability of new transactions in the secondary market in which the Company is most active. More unlikely, but not impossible, would be a PPP client reneging on the terms of an existing project agreement and failing to make the contracted availability-based payments. Although the Company would mount a legal challenge, the legal processes and means for redress would involve expending time and money. This would impact the value of the Group's investment portfolio and affect the Company's ability to meet its target distributions.	Studies show that the need for new infrastructure and the repair of existing is a huge spend requirement globally, requiring sums of money that governments will find it difficult to raise. It is therefore likely that private sector capital will continue to be used to fund infrastructure investment and that there will continue to be suitable projects for the Group to invest in. Each of the Group's PPP projects and concessions is structured with a legally binding contract. Most social and transportation infrastructure concessions provide some or total protection, through their contractual structures, in relation to changes in legislation which affect either the project asset or the way the services are provided. Finally, such a development would have wide-ranging, adverse implications for all private sector investors and supply chain stakeholders and therefore acts as a natural deterrent against such an approach.
INDIRECT LEGAL OR REGULATORY CHANGES Various legal and regulatory changes may adversely impact the Group and the portfolio companies in which the Group invests. This could take the form of legislation impacting the supply chain or contractual costs or obligations to which portfolio companies (and therefore the equity investor) are exposed.	The Company, the Investment Adviser and their advisers continually monitor any potential or actual changes to regulations to ensure both the Group and its service providers remain compliant. Where appropriate, the Investment Adviser will participate in consultation processes, to ensure that the legislature hears the concerns and views of the Company, in its capacity as a private sector investor.
CORPORATE TAX RATES Reductions in corporation tax rates have positively impacted the portfolio's valuation; however, there is no assurance that the lower rates will remain in place in the future. Subsequent changes in policy might lead to an increase in corporate tax rates and a corresponding reduction in the portfolio's value.	Changes in corporation tax rates cannot be prevented or mitigated. The Company aims to be realistic in its tax rate assumptions. Investors are provided with an illustration of the portfolio's sensitivity to changes in tax rates in Section 3.2 (Valuation of the Portfolio).

3.6 Risk & Risk Management

Continued

01 Political Risk (Continued)

Risk Description	Risk Mitigation
CROSS-BORDER TAX TREATMENT The tax treatment of income received by the Group may be adversely impacted from a change in cross-border tax rules.	Relevant tax rules are monitored for any potentially adverse changes to the Group. Ultimately, the Company could choose to move its domicile to the UK, should this be a sensible course of action. Equally the Group can sell overseas investments to local investors if this is a better financial outcome.
BASE EROSION AND PROFIT SHIFTING ("BEPS") Now the OECD has published its final reports concerning its initiative to address BEPS, countries are now implementing the recommendations if their current policies are not in line with those recommendations. Any changes could have a material impact on tax liabilities, in particular the deductibility of interest costs of debt used to finance projects. This action would lead to a material impact on the Group's future cash flows and therefore the portfolio's valuation.	The Board and the Investment Adviser have monitored the developments in countries who are members of the OECD and where the Group holds investments. Based on published information by countries on their plans, it is currently anticipated that the impact of BEPS on the Group from changing tax policies will be negligible.

02 Financial and Market Risks

Risk Description	Risk Mitigation
INFLATION Revenues received by portfolio companies typically have partial or full inflation-linkage. Similarly, the outflows such as the operating, lifecycle and debt-capital costs are generally inflation-linked or fixed throughout the life of the project. The consequence is that the investment returns from a portfolio company normally have positive inflation correlation. However, if there were to be an environment of falling inflation, such that RPI/CPI was below the Company's current assumptions on average for the remainder of the assumed assets' lives, or there were periods of deflation, the valuation of the portfolio would be adversely impacted and, in a period of sustained deflation, projects could suffer defaults under their loan arrangements.	Whilst inflation indices are currently low in countries in which the Group has investments, the Board and Investment Adviser believe the Group's long-term assumptions for inflation remain reasonable. The Company publishes an analysis of the portfolio's sensitivity to inflation in Section 3.2 (Valuation of the Portfolio).

02 Financial and Market Risks (Continued)

Risk Description	Risk Mitigation
DISCOUNT AND INTEREST RATES A discounted cash flow methodology is used to value the majority of the Group's investments. The appropriateness of the selected discount rate for each project is key to deriving a fair and reasonable valuation for the portfolio. The rate is established by reference to knowledge of transactions involving similar investments in the market and this is corroborated by considering the yield on long-dated government bonds plus an adequate risk premium (to reflect the additional risk). All else being equal, an increase in the yield on long-dated government bonds would imply an increase to the discount rate (because of its reference back to the risk-free rate, as described above). The impact of a higher discount rate would be a reduction in the net present value of the portfolio.	The key mitigant to an increase in discount rates (implied by an increase in interest rates) is that it is unlikely the two variables will move independently of each other. Interest rates and inflation are also correlated over the long term, and they exhibit a positive relationship. Therefore, an increase in interest rates over the long term is likely to result in both a higher discount rate and a higher inflation rate – factors which materially offset one another in the portfolio valuation calculation. Further, an interest rate increase would have a positive impact on deposits held on account by portfolio companies, thereby mitigating the impact of a discount rate hike on the portfolio value. Section 3.2 (Valuation of the Portfolio) provides some analysis of the impact of the portfolio's sensitivity to these variables. Finally, aside from the correlation discussed above, in the present environment, the rate on long-dated Government bonds is at historically low levels. However, the level of the discount rate applied by market participants for valuing secondary infrastructure investments (such as those held in the portfolio) has remained remarkably robust in recent years. The implication is that the risk premium for the asset class is relatively high. It may therefore support a downward trend to its long-term mean should the long-dated Government bonds rise, without impacting the overall discount rate.
REVOLVING CREDIT FACILITY The Company benefits from the use of a revolving credit facility ("RCF"), so as to avoid holding material amounts of uninvested cash in excess of that required to meet outstanding equity commitments for existing investments or to fund potential acquisitions in the near term. New equity issuance is used from time-to-time to raise capital which can then be used to pay down the facility. The Company is therefore subject to interest rate risk in respect of the RCF commitments.	To manage interest rate risk, the Group may use interest rate swaps to hedge drawings under the Group's debt facility, depending on the how long the debt is likely to be drawn.
PROJECT FINANCING AND CASH DEPOSITS Each project is typically financed with amortising long-term debt. A requirement of this debt funding is that sufficient cash deposits are maintained to support the repayments to the senior lenders. In addition, cash reserves are held in segregated bank accounts to meet contingent liabilities and the anticipated expenditure that falls to the project company (e.g. lifecycle costs). The deposits are generally held in short-term interest-bearing accounts. A fall in interest rates below the level assumed in the portfolio valuation model would reduce the anticipated cash flow to the Company and therefore its net asset value.	Adverse interest rate movements cannot be prevented or fully mitigated. The Company aims to be realistic in its interest rate assumptions, thereby ensuring that cash deposits are appropriately accounted for in the portfolio valuation exercise. Investors are provided with an illustration of the portfolio's sensitivity to interest rate movements in Section 3.2 (Valuation of the Portfolio). Debt financing for projects have fixed-rate or inflation-linked interest rate hedges in place on their borrowings for the full term to minimise interest rate volatility.

3.6 Risk & Risk Management

Continued

02 Financial and Market Risks (Continued)

Risk Description	Risk Mitigation
FOREIGN EXCHANGE As the Company owns a number of investments in jurisdictions outside the UK, where the income generated by the investment is denominated in a foreign currency, the investment return is received in a currency other than Sterling.	To mitigate the foreign exchange risk, the Group has used a combination of balance sheet hedging, and hedging prospective income on a short-term basis through outright forward currency sales.

03 Portfolio Performance Risks

Risk Description	Risk Mitigation
OPERATIONAL ISSUES Poor operational performance, the failure to meet the prescribed contractual service standards, or the appearance of latent construction defects, will reduce the income of the portfolio company concerned. In addition to the financial cost of these reductions, there is the potential for an adverse reputational impact to the private sector consortium (including the Company) from any material operational issues.	Operational issues can be caused by a number of factors, the most likely of which is the underperformance of a service delivery partner. The Investment Adviser's Asset Management team plays a pro-active oversight role, to ensure any trends in performance are picked up early and, if necessary, corrected accordingly. When problems do arise, the relevant Asset Manager will work on the corrective steps and relevant actions in order to preserve good working relations with the client and thereby minimise any potential reputational damage. Any payment deductions for periods of unavailability or poor service delivery are typically contractually passed down to the sub-contractor who is at fault. In a severe case, the project company can terminate a sub-contractor who fails to perform and either self-manage the services or tender for a new service provider. The cost of this action would, where possible, also be recovered from the previous supplier.
STRINGENT CONTRACTUAL INTERPRETATION In the UK, certain public sector PPP clients are applying some stringent interpretation of contract terms, leading to material availability-based payment deductions for the related projects. These deductions are often disputed, requiring time and money to achieve a resolution through processes which can leave the value of the investment impaired.	The Investment Adviser does not currently believe this risk to be widespread. The Group's investment assumption remains that contracts are both fair and balanced in protecting the interests of the respective parties. Furthermore, a continuation of the policy is unlikely as it would adversely affect investors' appetite to make future commitments to infrastructure assets, thereby impacting the public sector's ability to raise private financing for necessary new projects.

03 Portfolio Performance Risks **(Continued)**

Risk Description	Risk Mitigation
TERMINATION The public sector client is entitled to terminate a PPP contract voluntarily or for default (typically due to serious operational performance issues or a serious breach of contract), sometimes without compensation. Where compensation is payable, it may be lower than the market (carrying) value of the Group's equity interest of the investment.	This risk is not considered to be high due, in part, to the requirement for the public sector client to fund these termination costs, which include the cost of repaying the debt secured to finance the project. In the case of performance, the Investment Adviser is actively monitoring performance and seeking to deal with issues before they become major concerns. Clearly voluntary termination will be driven by clients, their available capital and their operational requirements. For the large majority of the Group's investments it would be entitled to be compensated at market value if a project is terminated voluntarily, thus mitigating the potential financial impact of this risk.
COUNTERPARTY RISK The PPP project companies in which the Group invests sub-contract the provision of the services to specialist providers (construction and facilities management companies). The failure of a supply chain provider would negatively impact the project company's ability to fulfil its contractual obligations with the client. Availability-based payment deductions would be made which would impact the Company's cash flow and therefore the valuation of the Group's portfolio.	As one of its key objectives the Company provides investors with access to a balanced, diversified portfolio of investments (in terms of clients, funders and supply-chain contractors), thereby mitigating concentration risk and the impact of the default / non-performance by any single counterparty. In addition, counterparty credit risk is considered at regular intervals by the Investment Adviser's internal credit risk team.
CLIENTS If a project company's client has financial difficulties and is unable to meet its obligations to pay the availability-based payment under a concession agreement, this could have a material impact on that project's cash flows.	The impact of any single client default to the overall Group is considered small, as the Group has low concentration risk associated with any individual client.
OPERATIONAL COSTS The budget, and therefore the risk, of certain key operational costs associated with a project lies with the project company. Generally these relate to the Management Services Agreement ("MSA") contract, the lifecycle costs and the insurance premium. There is a risk that the budget could prove to be insufficient.	As part of the due diligence process at the time of acquisition, all operating budgets are reviewed to determine if they are adequate. In the case of insurance, there is often some protection through contractual premium risk-sharing agreements with the project company's client. The adequacy of lifecycle budgets are regularly assessed where the risk sits with the project companies. The portfolio's valuation sensitivity to lifecycle costs, is set out in Section 3.2 (Valuation of the Portfolio).

3.6 Risk & Risk Management

Continued

03 Portfolio Performance Risks (Continued)

Risk Description	Risk Mitigation
CYBER ATTACK A cyber attack could affect the IT systems of the Group, the Investment Adviser, its other service providers or a portfolio company, causing theft or loss of data, or damage to a building's control systems and equipment. This would have negative legal, operational and reputational repercussions.	Whilst the Group has no IT systems, it relies on those of its services providers. The Investment Adviser has IT systems designed to withstand a cyber attack and these systems have been subject to successful annual tests by a specialist third party. Portfolio companies tend not to have their own IT systems and rely on their subcontractors and management companies. Data is normally backed up and the risk, should data be corrupted or stolen, is considered low. The Company has developed a cyber risk policy which is being disseminated to each portfolio company to ensure this matter is receiving appropriate attention by each portfolio company board. The Group has assessed the risk of a cyber attack on the building management systems within the buildings managed by the Group's project companies. From sampling work undertaken, it is considered this risk is low, as few systems are connected to the internet.

04 Operational Risks – Execution

Risk Description	Risk Mitigation
INADEQUATE DUE DILIGENCE Poor or inadequate due diligence can mean an investment is purchased and then the performance does not proceed in line with the assumed business plan due to matters arising which were not spotted during the acquisition due diligence.	The Investment Adviser's Origination team has a depth of experience in buying and selling infrastructure assets and has developed a thorough checklist approach to the due diligence phase. The Investment Adviser is supported by specialist advisers (e.g. lawyers, technical consultants, and tax advisers) who are retained to carry out specific due diligence on potential acquisitions to minimise transaction risk.
BREACH OF POLICIES New acquisitions cause the Company to breach its Investment Policy, its banking covenants, or other internal control policies set by the Board from time to time.	This risk is considered extremely low due to the Investment Adviser's detailed internal sign off procedures involving a team independent of the acquisition reviewing against all policies and procedures.

05 Operational Risks – Portfolio Administration, Asset Management

Risk Description	Risk Mitigation
ASSET AND PORTFOLIO MANAGEMENT AND TRANSACTION EXECUTION The Company is heavily reliant upon the Investment Adviser to implement the strategies and, as a result, deliver its objectives. The Investment Adviser's team is responsible for asset management, value enhancement and investment selection and pricing disciplines. A performance deterioration of any of these functions would have a material impact on the Company's performance.	The Investment Adviser has a track record of investing and managing infrastructure investments over a period of more than 20 years. It has developed a depth of resource and knowledge in the asset class, as well as appropriate and detailed sets of policies, procedures, compliance systems, and risk controls. The Investment Adviser's team benefits from a group of individuals possessing relevant qualifications, relationships and experience for their roles. The Board is satisfied that there is sufficient depth of expertise within the Investment Adviser's team for the Group not to be reliant on any single 'key man'.
VALUATION SENSITIVITIES AND FINANCIAL MODELLING The sensitivity analysis does not show a comprehensive picture of all potential scenarios. Further, variables do not tend to move in isolation, and the analysis does not show the potentially infinite number of permutations, and resultant impacts, that might arise in reality as a consequence. Financial models, either for the Group or the underlying project companies, may contain errors, or incorrect inputs, resulting in inaccurate outputs. These could adversely impact the assessment of the Company's financial position.	Sensitivity analysis is a tool with limitations; it seeks to illustrate to investors the impact that certain key variables have on the portfolio's valuation. It cannot provide a comprehensive assessment of all of the risks and should be treated accordingly. Financial models are managed by an experienced team who are adept at managing them in a manner that seeks to minimise the introduction of errors.

06 HICL Central Management Risk

Risk Description	Risk Mitigation
LOSS OF KEY PERSONNEL The Company relies on the Board of Directors and key service providers, including the Investment Adviser, to manage the Group. Over-reliance on a key individual, the loss of whom could lead to gaps in the 'corporate knowledge'.	The Board is comfortable that it is not overly reliant on any one director. Similarly, it is comfortable that the teams in all its key service providers, including the Investment Adviser, have a suitable breadth and depth of resources such that if any one individual were to depart, the services can continue to be provided to the required standards by the remaining team members.
FAILURE OF SERVICE PROVIDER The Group has no employees and relies on service providers in Guernsey, Luxembourg and the UK to provide management services, the most important of which is the Investment Adviser. Failure of any one service provider would lead to potential operating issues and a possible value impairment.	The Management Engagement Committee reviews the performance of all key service providers annually. Poor performance issues are communicated promptly back to the relevant service provider and, to date, this has had the necessary effect. When necessary, changes are made, an example being the move of Guernsey Administrator to Aztec Financial Services (Guernsey) Limited in 2016.

3.6 Risk & Risk Management

Continued

06 HICL Central Management Risk (Continued)

Risk Description	Risk Mitigation
POOR CONTROL SYSTEMS Poor control systems of either the Group or a service provider lead to a loss for the Group.	Detailed operating procedures have been developed and adopted by the Group. These are regularly reviewed including reviews by the compliance team of the Investment Adviser. Service providers also have the own control systems which are reviewed as and when required. Changes to controls are implemented in light of industry experience and changing policies and regulation.

07 Operational Risks – Regulation and Compliance

Risk Description	Risk Mitigation
BREACH OF REGULATIONS The Group's activities breach regulations in the jurisdictions in which it operates.	When entering new jurisdictions for the first time, specialist technical and legal advice is taken. Once investments are made, the Investment Adviser seeks to remain abreast in changes of regulations and laws to ensure companies in which the Group invests remains compliant.

Viability Statement

The AIC Code of Corporate Governance requires the Directors to make a statement in the Annual Report with regard to the viability of the Company, including explaining how they have assessed the prospects of the Company, the period of time for which they have made the assessment and why they consider that period to be appropriate.

The Directors have assessed the viability of the Company over a five-year period to March 2022. In making this statement the Directors have considered the resilience of the Company, taking account of its current position, the principal risks facing the business, in severe but plausible downside scenarios, and the effectiveness of any mitigating actions.

The Directors have determined that the five-year period to March 2022 is an appropriate period over which to assess the viability of the Company for the purposes of this statement as this period accords with the Company's business planning exercises, is appropriate for the investments owned by the Group and is consistent with the long-term objective of the Company.

The Company, as is common for an investment company, has a low level of expenses relative to forecast receipts from its portfolio investments. The portfolio consists of project companies whose underlying assets are predominantly fully constructed and operating PPP or similar projects with public sector counterparties in jurisdictions with established and proven legal systems. As a result the Company benefits from predictable long-term contracted cash flows and a set of principal risks (as summarised above) can be identified and assessed. The projects are each financed on a non-recourse basis to the Company and supported by detailed financial models. The Directors believe that the non-recourse financing and diversification within the portfolio of projects helps to withstand and mitigate for the risks it is most likely to meet.

The Investment Adviser prepares, and the Directors review, summary five year cash flow projections each year as part of business planning and dividend approval processes. The projections consider cash balances, key covenants and limits, dividend cover, investment policy compliance and other key financial indicators over the period. Sensitivity analysis considers the potential impact of the Group's principal risks (summarised above) actually occurring (individually, and together). These projections are based on the Investment Adviser's expectations of future asset performance, income and costs and are consistent with the methodology applied to provide the valuation of the investments.

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2022, on the assumption that there is sufficient liquidity in the debt market to allow the Company to refinance or repay obligations becoming due under the Group's revolving debt facility and that its investments are not materially affected by retrospective changes to government policy, laws or regulations.

3.7 Risk Committee Report

I took over as chairman of the Risk Committee on 1 April 2017 from Susie Farnon, who chaired the Committee in the financial year. It operates within clearly defined terms of reference (available on the Company's website). It comprises all the Directors and it met four times in the year, coinciding with the quarterly Board meetings.

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

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

Simon Holden
Risk Committee Chairman
23 May 2017

Main Duties and General Approach
The main duties of the Risk Committee are:

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

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

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

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

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

Significant Activities in the Year

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

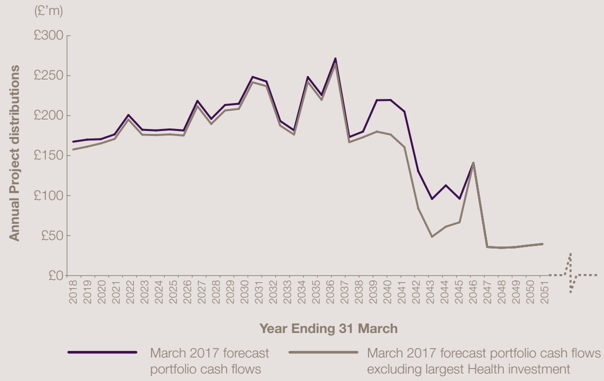
During the year, the Committee and subsequently the Board considered two new potential investments, as whilst they were inside the Company's Investment Policy they fell outside the agreed ADP limits in place at that time. This helps to give an appropriate balance between management and delegation.

As noted in last year's report, an external consultant was engaged to consider current procedures and recommend best practices that the Committee could adopt. This year has been a transition, moving away from considering risk (via risk matrix) and stress scenarios independently, to a combined reporting tool.

Whilst maintaining the various risk management frameworks, the Committee is now focused on seven risk class summaries, with combined stress scenario impacts, both pre and post mitigation. This is more fully set out in the Section 3.6 (Risk & Risk Management). The Committee has spent the year on bedding in the new reporting tool, with special 'deep-dives' to fully debate certain risk classes and mitigation measures in place.

The ongoing programme of various potential stress scenarios for the Company, and the related analyses, was presented to the Committee via the new reporting tool. This programme was also refreshed and enhanced, with combined stress scenarios being evaluated and the results debated.

Stress test scenario – impact of forecast portfolio cash flows with largest PPP investment excluded



The Committee continued to track the impact the BEPS project could have on the Group's future cash flows, noting how different governments planned to implement the recommendations and updating the Board and shareholders as matters developed.

A routine agenda item in the year is the project and risk review. The content included, inter alia, an analysis of counterparty exposure and portfolio concentration, a summary of pertinent fund matters and the Company's financial risk management policies and status, together with commentary on specific project issues warranting discussion with the Board.

As part of improving controls at project companies in which the Group invests, a programme of helping them make sure they had an acceptable control environment in place has continued, to help impart best practices and lessons learnt.

The risks arising from cyber attacks have been regularly discussed during the year. The focus of the cyber threat analysis covered the project companies in which the Group invests and the buildings (such as schools and hospitals) they own or manage. Advances in technology now mean building control systems (covering heating, lighting and ventilation) may be connected to the internet to allow remote access by engineers. When connected pose an opportunity to hackers to gain access to these systems and create material disruption. Further testing in the year by a third party expert has given comfort that those sites visited and tested were acceptably protected, with only a limited number of recommendations and actions.

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

Croydon School, UK

04 Responsible Investment / Environmental, Social & Governance Considerations

Delivering Real Value.

4.1 Overview

Context

The Company via the Group, holds a portfolio of infrastructure investments. It manages the portfolio with the objective of delivering long-term, stable income for shareholders. The Group's investments typically consist of equity interests (or other risk capital) in portfolio companies which provide services to their clients or sub-contract the provision of these services to specialist construction and/or facilities management companies.

In managing the Company and its Corporate Subsidiaries, the Directors have ensured that procedures and policies have been put in place and that service providers, including the Investment Adviser, manage the Group effectively and responsibly with respect to all the Group's stakeholders.

Principles for Responsible Investment

The Investment Adviser recognises that Responsible Investment ("RI") and Environmental, Social and Governance ("ESG") are fundamental to sustainable, responsible business operations and to that end it has chosen to be a signatory to the Principles for Responsible Investment ("PRI"), formerly known as the United Nations Principles for Responsible Investment. The PRI are widely recognised and regarded around the world and it's six principles can be summarised as follows:

- to incorporate RI/ESG checks into investment analysis and decision-making;
- to be active owners and incorporate RI/ESG controls into ownership policies and practices;
- to seek appropriate disclosures on RI/ESG issues by the entities in which the investments are made;
- to promote acceptance and implementation of the Principles within the investment industry;
- to work together to enhance effectiveness in implementing the Principles; and
- to report on activities and progress towards implementing the Principles.

The Investment Adviser has incorporated the Principles within its business where relevant. As a shareholder in each investment, the Group has been able to request that each portfolio company report against the Group's approved RI/ESG policies. RI/ESG is discussed at each HICL Board meeting and the Group monitors RI/ESG activity across its portfolio.

4.2 Responsible Investment / Environmental, Social & Governance Considerations

Implementing RI/ESG policies

- The Group has active oversight of the underlying investments. In almost all cases, it is entitled to appoint at least one director to the Board of each portfolio company and Board meetings are not quorate without the Group's nominated director being present.
- For alignment of interests and transparency, all directors' fees paid by the portfolio companies are for the benefit of the Group, and not the Investment Adviser.
- Portfolio company Boards typically meet at least quarterly to review performance. It is normal that RI/ESG is tabled on Board agendas and issues including anti-bribery and health and safety are reported via the Board packs.
- As part of its RI/ESG annual review, the Investment Adviser seeks to ensure that each portfolio company has appropriate RI/ESG policies in place and that these are observed in the delivery of the services.
- The Investment Adviser has developed 26 Key Performance Indicators to measure RI/ESG for 2016 and evaluated questionnaire responses against these. 95% of portfolio companies responded to the questionnaire and were ranked. Rankings are assessed on a star system ranging from one star to five stars. In 2016 over 65% of the Group's projects were awarded four and five star ratings.
- The Investment Adviser has an RI/ESG policy and guidelines which have been adopted by the majority of the portfolio companies in order to enhance RI/ESG performance and improve monitoring on project-level activities. Over the year, this has been rolled out via a workshop programme, with specific teach-in guidance relevant to the needs of the portfolio companies. The Investment Adviser has an RI/ESG steering committee to promote RI/ESG activities at the Investment Adviser level, with the intention of ensuring best practice is widely adopted.

Health and Safety

The Health and Safety performance of each investment is monitored and each year a number of Health and Safety audits are carried out by external Health and Safety consultants to ensure appropriate procedures and policies are in place and being adhered to.

Information on Health and Safety is reported to the Board on a quarterly basis via the Risk Committee. On a typical routine reporting basis, this takes the form of a 'RIDDOR' report, which relates to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and the duties it imposes. If incidents occur, follow-up actions are taken to learn any lessons and when appropriate, this is disseminated to portfolio companies to ensure maximum benefit.

4.3 Review of the Year

The Investment Adviser has reviewed its performance and the performance of the Group's service providers over the last 12 months and can confirm compliance with the Company's RI/ESG policies. On the basis of the Investment Adviser's recommendations, the Directors have considered the existing RI/ESG policies as good relative to industry practices, as supported by the Investment Adviser's 2016 A+ rating for Infrastructure assessed by PRI.

Environmental

Many of the Group's portfolio companies have undertaken initiatives to reduce water and energy consumption. The Home Office (see Case Study 4.4) has been exemplary, reducing energy and water consumption by 25% in 2016 via such measures as installing LED lighting systems, motion-detecting light switches, introducing demand-controlled ventilation to the main office ventilation plant on the roof, rooftop solar panels and installing water meters to monitor water consumption.

Such initiatives can also be seen across the portfolio. For example, at Central Middlesex Hospital, through the installation of dimmable motion-activated stairwell lighting, incorporating a fully modulating burner in a gas boiler and variable speed drives on large pumps, the aim is to avoid over 250 tonnes of CO_2 emissions per year. Many projects including Addiewell Prison, Cork School of Music, Blackburn Hospital, the Irish Grouped Schools, Glasgow Hospital and the Health and Safety Laboratory have installed energy-efficient LED lightbulbs. More assets are starting to monitor their water usage as well as energy, for example, Conwy Schools, Bangor Schools, Central Manchester Hospital, Falkirk Schools, Fife Schools and Cork School of Music. Projects including Kent Schools and Hinchingbrooke Hospital are installing lavatories with dual flush features to decrease water wastage.

Ecological considerations have been an important theme this year, especially among the Group's transport projects. Initiatives include the construction of animal underpasses on the A92 and A249. During the construction of the RD901 there was the potential for the natural habitat of the local bat population to be disturbed. The contractor, supported by its engineering consultant, decided to install an overhanging line designed to guide the bats across the construction site. In addition, the population of bats was regularly monitored. The line will be maintained until trees are replanted later this year. Monitoring shows that the bat population has been maintained. The project received an environmental award for this initiative from the IDRRIM (French Institute for Roads, Streets and Mobility Infrastructure).

Social

At hospitals, common social initiatives are to improve and optimise the building and grounds to make it as pleasant as possible for patients, visitors and staff. Examples across the Group's portfolio include planting gardens, installing artwork and small but appreciated considerations such as donating Christmas trees at Blackburn Hospital.

Often the Company's sub-contractors help young people develop employability skills. A good example of this is the apprenticeship schemes at the Royal School of Military Engineering (see Case Study 4.4). Both phases of Bradford Building Schools for the Future took part in Bradford's Make the Grade programme working with local business volunteers from the Bradford region to help raise the aspirations of children and help them navigate their future career paths. Initiatives included mentoring, workplace visits, careers panels and interview practice. Over 3,400 young people were supported by the programme in an area suffering from high unemployment. In the case of school projects, pupils often benefit from work experience programmes offered by the facilities management providers, examples include the Highland Schools, Kent Schools and Edinburgh Schools PPP2. Non-education projects often provide work experience programmes too but to children in the local community, as is the case at Hinchingbrooke Hospital, Central Middlesex Hospital and Oxford Nuffield Hospital.

Governance

On a Company level, the Board recognises the importance of a culture of corporate governance that meets the requirements of the UK Listing Authority as well as other regulatory bodies. However, a sense of corporate social responsibility is also reflected across the Company's whole operational structure down to project company level. The Investment Adviser endeavours to promote an appropriate ethos of stewardship, responsibility and accountability through interaction with key stakeholders and by appointing at least one director from its in-house Asset Management team to the Board of each project. With the Investment Adviser's influence and Board representation, the projects are able to benefit from its management expertise and key corporate governance initiatives.

The Investment Adviser is committed to working with all of its project company management teams to identify and adopt appropriate cyber security practices and procedures. There has been a concerted effort to recognise and manage potential cyber risks to protect the assets, and in doing so demonstrate good governance consistent with the Investment Adviser and the Company's broader RI/ESG commitments. During the year ended 31 March 2017, the Investment Adviser developed a Cyber Security Policy with recommendations for each portfolio company management team to ensure appropriate defence mechanisms are in place against potential cyber attacks.

With the enactment of the UK Bribery Act 2010 and the UK Modern Slavery Act 2015, the Investment Adviser has developed appropriate polices and ensures that these are adopted by the Company as well as portfolio companies in which the Group has invested.

4.4 Case Study: Responsible Investment in Action

Each individual project is responsible for developing environmental and social projects that match with the community needs of the client, the users and wider community that benefits from the project's facilities.

As a result there is a wide range of initiatives across the portfolio. The activities are promoted within a project by the Group's nominated director (typically a member of the Investment Adviser's Asset Management team) and the initiatives include not only activities delivered or sponsored directly by the project company, but also by the whole supply chain linked with the relevant project, and are often carried out in conjunction with the client.

Set out on the following pages are examples of assets carrying out activities that address Environmental, Social or Governance issues.

110,000

Approximately 110,000 pupils attend schools in the Group's portfolio

10m

Approximately 10 million patients treated per annum at hospitals in the Group's portfolio

Royal School Of Military Engineering, UK

4.4 Case Study: Responsible Investment in Action

Continued

THE ROYAL SCHOOL OF MILITARY ENGINEERING

The Royal School of Military Engineering is a PPP project in which the Group has an investment. It is a concession to finance, construct and operate the buildings and training areas in three UK location for the Royal Engineers on behalf of the UK Ministry of Defence.

1. Supporting the visit of HRH The Queen which was attended by local school children and facilities of the Royal Engineers and Civil Servants. The visit was part of a community engagement initiative and was attended by local school children and families of the Royal Engineers and Civil Servants.
2. Provided materials and worked alongside the Royal Engineers to construct art installations designed by artist Mark Humphries as part of the Remembrance Art Trail Project installed throughout Canary Wharf.
3. Created a programme to train apprentices selected from the local area in bricklaying and carpentry.
4. Managing the habitats of protected newts and other endangered species. This includes the construction of two dormice bridges to connect their habitat across a track.
5. Recycling of materials used in the training courses. For example, using cement alternatives allowing the reuse of bricks.
6. Moving from paper to mobile device-led training in the field to reduce wastage.
7. Installation of LED lighting to reduce energy usage.
8. Improving insulation to reduce energy usage, including by replacing roofs where necessary.
9. Use of drones to reduce the need to work at height and the requirement for machinery to support scaffolding.
10. Replacing electric lighting with solar sun pipes in certain buildings, introducing natural light into the facilities and reducing energy consumption.


1.


2.


3.


4.


5.


6.


7.


8.


9.


10.

THE HOME OFFICE

The Home Office Accommodation project is a 29 year concession commissioned by the UK Home Office to finance, construct, operate, and maintain a new headquarters building to replace its existing office accommodation with purpose-built serviced offices in Westminster, London.

1. The Government set a target to reduce energy consumption across the government estate by 25%. Methods employed to reduce energy consumption included the installation of LED lighting systems in the main office lighting, introducing demand controlled ventilation, installing 30kW of solar panels on the roof of one of the buildings and installing additional water meters so all water consumption is monitored.

   The image shows the Home Office's participation in the World Wildlife Fund Earth Hour where prominent buildings and monuments across the world switch their lights off to raise awareness about climate change and energy consumption.
2. Planting more plants to encourage insects and birds to the site.
3. Introducing compostable takeaway boxes for hot and cold food.
4. Installing bird boxes to help redress the problem of falling house sparrow numbers in the area.
5. Continued participation in public art provision in participation with the Government Art Collection.
6. Introducing new carbon neutral, fair trade vending machines.
7. Installation of flushing devices in over 300 toilets to encourage less water usage upon flushing. This has reduced water consumption by 30%.


1.


2.


3.


4.


5.


6.

7.

4.4 Case Study: Responsible Investment in Action

Continued

SOUTHMEAD HOSPITAL

Southmead Hospital PFI project is a 35 year concession to finance, construct, 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.

1. Automated Guided Vehicles have been introduced to move essential equipment around the building as a Health and Safety measure to reduce the need for heavy lifting and associated injuries amongst staff.
2. Many cycle racks have been installed to encourage sustainable travel to Southmead Hospital by staff and visitors.
3. The project has achieved a 25% reduction in water consumption through water efficiency savings, improved infrastructure and the inclusion of sustainable urban drainage. Sustainable drainage has been an important part of the design and maintenance of the project, with the aim to enhance water quality, minimise vulnerability to flooding and maximising access to green space and biodiversity onsite. The urban drainage system at Southmead won the NHS Sustainability Award in 2016.
4. Accessible artwork was a key feature incorporated into the design for the redevelopment to enhance the enjoy ability of the space for staff and hospital visitors.
5. A rooftop herb garden was installed. The culinary herbs will be used by the catering department and make up part of a healthy eating campaign. In addition, where possible free-range, locally sourced and organic foods are served.

1.

2.

3.

4.

5.

Southmead Hospital, UK

A249 Road, UK

05 Board & Governance

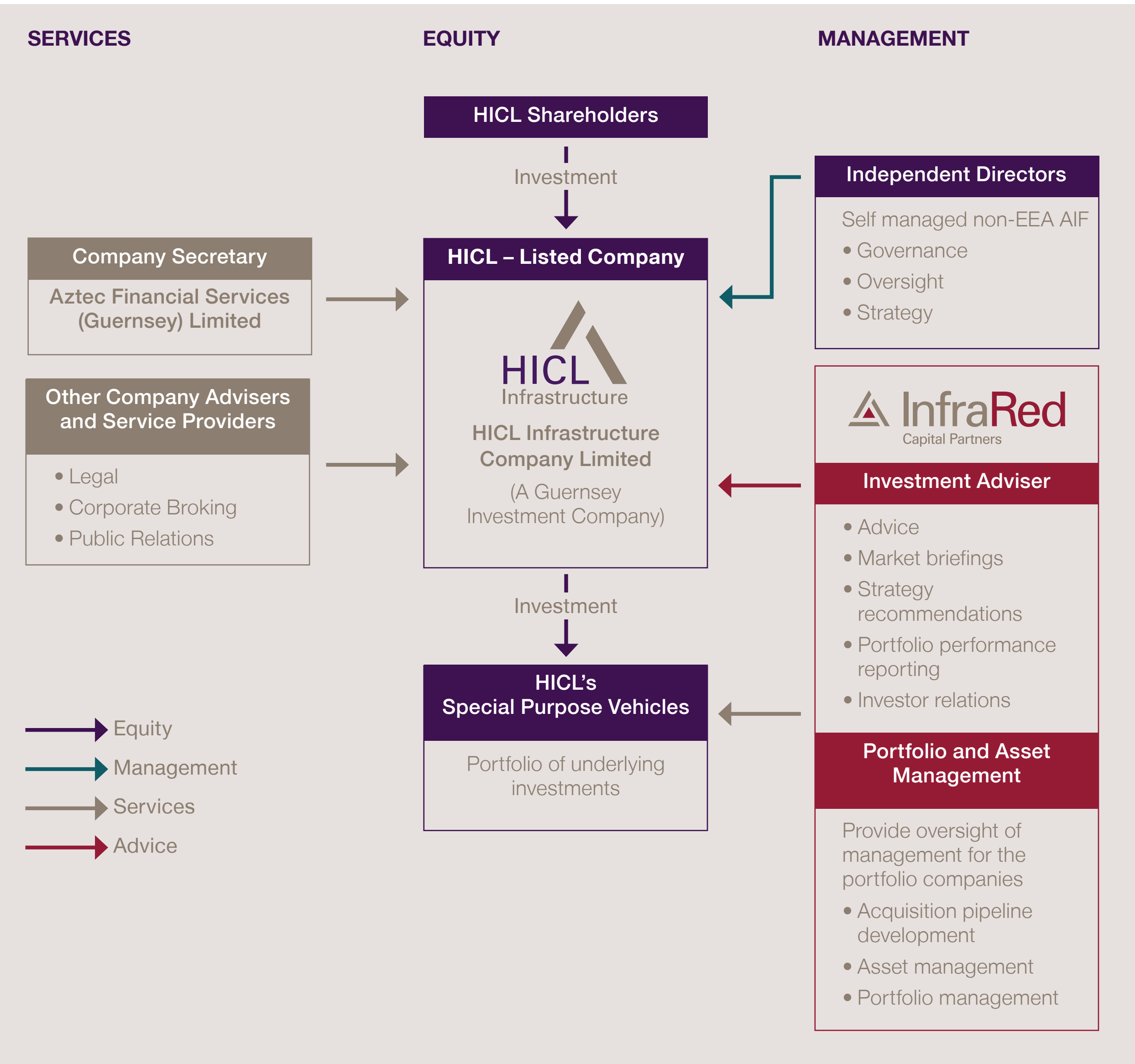
Delivering Real Value.

5.1 Operational Structure

The Company is a Guernsey-registered investment company with an independent Board of Directors. Its shares are listed on the London Stock Exchange. The Company is a self-managed non-EEA Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD").

At the year end, the Company owned indirectly a portfolio of 114 infrastructure investments. It is seeking to protect and enhance the value of the existing portfolio and to source appropriately-priced new investments using the expertise of its Investment Adviser, InfraRed Capital Partners Limited. The Company has a 31 March year end and announces its full year results in May and interim results in November. It also publishes two Quarterly Update Statements (formerly Interim Management Statements) each year, normally in February and July.

Organisational Structure



Group Structure

The Company makes its investments via the Corporate Subsidiaries, which comprise a group structure involving two Luxembourg-domiciled investment companies and an English limited partnership. The assets of the Company are therefore held indirectly through the Corporate Subsidiaries and any subsidiaries wholly owned by the general partner of the English limited partnership on behalf of the English limited partnership. InfraRed Capital Partners Limited acts as the Investment Adviser of the Company and as Operator of the Partnership.

The Group invests in infrastructure investments indirectly via the Corporate Subsidiaries:

- The Company invests in equity and debt of Luxco 1, a société à responsabilité limitée established in Luxembourg, which in turn invests in equity and debt of a similar entity, Luxco 2. Both of the Luxcos are wholly owned subsidiaries of the Company.
- Luxco 2 is the sole limited partner in the Partnership, an English limited partnership which has a special purpose vehicle, the General Partner, as its general partner. The General Partner is a wholly owned indirect subsidiary of InfraRed Partners LLP. The General Partner, on behalf of the Partnership, has appointed the Operator as operator of the Partnership. Luxco 2 invests the contributions it receives from Luxco 1 in capital contributions and partner loans to the Partnership, which acquires and holds the infrastructure investments.

The two Luxembourg entities (Luxco1 and Luxco2) have independent Boards, on which a Company director sits, and take advice on administration matters from RSM Tax & Accounting Luxembourg.

Aztec Financial Services (Guernsey) Limited is the Administrator to the Company and also provides company secretarial services and a registered office to the Company.

The Group's infrastructure investments are registered in the name of the General Partner, the Partnership or wholly owned subsidiaries of the Partnership.

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

The Company's Board and the Committees

The Board of the Company currently comprises six independent, non-executive Directors (details of whom can be found in Section 5.2) whose role is to manage the Company in the interests of shareholders and other stakeholders. In particular, the Board approves and monitors adherence to the Investment Policy and Acquisition Strategy, determines risk appetite, sets policies, agrees levels of delegation to key service providers and monitors their activities and performance (including, specifically, that of the Investment Adviser) against agreed objectives. The Board will take advice from the Investment Adviser, where appropriate – such as on matters concerning the market, the portfolio and new acquisition opportunities.

The Board meets regularly – at least five times a year, each time for two consecutive days – for formal Board and Committee meetings. One of these Board meetings is devoted to considering the strategy of the Group, both in terms of potential acquisitions and the management of the current portfolio. There are also a number of ad hoc meetings dependent upon business needs. In addition the Board has formed six committees which manage risk and governance of the Company.

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

5.2 Board of Directors

Mr Ian Russell
Chairman of the Board
Chairman of Nomination Committee

Background and experience

Ian Russell CBE (British), resident in the UK, is a qualified accountant. Ian worked for Scottish Power plc between 1994 and 2006, initially as Finance Director and, from 2001, as its CEO. Prior to this he spent eight years as Finance Director at HSBC Asset Management in Hong Kong and London. Ian is chairman of Scottish Futures Trust and a director of Aberdeen Diversified Income and Growth Trust and the Mercantile Investment Trust.

Date of appointment

Appointed to the Board on 1 May 2013.

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

Aberdeen Diversified Income and Growth Trust
The Mercantile Investment Trust plc

Mrs Sally-Ann Farnon
Chair of the Audit Committee

Background and experience

Sally-Ann Farnon (known as Susie) (British), resident in Guernsey, is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as an accountant in 1983. She is a non-executive director of a number of property and investment companies. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and Vice-Chairman of the GFSC.

Date of appointment

Appointed to the Board on 1 May 2013.

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

Apax Global Alpha Limited
Breedon Aggregates Limited (listed on AIM)
Ravenscroft Limited (listed on TISE)
Standard Life Investments Property and Income Trust Limited
Threadneedle UK Select Trust Limited

Mrs Sarah Evans

Background and experience

Sarah Evans (British), resident in Guernsey, is a Chartered Accountant and a non-executive director of several other listed investment funds. She is a director of the UK Investment Companies' trade body, the AIC. She spent over six years with the Barclays Bank plc group from 1994 to 2001. During that time she was a treasury director and, from 1996 to 1998, she was Finance Director of Barclays Mercantile, where she was responsible for all aspects of financial control and operational risk management. Previously, Sarah ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982 to 1988 she was with Kleinwort Benson, latterly as Head of Group Finance.

Date of appointment

Appointed to the Board 9 June 2008, retired on 31 March 2017.

Other public company directorships as at 31 March 2017 (listed in London unless noted otherwise) *:

Apax Global Alpha Limited
Crystal Amber Fund Limited (listed on AIM)
NB Distressed Debt Investment Fund Limited (listed on SFS London)
Real Estate Credit Investments PCC Limited
Ruffer Investment Company Limited

Mr Simon Holden
Chair of the Risk Committee

Background and experience

Simon Holden (British), resident in Guernsey, has more than 15 years of experience in private equity investment and portfolio company operations roles. Working initially with Candover Investments and latterly Terra Firma Capital Partners since 2008, he has completed a number of successful buy-outs and held a number of Board-level operational roles alongside the executive teams of portfolio companies. He left Terra Firma in late 2015 to take up a limited number of independent directorships of alternative investment funds, and fiduciary and trading company clients including Permira's global buy-out funds. Simon graduated from the University of Cambridge with an MEng and MA (Cantab) in Manufacturing Engineering, holds the IMC and is a member of the States of Guernsey's GIFA, NED Forum and IP Commercial Group.

Date of appointment

Appointed to the Board 1 July 2016.

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

None.

Mr Frank Nelson
Senior Independent Director and Chair of Management Engagement Committee

Background and experience

Frank Nelson (British), resident in the UK, is a qualified accountant. He has over 25 years of experience in the construction, housebuilding and energy sectors. He was previously Finance Director of construction and housebuilding group Galliford Try plc from 2000 until 2012 and, prior to that, was Finance Director of Try Group plc from 1987, leading the company through its IPO in 1989 and the subsequent merger with Galliford. After Galliford Try, he took on the role of interim CFO of Lamprell plc in the UAE. Following his return from the Middle East, Frank was appointed as the Senior Independent Director of McCarthy & Stone, Telford and Eurocell.

Date of appointment

Appointed to the Board 1 June 2014.

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

McCarthy & Stone plc
Eurocell plc
Telford Homes plc

Mr Kenneth D Reid

Background and experience

Kenneth D. Reid (British), resident in Singapore, has more than 30 years of international experience in the sectors of construction, development and infrastructure investment. Working initially with Kier Group, and then from 1990 with Bilfinger Berger AG, he has been a project leader and senior management executive responsible for businesses and projects across all continents. From 2007 to 2010, Ken served as a member of the Group Executive Board of Bilfinger Berger AG. He graduated in Civil Engineering from Heriot-Watt University with First Class Honours (BSc), and subsequently from Edinburgh Business School with an MBA. Ken is a Chartered Engineer, a non-executive director of Sicon Limited, and a member of the Singapore Institute of Directors.

Date of appointment

Appointed to the Board 1 September 2016.

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

None.

Mr Chris Russell
Chair of Remuneration Committee

Background and experience

Chris Russell (British), is a Guernsey resident non-executive director of investment and financial companies in the UK, Hong Kong and Guernsey. He is Chairman of the Guernsey domiciled and London listed F&C Commercial Property Trust Ltd and Macau Property Opportunities Fund Ltd and is a non-executive director of Ruffer Investment Company Ltd and Schroders (C.I.) Ltd. Chris was formerly a director of Gartmore Investment Management plc, where he was Head of Gartmore's businesses in the US and Japan. Before that he was a holding board director of the Jardine Fleming Group in Asia. He is a Fellow of the UK Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants in England and Wales.

Date of appointment

Appointed to the Board on 1 June 2010.

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

F&C Commercial Property Trust Ltd
Macau Property Opportunities Fund Limited
Ruffer Investment Company Ltd

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

5.3 The Investment Adviser

InfraRed Capital Partners was appointed as the Investment Adviser to the Company at the Company's launch in March 2006. In addition it was appointed as the operator of the Partnership by the General Partner, on behalf of the Partnership. Under the terms of the Limited Partnership Agreement, the Operator has full discretion to acquire, dispose of or manage the assets of the Partnership, subject to investment guidelines set out by the Board.

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

Since 1990, the InfraRed Group (including predecessor organisations) has launched 17 investment funds investing in infrastructure and property, including the Company.

The InfraRed Group currently manages six infrastructure funds (including the Group) and five real estate funds. The InfraRed Group currently has a staff of around 120 employees and partners, based mainly in offices in London and with smaller offices in Hong Kong, New York, Seoul and Sydney. Its infrastructure team comprises 60 professional staff who have, on average, 13 years of relevant industry experience.

Within the infrastructure team, there are:

- ▲ a Management team with overall responsibility for the activities provided to the Group;
- ▲ an Origination and Transaction team responsible for business development and sourcing new investments;
- ▲ an Asset Management team responsible for managing the portfolio of investments; and
- ▲ a Portfolio Management team responsible for financial reporting, cash flow management, debt, foreign exchange hedging and tax.

Six senior members of the InfraRed team make up InfraRed's investment committee on behalf of the Company. They have over 130 combined years' experience of making and managing infrastructure investments.

Further details on the InfraRed Group can be found at www.ircp.com.

Under the terms of the Investment Advisory Agreement, InfraRed is entitled to a fixed advisory fee of £100,000 per annum, together with all reasonable out-of-pocket expenses.

The Investment Adviser, in its capacity as Operator, and the General Partner are together entitled to annual fees calculated on the following basis and in the following order:

(i) 1.1 per cent. of the proportion of the Adjusted Gross Asset Value of the Group's investments which have a value of up to (and including) £750m in aggregate;

(ii) 1.0 per cent. of the proportion of the Adjusted Gross Asset Value of the Group's investments that is not accounted for under (i) which, together with the investments under (i) above, have an Adjusted Gross Asset Value of up to (and including) £1.5bn in aggregate;

(iii) 0.9 per cent. of the proportion of the Adjusted Gross Asset Value of the Group's investments not accounted for under (i) or (ii) above which, together with investments under (i) and (ii) above have an Adjusted Gross Asset Value of up to (and including) £2.25bn; and (iv) 0.8 per cent. of the proportion of the Adjusted Gross Asset Value of the Group that is not accounted for under (i), (ii) and (iii) above.

These fees are calculated and payable six monthly in arrears, and are based on the Adjusted Gross Asset Value of the Group's assets at the beginning of the period concerned, adjusted on a time basis for acquisitions and disposals during the period.

InfraRed is also entitled to receive an amount equal to 1.0 per cent. of the value of new investments made by the Group that are not sourced from entities, funds or holdings managed by InfraRed or an affiliate of InfraRed. This amount is payable on completion of the acquisition of the relevant investment.

The agreements with InfraRed can be terminated with 12 months' notice.

5.4 Corporate Governance Statement

Introduction

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the UK Governance framework, including the UK Listing Authority as well as other relevant bodies such as the Guernsey Financial Services Commission (the "Commission") and the Association of Investment Companies ("AIC") of which the Company is a member. The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. All Directors contribute to the Board discussions and debates. The Board believes in providing as much transparency for investors and other stakeholders as is reasonably possible within the boundaries of client and commercial confidentiality.

Guernsey Regulatory Environment

The Commission has issued the GFSC Finance Sector Code of Corporate Governance ("The Guernsey Code"). The Guernsey Code comprises principles and guidance, and provides a formal expression of good corporate practice against which shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey's finance sector.

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

AIFM Directive

The Alternative Investment Fund Managers Directive seeks to regulate alternative investment fund managers ("AIFM") and imposes obligations on Managers who manage alternative investment funds ("AIF") in the EU or who market shares in such funds to EU investors. The Company is categorised as a self-managed non-EEA AIF for the purposes of the AIFM Directive. In order to maintain compliance with the AIFM Directive, the Company needs to comply with various organisational, operational and transparency obligations, including the pre-investment disclosure information required by Article 23 of AIFM Directive.

Non-Mainstream Pooled Investments

On 1 January 2014, certain changes to the FCA rules relating to restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect.

As previously announced, the Board confirms that it conducts the Company's affairs such that the Company would qualify for approval as an investment trust if it were resident in the United Kingdom. It is the Board's intention that the Company will continue to conduct its affairs in such a manner and that Independent Financial Advisers should therefore be able to recommend its Ordinary Shares to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

The AIC Code of Corporate Governance

As a member of the AIC, the Company has been reporting against the principles and recommendations of the AIC Code and the accompanying AIC Corporate Governance Guide for Investment Companies (the "AIC Guide").

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

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

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

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function.

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

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

The Board

Principle 1. The Chairman should be independent.

The Chairman, since 1 March 2016, is Mr I Russell, who met the independence criteria upon appointment and has continued to meet this condition throughout his term of service.

Although not a requirement of the AIC Code, in accordance with guidance in Principle 1, the Board has a Senior Independent Director ("SID"), Mr F Nelson, who was appointed as SID on 1 March 2016. In his role as the SID, Mr F Nelson takes the lead in the annual evaluation of the Chairman at which the Chairman's performance and continuing independence is discussed.

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

At 31 March 2017, the Board consisted of seven non-executive Directors, all of whom are independent of the Investment Adviser. None of the Directors sit on Boards of other entities managed by the Investment Adviser.

5.4 Corporate Governance Statement

Continued

The independence of each Director is considered during the annual self-evaluation of the Board. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to any Board discussion.

Principle 3. Directors should offer themselves for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.
The Directors are not subject to automatic re-appointment. As a general policy, all Directors retire, and, if appropriate and willing to act, off themselves for re-election by shareholders at each AGM.

Mr G Picken and Mr J Hallam retired from the Board on 30 June 2016, and Mrs S Evans retired on 31 March 2017. The remaining six Directors will retire and offer themselves for re-election at the forthcoming AGM on 17 July 2017. The Board is supportive of the re-election of each of the Directors for the new financial year.

Principle 4. The board should have a policy on tenure, which is disclosed in the annual report.
The Company was formed in 2006. Two Directors having, served in office for ten years, retired on 30 June 2016. Two new Directors, Mr S Holden and Mr K Reid, joined the Board as part of succession planning in July and September 2016

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

Principle 5. There should be full disclosure of information about the board.
The biographies of the Directors, including length of service, are set out in Section 5.2 (Board of Directors) and Section 5.7 (Report of the Directors), together with a list of other public company directorships for each Director. No Director has a shareholding in any company in which the Company also has an investment.

The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company that should be brought to the attention of the Directors. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board meets at least five times a year (including for the annual strategy review referred to below). During the year, a further 20 ad hoc Board/Committee meetings were held to deal with other matters, principally of an administrative nature, and these were attended by those Directors available. Between meetings there is regular contact with the Investment Adviser, the Secretary and the Company's Broker, as necessary.

The primary focus at Board meetings is a review of investment performance and associated matters such as marketing/investor relations, risk management, gearing, general administration and compliance, peer group information and industry issues. The Acquisition Strategy and the Investment Policy are also reviewed regularly with the Investment Adviser.

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

The Chairman and members of each committee as at 31 March 2017 were as follows:

For efficiency and as all Directors are non-executive, all committees (apart from the Audit Committee) comprise all the Directors of the Board.

The respective reports of the Remuneration Committee, the Risk Committee and the Audit Committee are set out in Sections 5.6, 3.7 and 5.5, respectively, of this Annual Report.

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

	Audit Committee	Management Engagement Committee	Market Disclosure	Nomination Committee	Remuneration Committee	Risk Committee
Chairman	Mrs S Evans *	Mr F Nelson	Mr I Russell	Mr I Russell	Mr C Russell	Mrs S Farnon
Members	Mrs S Farnon	Mrs S Evans	Mrs S Evans	Mrs S Evans	Mrs S Evans	Mrs S Evans
	Mr S Holden	Mrs S Farnon	Mrs S Farnon	Mrs S Farnon	Mrs S Farnon	Mr S Holden
	Mr F Nelson	Mr S Holden	Mr S Holden	Mr S Holden	Mr S Holden	Mr F Nelson
	Mr K Reid	Mr K Reid	Mr F Nelson	Mr F Nelson	Mr F Nelson	Mr K Reid
	Mr C Russell	Mr C Russell	Mr K Reid	Mr K Reid	Mr K Reid	Mr C Russell
		Mr I Russell	Mr C Russell	Mr C Russell	Mr I Russell	Mr I Russell

* Mrs Evans retired on 31 March 2017 and the Board agreed to appoint Mrs Farnon as chair of the Audit Committee and Mr Holden of chair of the Risk Committee from 1 April 2017.

The attendance record of Directors for the year to 31 March 2017 is set out below:

	Formal Board Meetings	Audit Committee	Management Engagement Committee	Market Disclosure Committee	Nomination Committee	Remuneration Committee	Risk Committee
Number of meetings	5	4	1	1	3	3	4
Mr I Russell	5	n/a	1	–	3	3	4
Mr F Nelson	5	4	1	–	3	3	4
Mrs S Evans *	5	4	1	1	3	3	4
Mrs S Farnon	5	4	1	1	3	3	4
Mr J Hallam *	1	1	–	–	1	1	1
Mr G Picken *	1	1	–	–	1	1	1
Mr S Holden *	4	3	1	–	2	2	3
Mr C Russell	5	4	1	–	3	3	4
Mr K Reid *	3	2	1	–	1	2	2

* Mr J Hallam and Mr G Picken retired on 30 June 2016. Mr S Holden and Mr K Reid joined on 1 July 2016 and 1 September 2016 respectively. Mrs S Evans retired on 31 March 2017.

The formal terms of reference for each of the Committees of the Board are available to view in the Investor Relations section of the Company's website.

A statement of the Directors' responsibilities is set out in Section 5.8.

Principle 6. The board should aim to have a balance of skills, experience, length of service and knowledge of the company.
The Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with the mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard.

During the year succession plans were implemented with the planned retirement of the Mr G Picken and Mr J Hallam, and the appointment of Mr S Holden and Mr K Reid.

With the retirement of Mrs S Evans on 31 March 2017, the Board is currently considering the recruitment of a further Director to balance and strengthen the existing skills and knowledge.

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

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

An external review was last commissioned in 2015 and will be commissioned again later this year.

In the year to 31 March 2017, the Board conducted its own internal evaluation, considering the performance, tenure and independence of each Director. This annual self-evaluation was undertaken using an online questionnaire system, and was completed by the Chairman by way of one-to-one interviews with each Director holding office in the year. The Chairman presented a summary of the conclusions to the Board. Feedback on the Chairman was collated by the Senior Independent Director who then briefed the Chairman.

Principle 8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.
The remuneration of the Directors and the Directors' remuneration policy are set out in the Directors' Remuneration Report in Section 5.6.

Principle 9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.
The Board has a Nomination Committee, the terms of reference of which are available from the Company's website.

It is composed of all seven Board Directors and at 31 March 2017 it was chaired by Mr I Russell who is also the Chairman of the Board.

The Nomination Committee had three meetings in the year to 31 March 2017, in relation to the successful recruitment of Mr S Holden and Mr K Reid to the Board, using a third party adviser, Trust Associates (who are not connected to the Company).

5.4 Corporate Governance Statement

Continued

Principle 10. Directors should be offered relevant training and induction.
Regular anti-bribery and anti-money laundering training is undertaken. The Investment Adviser also arranged for Directors to visit a number of the Company's investments during the year. Specialist advisers were invited to join the Board meetings to brief the Board on relevant topics.

Training and induction briefings were provided for the two new Directors in the year.

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

Board Meetings and the Relationship with the Manager

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

- The day-to-day administration of the Company has been delegated to Aztec Financial Services (Guernsey) Limited in its capacity as Company Secretary and Administrator.
- The Investment Adviser has two roles – Adviser to the Company and Operator of the Group's limited partnership which owns the Group's underlying investments.

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

The role of Operator includes managing the partnership and taking direct responsibility, within parameters set by the Board, for the decisions relating to the day-to-day management of the Group's investment portfolio, the Group's debt facilities, swap arrangements, and the sourcing of new investments. Members of the Investment Adviser's Asset Management Team are appointed as directors of the Group's project companies and, as part of their role in actively managing the portfolio, they attend Board meetings and make appropriate decisions.

Representatives of the Investment Adviser, the Company Secretary and Administrator attend all Board meetings and, when requested by the respective Chairman, meetings of the Company's various committees.

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

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

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

Matters relating to Company's risk management and internal control systems (including associated stress tests), are considered by the Risk Committee (which, in turn, reports any significant matters/findings to the Board) and are set out in more detail in Section 3.7 (Risk Committee Report).

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

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

Principle 14. Boards should give sufficient attention to overall strategy.
The Board considers formal strategy reports prepared by the Investment Adviser at a separate meeting at least once a year. In the year ended 31 March 2017, a two-day Board meeting was held in October 2016, with the Investment Adviser and third parties with relevant infrastructure knowledge, which was dedicated to reviewing and determining the overall strategy of the Group; in particular the scope and relevance of the current Acquisition Strategy. The exercise involved a fundamental analysis of certain market segments to ensure they are complementary or additive to the existing portfolio. The Acquisition Strategy was reaffirmed subject to some small changes in emphasis which were driven by market conditions. See Section 2.3 for details.

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

Principle 15. The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).
The Management Engagement Committee ("MEC") of the Board is responsible for reviewing all major service providers to the Group, which includes in particular the Investment Adviser. The terms of reference of this Committee are on the Company's website.

The MEC met once in the year to 31 March 2017 to review the performance of the key service providers. No material weaknesses were identified, some recommendations were conveyed to certain providers and the recommendation to the Board was that the current arrangements are appropriate and provide good quality services and advice to the Company and the Group.

Principle 16. The board should agree policies with the manager covering key operational issues.
The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. To help achieve this end, the Board has a designated Risk Committee. It follows an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

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

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

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

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

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

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

Principle 17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.
Through quarterly reports the Board monitors the Company's share price, share register and discount/premium to NAV per share. Since April 2009 the share price has been trading at a premium to NAV per share due to strong and sustained demand from the investment community. As a result of this demand the Board has encouraged the Investment Adviser to source new investments which meet the Company's investment criteria. Although initially funded by borrowings under the Group's revolving debt facility, these new investments are typically refinanced within a matter of months by way of new equity issuance. The issuance of new shares is the principal tool available to the Board to manage the premium. However, as the Board is wary of the drag on returns that results from holding un-invested cash, new equity is only raised following an investment or when an investment is imminent.

Should the Company's shares trade at a discount at some point in the future, the Board's authority to purchase shares for cancellation was renewed at the AGM on 19 July 2016. The Directors are proposing that it is tabled for renewal when it otherwise expires at the forthcoming AGM on 17 July 2017.

Principle 18. The board should monitor and evaluate other service providers.
As outlined in Principle 15, the Management Engagement Committee (MEC) of the Board is responsible for reviewing all major service providers to the Group at least once a year.

The MEC meeting for the financial year occurred in February 2017, when a review of key service providers was undertaken. Overall, the feedback on performance throughout the year was that service had been delivered to a very high standard and the Committee resolved that the continued appointment of all providers be recommended to the Board for approval, which was duly granted.

Shareholder Communications

Principle 19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.
The Company welcomes the views of shareholders and places great importance on communication with its shareholders.

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

5.4 Corporate Governance Statement

Continued

This analysis is discussed and, where appropriate, follow up actions are agreed. The Company's Financial PR Agency provides the Board with a quarterly report on press and media coverage of the Company and the sectors in which it invests. All reports also reference the peer group for comparison purposes.

The Board makes every effort to engage with shareholders and other stakeholders in the Company. The Company reports formally to shareholders twice a year and normally holds an AGM in Guernsey in July. The Secretary and Registrar monitor the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the AGM.

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

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

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

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

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

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

All Company-related information is only published following consultation with, and approval by, the Board.

The Board wishes to provide sufficient disclosure and reporting of the Company's performance and strategic intentions to inform shareholders of Company activities.

The Company's website has further information on each investment and copies of all publications, together with prospectuses and circulars. The disclosure of key sensitivities and risks has been developed by the Board working with the Investment Adviser and through dialogue with shareholders, the level and type of disclosure has been expanded and refined in order to assist in a full and fair analysis of the Company and its investments.

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

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

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

Section 3.6 (Risk & Risk Management) sets out the key risks, the mitigations in place and how these have been quantified using stress scenarios run on the current portfolio. This work is reviewed quarterly by the Risk Committee and the Risk Committee Report setting out its work is at Section 3.7.

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

As a regular issuer of further share capital, the Company has published a number of prospectuses with detailed information on the investment portfolio and the potential risks. The most recent prospectus (February 2017) is available from Company's website.

The Company's website has further information on each investment and copies of all publications, together with prospectuses and circulars. The disclosure of key sensitivities and risks has been developed by the Board working with the Investment Adviser and through dialogue with shareholders, the level and type of disclosure has been expanded and refined in order to assist in a full and fair analysis of the Company and its investments.

5.5 Audit Committee Report

The following pages set out the Committee's report on its activities in respect of the year ended 31 March 2017. In March 2017, I replaced Mrs Sarah Evans as chair of the Audit Committee who, after nine years of service to the Company, retired from the Board in March 2017. The Audit Committee has been in operation throughout the year and operates within clearly defined terms of reference (which are available to view in the Investor Relations section of the Company's website). It met formally four times in the year to 31 March 2017. It comprises all the Directors except for Mr Ian Russell.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Interim Report, the valuation of the Company's investment portfolio, the system of internal controls, and the terms of appointment of the external auditor, KPMG Channel Islands Limited ("KPMG" or the "auditor") together with their remuneration. It is also the formal forum through which KPMG reports to the Board of Directors and meets at least twice yearly. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the auditor is appointed to perform non-audit services and the fees paid to them or their affiliated firms overseas.

We have reviewed the independence, objectivity and effectiveness of KPMG and recommended to the Board that KPMG be reappointed in respect of the coming financial year.

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

Susie Farnon
Audit Committee Chairman
23 May 2017

The main duties of the Audit Committee are:

- giving full consideration and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report thereon;
- reviewing the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing the valuation of the Company's investments prepared by the Investment Adviser, receiving an independent review of the valuation from a third party expert and making a recommendation to the Board on the valuation of the Company's investments;
- reviewing and recommending to the Board for approval the audit, audit related and non-audit fees payable to the external auditor and the terms of their engagement;
- reviewing and approving the external auditor's plan for the following financial year, including a review of appropriateness of proposed materiality levels;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the standards and adequacy of the internal control systems.

The external auditor and the third party valuation expert are invited to attend the Audit Committee meetings at which the Annual Report and Interim Report are considered and at which they have the opportunity to meet with the Audit Committee without representatives of the Investment Adviser being present. The Audit Committee has direct access to KPMG and to key senior staff of the Investment Adviser and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company.

Significant Issues and Other Matters Considered
After discussions with both the Investment Adviser and KPMG, the Audit Committee determined that the key risks of material misstatement of the Company's financial statements related to the valuation of infrastructure investments, in particular the key forecast assumptions and valuation discount rates.

The Audit Committee also considered, and discussed with the Investment Adviser, the implications of amendments to IFRS 10 that were adopted by the EU in September 2016. As a result, the Audit Committee recommended to the Board that the Company change its basis of consolidation by including all subsidiaries at fair value. This was first adopted in the September 2016 Interim Report and consistently applied in this Annual Report.

The Audit Committee noted and discussed the reporting of Alternative Performance Measures. It recognised the importance of such measures to the users of the Company's financial statements and took into account findings of the Financial Reporting Council on best practice reporting of such measures.

5.5 Audit Committee Report

Continued

Valuation of Investments

As outlined in Note 13 to the Financial Statements the total carrying value of financial assets at fair value at 31 March 2017 was £2,419.4m. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements to be made as further explained in Note 3 and Note 4 to the Financial Statements.

The Audit Committee discussed the valuation process and methodology with the Investment Adviser in July 2016 and November 2016 as part of the review of the Interim Report and again in February 2017 and May 2017 as part of the review of the Annual Report. The Investment Adviser carries out a valuation semi-annually and provides a detailed valuation report to the Company. The Audit Committee also receives a report and opinion on the half-year and year-end valuation from a third party valuation expert.

The Audit Committee met with the auditor at the time at which the Audit Committee reviewed and agreed the auditor's audit plan in February 2017 and also at the conclusion of the audit of the Financial Statements in May 2017 and in particular discussed the audit approach to the valuation.

Valuation of Investments – Key Forecast Assumptions

The Audit Committee considered in detail those economic assumptions that are subject to judgement and that may have a material impact on the valuation. The key assumptions are considered to be future inflation rates, deposit interest rates and tax rates. These assumptions are set out and explained in Section 3.2 – Valuation of the Portfolio and Note 4 of the Financial Statements.

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

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

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

Valuation of Investments – Discount rates

The discount rates used to determine the valuation are selected and recommended by the Investment Adviser. The discount rate is applied to the expected future cash flows for each investment's financial forecasts (which are derived using the assumptions explained above) to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Investment Adviser is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The Investment Adviser sets out the discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate in Section 3.2 (Valuation of the Portfolio) and Note 4 of the Financial Statements.

In particular the Audit Committee considered in detail the reduction of 0.1% in the average discount rate applied at 31 March 2017 compared with that applied in the 31 March 2016 valuation. The Investment Adviser explained this was principally as a consequence of increased competition in the secondary market for social and transportation infrastructure assets, which had been seen during bidding and general market activity. This was also corroborated by the third party valuation expert.

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

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

Investment Entity Accounting

During the year the Audit Committee assessed the implications of a further amendment to IFRS 10. Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014 and adopted by the EU in September 2016. The Audit Committee also received reports from the Investment Adviser regarding the amendment and had discussions with the auditor.

The Audit Committee concluded this required the Company to prepare IFRS Financial Statements which do not consolidate any subsidiaries that are themselves investment entities and as a result the Company is no longer consolidating three fund level subsidiaries that were previously fully consolidated.

Assessment of the Auditor

The objectivity of KPMG, is reviewed by the Audit Committee which also reviews the terms under which the auditor may be appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its effectiveness and the independence and objectivity of the auditor, with particular regard to any non-audit work that the auditor may undertake. In order to safeguard the independence and objectivity of the auditor, the Audit Committee ensures that any non-audit services provided by the auditor do not conflict with their statutory audit responsibilities.

Non-audit services provided by KPMG or its member network firms generally consists only of reviews of interim Financial Statements, tax compliance and reporting accountant in relation to capital raising. Any non-audit services conducted by the auditor outside of these areas which are above £20,000 in aggregate in any year require the consent of the Audit Committee before being initiated. The auditor may not undertake any work for the Company in respect of the following matters: preparation of the Financial Statements; valuations used in Financial Statements; provision of investment advice; taking management decisions; and advocacy work in adversarial situations.

The Audit Committee noted and discussed the FRC Revised Ethical Standard 2016 regarding non-audit services and audit related services. In particular, the Audit Committee considered the tax compliance work undertaken by other KPMG network firms and was of the view that this work was permissible under derogation within the FRC guidelines on the basis that it is not expected to impact the Financial Statements of the Company. The Audit Committee is of the opinion that this should not impact KPMG's independence or objectivity in their role as statutory auditor of the Company.

The Audit Committee reviews the scope and results of the audit, its effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees. In the year fees were:

	March 2017 £'m	March 2016 £'m
Audit of the Company and intermediate holding entities	0.3	0.2
Audit of the Company's project subsidiaries	0.3	0.3
Non-audit services	0.2	0.2
Total	0.8	0.7

Non-audit fees consisted of audit related assurance services for the Company's Interim Report, tax compliance and advisory services and reporting accountant services in relation to the issuing of a prospectus by the Company. In total it represented 33% (March 2016: 38%) of total audit fees.

Notwithstanding such non-audit services, the Audit Committee considers KPMG to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit. KPMG confirmed their compliance with their standard independence and objectivity procedures to the Audit Committee.

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

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

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

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

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

The external audit was most recently tendered for the years commencing after 31 March 2015. As reported in the Annual Report for the year ended 31 March 2015, KPMG was re-appointed as auditor at the completion of the tender process and currently it is expected that the audit will be tendered within the next eight years.

5.6 Directors' Remuneration Report

I chair the Remuneration Committee, which operates within clearly defined terms of reference and comprises all the Directors including the Chairman of the Board, all of whom are independent and non-executive. It met three times in the year to 31 March 2017.

The terms of reference of the Committee (available from the Company's website) are to determine and agree the Board policy for the remuneration of the Directors of the Company, including the approval of any ad-hoc payments in respect of additional corporate work required such as the issuance of new shares.

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

Chris Russell
Remuneration Committee Chairman
23 May 2017

Directors' Remuneration Policy Report

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

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

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

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

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

Statement of the Chairman of the Remuneration Committee

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

During the year, an external review of the Directors' remuneration was undertaken. An independent professional consultant, Trust Associates, was appointed and their recommendations were debated by the Remuneration Committee, were recommended to the Board which adopted them, and will be put to shareholders for approval at the forthcoming AGM in July 2017.

Trust Associates noted that the workload and time involved had increased since the last review (driven both by the increasing size and complexity of the Company and its operations, and also by regulatory changes). For routine business, Trust Associates' recommendations were for the 2017-18 year:

- Directors' fees to be increased to £43,000 p.a.
- The Chairman of the Audit Committee's fee to increase to £54,000 p.a.
- The Chairman of the Risk Committee's fee to increase to £50,000 p.a.

▲ The Senior Independent Director's fee to increase to £55,000 p.a.

▲ The Chairman of the Board's fee to rise to increase to £72,000 p.a.

The applicable premium to the base Directors' fee for each of the latter four roles is calibrated to recognise the additional responsibility involved in performance of the task. In particular, as concerns the Chairman of the Board, the premium is in recognition not only of the considerable greater weight of responsibility but also his involvement in meetings with shareholders and the Investment Adviser each year.

In addition Trust Associates reviewed the fee paid to the Director who also acts as director of the two Luxembourg subsidiary company boards, and advise a small increase to an additional £6,000 annually for the role was appropriate. They also recommended that the Chair of the Risk Committee should receive a one-off payment of £2,500 in recognition of the extra work in working with the Investment Adviser to develop and implement the new risk reporting tools resulting from the advice received from PWC.

In February 2017, the Company published a Prospectus as part of an equity capital raising. For the additional work in relation to this and the associated EGM circular, each Director received a one-off payment of £10,000 for the additional work involved.

For comparative purposes the table below sets out the Directors' regular (i.e. excluding any approved one-off payments) remuneration approved and paid for the year to 31 March 2017 as well as proposed for the year ending 31 March 2018.

Role (YE 2018)	Total Fees Proposed (YE 2018)	Fees Approved * (YE 2017)
Chairman	£72,000	£67,000
Audit Committee Chair	£54,000	£49,000
Risk Committee Chair	£50,000	£45,000
Senior Independent Director (SID)	£55,000	£45,000
Director (inc. Lux Cos)	£49,000	£46,000
Director	£43,000	£41,000
Director	£43,000	£41,000
Total	**£366,000**	**£334,000**

* Approved at the AGM on 19 July 2016.

As last year the fees approved/proposed relate to the roles performed, and not to individuals per se. In light of the changes in roles resulting from succession planning in the year, Directors accrued a blended entitlement to the fees attributable to the above roles, pro rated based on the time each Director performed in respect of each position, as set out below (and includes the approved one-off payments):

Director	Total Remuneration paid/due for year ended 31 March 2017
Mr I Russell	£77,000
Mrs S Evans	£57,667
Mrs S Farnon	£57,500
Mr J Hallam	£10,250
Mr S Holden	£40,750
Mr F Nelson	£55,000
Mr G Picken	£10,250
Mr K Reid	£33,917
Mr C Russell	£51,000
Total	**£393,334**

The total fees paid to Directors in the year were within the annual fee cap of £450,000, which was approved by shareholders at the AGM on 21 July 2015.

5.6 Directors' Remuneration Report

Continued

Statement of Implementation of Remuneration Policy in the Current Financial Year

The Board has approved the proposed increase to the fees as recommended by the Remuneration Committee, and is seeking shareholder approval for the Directors' Remuneration Policy at the AGM on 17 July 2017 with a view to implementing it back-dated to 1 April 2017.

Other Disclosures

The Directors of the Company on 31 March 2017, and their interests in the shares of the Company, are shown in the table below.

	31 March 2017 Ordinary	31 March 2016 Ordinary
Mr I Russell	69,353	41,209
Mrs S Evans *	284,598	251,496
Mrs S Farnon	21,935	20,959
Mr S Holden	2,979	n/a
Mr F Nelson	35,307	25,000
Mr K Reid	0	n/a
Mr C Russell **	93,895	93,895

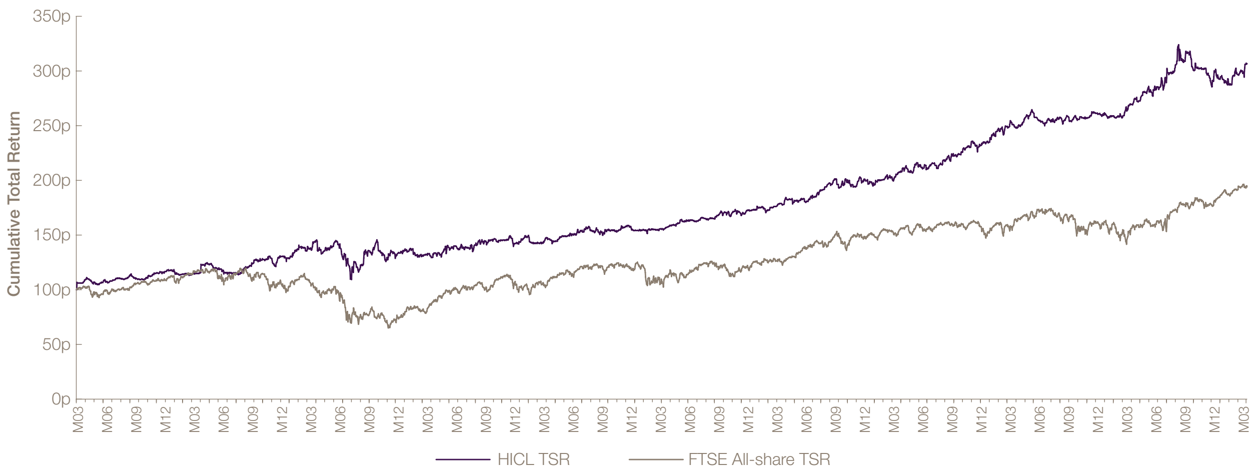
* of which 214,767 were held by her spouse.
** of which 10,000 were held by his family.

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

At the last AGM held on 19 July 2016, the resolutions relating to the Directors' remuneration for the year ended 31 March 2017 and the Directors' Aggregate Annual Remuneration Cap were approved.

Performance Graph

In setting the Directors' remuneration, consideration is given to the size and performance of the Company. The graph below highlights the comparative total shareholder return (share price and dividends) ("TSR") for an investment in the Company for the 11 year period from inception at the end of March 2006 until 31 March 2017 compared with an investment in the FTSE All-share Index over the same period. During that period the TSR for the Company was 10.7% p.a. compared with the FTSE All-share Index which was 6.2% p.a.



Source: Thomson Reuters Data

5.7 Report of the Directors

The Directors present their Annual Report and Financial Statements of the Company for the year to 31 March 2017.

Principal Activity

The Company is an Authorised Closed-Ended investment company incorporated in Guernsey. It is subject to certain ongoing obligations to the Guernsey Financial Services Commission as a result of its regulatory status as an Authorised Closed-Ended Investment Scheme. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

Results

The results for the year are summarised in Section 3.1 (Operational and Financial Review) and are set out in detail in the Financial Statements.

Distributions and Share Capital

The Company declared four quarterly interim dividends, totalling 7.65p per share, for the year ended 31 March 2017 as follows:

Amount	Declared	Record date	Paid/to be paid
1.91p	20 July 2016	26 August 2016	30 September 2016
1.91p	10 November 2016	25 November 2016	30 December 2016
1.91p	22 February 2017	3 March 2017	31 March 2017
1.92p	18 May 2017	26 May 2017	30 June 2017

The Company has one class of share capital, Ordinary Shares, of which there were 1,388,426,479 in issue as at 31 March 2016. This number increased to 1,623,260,735 as at 31 March 2017 as a result of tap issuance, a Placing, Open Offer, Offer for Subscription and Intermediaries Offer in February 2017, and scrip dividends during the year.

A scrip dividend alternative is available in respect of the fourth quarterly interim dividend for the year ended 31 March 2017 declared on 18 May 2017. The Board is proposing to seek shareholder approval for renewal of the scrip authority at the AGM on 17 July 2017.

Directors

The Directors who held office during the year to 31 March 2017 were:

Director	Date of Appointment	Date Resigned	Years of Service
Mr I Russell	1 May 2013		3 years 11 months
Mrs S Evans	9 June 2008	31 March 2017	
Mrs S Farnon	1 May 2013		3 years 11 months
Mr J Hallam	12 January 2006	30 June 2016	
Mr F Nelson	1 June 2014		2 years 10 months
Mr S Holden	1 July 2016		9 months
Mr G Picken	12 January 2006	30 June 2016	
Mr K Reid	1 September 2016		7 months
Mr C Russell	1 June 2010		6 years 10 months

Biographical details of each of the continuing Directors are shown in Section 5.2 (Board of Directors).

Corporate Governance

Section 5.4 (Corporate Governance Statement) sets out in detail the code of corporate governance against which the Company reports and its compliance, or otherwise with the individual principles. It includes detail on the various committees of the Board, their composition and their terms of reference.

Investment Adviser and Operator

InfraRed Capital Partners Limited (the "Investment Adviser" or "InfraRed") acts as Investment Adviser to the Company and acts as Operator of the limited partnership which holds and manages the Group's investments. A summary of the contract between the Company, its subsidiaries and InfraRed in respect of services provided is set out in Note 16 to the Financial Statements.

The Management Engagement Committee met in February 2017 to consider the performance of, and services provided by, InfraRed. As with previous years, this took the form of a written paper in which the Investment Adviser explained its activities in the year and summarised its performance against agreed targets. The Committee discussed the paper with the Investment Adviser, noted the internal assurance work it performs, and received feedback from other service providers, shareholders and advisers.

The fee arrangements between the Group and InfraRed are set out in Section 2.5. The Investment Advisory Agreement can be terminated with 12 months' notice.

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

5.7 Report of the Directors

Continued

Broker, Administrator and Company Secretary

The Company's sole broker during the year was Canaccord Genuity Limited. The Administrator and Company Secretary at the start of the year was Fidante Partners (Guernsey) Limited and the contract was novated to Aztec Financial Services (Guernsey) Limited in July 2016.

Substantial Interests in Share Capital

As at 23 May 2017, the Company is aware of or has received notification in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in 5% or more of the Company's shares to which voting rights are attached (at the date of notification):

	Number of Shares Held	Percentage Held
Newton Investment Management Limited	162,028,063	9.98%
Schroders plc, on behalf of its clients	140,799,445	8.67%
Investec Wealth and Investment Limited	85,980,633	5.30%

Donations

The Company made no political donations during the year.

Payment of Suppliers

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 3 (Strategic Report – Performance & Risk). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Section 3.1. In addition, Notes 1 to 4 of the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Share Repurchases

No shares have been bought back in the year. The latest authority to purchase shares for cancellation was granted to the Directors on 19 July 2016 and expires on the date of the next AGM. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming AGM on 17 July 2017.

Treasury Shares

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

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

Website

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

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

5.8 Statement of Directors' Responsibilities

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

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

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

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

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

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

Directors' Responsibility Statement
We confirm that to the best of our knowledge that:

- the financial statements, prepared in accordance with the IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the management report (comprising the Chairman's Statement, the Strategic Report and Report of the Directors) includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Financial Statements when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Disclosure of Information to the Auditors

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

By order of the Board

Authorised signatory

Aztec Financial Services (Guernsey) Limited
Company Secretary
23 May 2017

Registered Office:
East Wing, Trafalgar Court, Les Banques St Peter Port, Guernsey, Channel Islands GY1 3PP

Exeter Crown Court, UK

06 Financial Statements

Delivering Real Value.

6.1 Independent Auditor's Report

KPMG

Independent auditor's report

to the members of HICL Infrastructure Company Limited only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of HICL Infrastructure Company Limited (the "Company") for the year ended 31 March 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and related notes, comprising significant accounting policies and other explanatory information. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Overview		
Materiality: financial statements as a whole	£24.0m (2016: £19.3m) 1% of Company gross asset value (2016: 1% of Group gross asset value)	
Risks of material misstatement		**vs 2016**
Recurring risks	Forecast based valuation	◄►

2. Our assessment of risks of material misstatement

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

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

Investments at fair value through profit or loss

£2,419.4 million; 2016: £1,973.7 million.

Refer to page 95 (Audit Committee Report), note 2(c) (accounting policy) and note 4 (key sensitivities, valuation process & related financial disclosures)

The risk	Our response
Forecast based valuation The Company's investment in its immediate subsidiary is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets. The carrying amount is calculated by assessing the fair value of the immediate subsidiary which reflects its net asset value incorporating the fair value of the underlying infrastructure projects and holding companies. £2,347.5m of the carrying amount comprises investments in underlying infrastructure project entities for which there is no liquid market. The fair value of infrastructure investments were determined using the income approach whereby the long term forecasted cash flows of each individual infrastructure asset is discounted at a rate which reflects their risk profile. In determining the discount rate, the relevant long term government bond yields, specific infrastructure asset risks and evidence of recent market transactions are considered. In addition, inherent in these long term forecasted cash flows are key macro economic assumptions such as inflation, tax and deposit rates. The valuation risk represents both a risk of fraud and error associated with estimating the timing and amounts of long term forecasted cash flows alongside the selection and application of appropriate assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation for the infrastructure investments.	**Procedures to address this audit risk included those listed below:** **Controls evaluation** We tested the effectiveness of controls in operation around updates to, and approval of, the valuation of infrastructure investments including reconciliation of changes to project cash flows. **Cash flow forecasts** - We compared the prior year cash flow forecasts to the current year actual receipts to evaluate the historical accuracy of forecasting; - For a risk based selection of project entities we obtained responses, directly from the underlying project entities, to questionnaires designed to identify significant matters which could have a material impact on the project entity cash flows; - We held discussions with the Investment Adviser in relation to all those project entities identified as having significant operational issues such as construction latent defects and passive fire protection issues. We performed follow up procedures, including a review of supporting documentation, to assess and challenge the impact of the specific issues, if any, on the cash flow forecasts; - For a risk based selection of project entities, we challenged the justification for and calculation of significant adjustments to cash flow forecasts. **Benchmarking the valuation assumptions** We challenged, with support of our internal valuation specialist, the Company's discount rates and macro economic assumptions applied in the valuation by benchmarking these to independent market data, including recent market transactions, and using our specialist's experience in valuing similar investments. We further assessed the reasonableness of the Company's assumptions by comparing these to the assumptions used by comparator companies. **Evaluation of the third party valuation expert** We assessed the objectivity, capabilities and competence of the third party valuation expert engaged by the Company to challenge the reasonableness of the Company's investment valuations. We considered the methodology applied by the valuation expert in performing their work. We obtained and assessed the valuation expert's findings, held discussions with them and considered the impact, if any, on our audit work. **Assessing transparency** We reviewed the adequacy of the disclosures made in the financial statements. We assessed whether the disclosures around the sensitivities to changes in key assumptions reflected the risks inherent in the valuation of infrastructure investments.

6.1 Independent Auditor's Report
(continued)

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

Materiality for the financial statements as a whole was set at £24.0m, determined with reference to a benchmark of Gross Assets of £2,420.4m, of which it represents 1% of Company gross asset value (2016: 1% of Group gross asset value).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.2m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

4. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 67, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Company's continuing in operation over the five years to 2022; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

5. We have nothing to report in respect of the matters on which we are required to report by exception

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

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

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 89 to 94 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

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

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

7. Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 104, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Dermot A. Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Glategny Court, Glategny Esplanade, St Peter Port,
Guernsey, GY1 1WR

23 May 2017

6.2 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		**176.8**	**157.2**
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

6.2 Financial Statements

Continued

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	380.9	–	380.9
Costs of issue of Ordinary Shares	(4.0)	–	(4.0)
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.

6.3 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 IAS 27).

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

1. It obtains funds from one or more investors for the purpose of providing these investors with professional investment management services;
2. 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
3. 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 IAS 27) 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 Section 3.1 (Operational and Financial Review).

2. KEY ACCOUNTING POLICIES (CONTINUED)

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 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 Section 3.1 (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 £24.0m 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
Attributable to:			
Equity shareholders of the Company	157.2	–	157.2
	157.2	–	157.2
Earnings per share – basic and diluted (pence)	11.9	–	11.9

06 / FINANCIAL STATEMENTS

6.3 Notes to the Financial Statements

Continued

2. KEY ACCOUNTING POLICIES (CONTINUED)

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 attributable to equity shareholders of the Company	1,973.9	–	1,973.9
Total equity	1,973.9	–	1,973.9
Net assets per Ordinary Share (pence)	142.2	–	142.2

2. KEY ACCOUNTING POLICIES (CONTINUED)

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

6.3 Notes to the Financial Statements

Continued

2. KEY ACCOUNTING POLICIES (CONTINUED)

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 Sections 2.2 and 2.3. The financial position of the Company, its cash flows, and liquidity position are described in Sections 3.1 and 3.2. 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.

2. KEY ACCOUNTING POLICIES (CONTINUED)

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, and in the case of financial assets, 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.

6.3 Notes to the Financial Statements

Continued

2. KEY ACCOUNTING POLICIES (CONTINUED)

(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.

6.3 Notes to the Financial Statements

Continued

4. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The fair value hierarchy is defined as follows:

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

	As at 31 March 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**

	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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

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% long-term	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% p.a to March 2020, 17% p.a thereafter	20% to March 2017, 19% to March 2020, 18% 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)
	USA	35% p.a Federal & 4.6% p.a Colorado State	N/A
	Canada	26% and 27% p.a	26% and 27%
	Australia	30% p.a	30%
GDP	UK	2.0% p.a	N/A
	Eurozone	1.8% p.a	N/A
	USA	2.5% p.a	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%**

6.3 Notes to the Financial Statements

Continued

4. FINANCIAL INSTRUMENTS (CONTINUED)

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)

[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 [1 2] – 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 2] – 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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

Gross Domestic Product

The portfolio has three 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:

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 [1] – March 2017 (March 2016)	**-3.0 pence** (0 pence)	**149.0 pence** (142.2 pence)	**+2.9 pence** (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]	-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 [2] – 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.

6.3 Notes to the Financial Statements

Continued

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 [1]	-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 [2] – 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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 £32.5m (2016: £97.4m) and the Company also has a contingent commitment of €16.8m at March 2017 (2016: €16.8m) (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.

6.3 Notes to the Financial Statements

Continued

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 £300m 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:

	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.

31 March 2017	UK	Europe	North America	Australia	Total
Revenue	£129.5m	£32.7m	£6.8m	£9.6m	£178.6m
% of Total Revenue	73%	18%	4%	5%	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%

31 March 2016	UK	Europe	North America	Australia	Total
Revenue	£130.2m	£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).

6.3 Notes to the Financial Statements

Continued

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	£176.8m	£157.2m
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.

11. DIVIDENDS (CONTINUED)

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		
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	1,732.4
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.

6.3 Notes to the Financial Statements

Continued

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

	31 March 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 [4]	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%	
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%	

6.3 Notes to the Financial Statements

Continued

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	31 March 2017			31 March 2016		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
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%	
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 [1]	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%	
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%	

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
	31 March 2017			31 March 2016		
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%	
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.

6.3 Notes to the Financial Statements

Continued

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 £14.5m.
- 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 £5.3m 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 €11.6m including a loanstock subscription obligation of €9.5m 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 £50.1m.
- In November 2016 the Company acquired a portfolio of six operational education PPPs for a total consideration of £22.7m. 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 €21.3m 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 €87.0m.
- In March 2017 the Company acquired a 33.3% equity interest in Northwest Parkway for a total consideration of $166.4m.
- In March 2017 the Company invested in an incremental mezzanine loan investment in the Medium Support Helicopter Aircrew Training Facility project of £7.5m.

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 £269m.

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 £30.9m at 31 March 2017 (2016: £36.6m).

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

Floating rate:	2017 £m	2016 £m
Secured		
– 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.

15. LOANS AND BORROWINGS (CONTINUED)

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	31 March 2017 £m	31 March 2016 £m
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	380.9	183.7
Expenses of issue of equity shares	(4.0)	(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.

6.3 Notes to the Financial Statements

Continued

16. SHARE CAPITAL AND RESERVES (CONTINUED)

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 Statement of changes in shareholders' equity.

17. RELATED PARTY TRANSACTIONS

The Investment Adviser to the Company and the Operator of a limited partnership through which the 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 £750m, 1.0 per cent per annum for the incremental value in excess of £750m up to £1,500m, 0.9 per cent for the incremental value in excess of £1,500m and 0.8 per cent for the incremental value in excess of £2,250m 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 were £20.9m (2016: £18.9m) of which £10.8m remained payable at year end (2016: £9.7m). The total charge for new portfolio investments (disclosed within investment fees in Note 7) was £3.4m (2016: £1.5m) of which £2.6m remained payable at year end (2016: £0.4m). These fees are charged to a Corporate Subsidiary.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report in Section 5.6.

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.

18. GUARANTEES AND OTHER COMMITMENTS

As at 31 March 2017 the Company had £32.5m commitments for future project investments (2017: £97.4m), and an additional contingent commitment of €16.8m (2016: €16.8m) 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 £269m.

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.

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

6.3 Notes to the Financial Statements

Continued

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 schools for Bradford Metropolitan District Council	2036	27	£230m	Amey
Brentwood Community Hospital	Design, construct, finance and maintain a new community hospital for South West Essex Primary Care Trust	2036	30	£23m	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

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Dutch High Speed Rail Link	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and the 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
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 8,500m^2 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

6.3 Notes to the Financial Statements

Continued

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 property services and Community Health Partnerships within the Medway area of North Kent	2034	29	£19m	Rydon
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

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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
PSBP North East Batch Schools	Design, construct, operate and maintain six new primary and six 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 Yorkshire and a new diagnostic and treatment hospital in Pontefract, West Yorkshire 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
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

6.3 Notes to the Financial Statements

Continued

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 three 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):

Name	Country	Ownership interest
2003 Schools Services Limited	United Kingdom	100.0%
Ashburton Services Limited	United Kingdom	100.0%
Annes Gate Property Plc *	United Kingdom	100.0%
Alpha Schools Highland Limited **	United Kingdom	100.0%
Axiom Education (Edinburgh) Limited *	United Kingdom	100.0%
Axiom Education (Perth & Kinross) Limited *	United Kingdom	100.0%
Boldon School Limited	United Kingdom	100.0%
ByCentral Limited *	United Kingdom	100.0%
By Education (Barking) Limited *	United Kingdom	100.0%
ByWest Limited *	United Kingdom	100.0%
Consort Healthcare (Blackburn) Limited *	United Kingdom	100.0%
Consort Healthcare (Mid Yorks) Limited *	United Kingdom	100.0%
CVS Leasing Limited	United Kingdom	87.6%
Derby School Solutions Limited *	United Kingdom	100.0%
Education 4 Ayrshire Limited *	United Kingdom	100.0%
Enterprise Civic Buildings Limited *	United Kingdom	100.0%
Enterprise Education Conwy Limited *	United Kingdom	90.0%
Enterprise Healthcare Limited *	United Kingdom	100.0%
H&D Support Services Limited *	United Kingdom	100.0%
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.

Glossary

Item	Definition
Acquisition Strategy	This identifies the scope for current acquisitions, further details can be found in Section 2.3 (Strategy & Objectives)
AIC	The Association of Investment Companies is a United Kingdom trade association for the closed-ended investment company industry
Corporate assets	These are assets that provide services or access to essential assets for corporate counterparties. The relationship between the infrastructure asset owner and the corporate counterparty is usually contractual, with prices set through a commercial negotiation or a market-clearing price. See Section 2.1 (The Infrastructure Market)
Corporate Group	Refers to the Company and its Corporate Subsidiaries
Corporate Subsidiaries	The two Luxembourg subsidiaries and the English Limited Partnership, being HICL Infrastructure 1 S.a.r.l, HICL Infrastructure 2 S.a.r.l and Infrastructure Investments Limited Partnership
Demand-based assets	Infrastructure assets with revenues linked to the usage of the underlying assets. See Section 2.1 (The Infrastructure Market)
Directors' Valuation	Fair market valuation of the Group's investments, further details can be found in Section 3.2 (Valuation of the Portfolio)
EPS	Earnings per share
FATCA	The Foreign Account Tax Compliance Act provisions of the US Hiring Incentives to Restore Employment Act
FCA	UK Financial Conduct Authority
InfraRed	Means InfraRed Capital Partners and its Group, more details of which can be found at www.ircp.com
Investment Adviser	InfraRed Capital Partners Limited acting in its capacity as Investment Adviser to the Company pursuant to the Investment Advisory Agreement
Investment Basis	Proforma financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries
Investment Policy	The Company's Investment Policy has not materially changed since IPO and can be found on the website at www.hicl.com/about-hicl/strategy-and-investment-policy
IPO	Initial Public Offering, the act of offering the stock of a company on a public stock exchange for the first time. HICL completed its IPO in March 2006

Item	Definition
Lifecycle	Concerns the replacement of material parts of an asset to maintain it over its concession life
Market capitalisation	A measure of the size of a company calculated by multiplying the number of shares in issue by the price of the shares
NAV	Net Asset Value, being the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium
Ongoing charges	A measure of the regular, recurring costs of running an investment company, expressed as a percentage of NAV
Operating company	A company that owns and operates infrastructure assets
Portfolio company	Project Companies and Operating Companies to the Group that own or operate infrastructure assets, in which the Group has an investment
PPP project	Public-Private Partnership projects involving long-term contracts between a public sector client and a private company for the delivery of a service or facility for the use by the general public, public bodies, authorities or agencies usually in return for an availability payment. See Section 2.1 (The Infrastructure Market)
Project company	An infrastructure project or concession with a defined expiry date, including a special purpose company (or other entity) formed with the specific purpose of undertaking an infrastructure project
Regulated assets	Infrastructure assets with monopolistic characteristics and which are subject to regulatory price controls. See Section 2.1 (The Infrastructure Market)
Revolving credit facility	An acquisition facility provided by lenders, in the case of HICL, expiring in May 2019. See Section 2.3 (Strategy & Objectives)
Scrip dividend	An interim dividend received by investors in the form of new ordinary shares in lieu of a cash dividend
The Company	HICL Infrastructure Company Limited
The Group	HICL Infrastructure Company together with its subsidiaries

Directors & Advisers

Directors
Ian Russell, CBE (Chairman)
Sarah Evans (Date resigned 31 March 2017)
Susie Farnon
Simon Holden (Date appointed 1 July 2016)
Frank Nelson
Kenneth D. Reid (Date appointed 1 September 2016)
Chris Russell

Registrar
Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey GY2 4LH

Administrator To Company, Company Secretary And Registered Office
Aztec Financial Services (Guernsey) Limited
East Wing, Trafalgar Court, Les Banques
St Peter Port
Guernsey GY1 3PP
+44 1481 749 700

Investment Adviser And Operator
InfraRed Capital Partners Limited
12 Charles II Street
London SW1Y 4QU
+44 20 7484 1800

Financial PR
Tulchan Communications LLP
85 Fleet Street
London EC4Y 1AE

UK Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Helpline: 0871 664 0300

Auditor
KPMG Channel Islands Limited
Glategny Court, Glategny Esplanade
St Peter Port
Guernsey, GY1 1WR

Broker
Canaccord Genuity Limited
9th Floor
88 Wood Street
London EC2V 7QR

Company
HICL Infrastructure Company Limited, a non-cellular company limited by shares incorporated under the laws of the Island of Guernsey with registration number 44185.

Investment Adviser ("IA") and Operator
InfraRed Capital Partners Limited (authorised and regulated by the UK's FCA) is a wholly owned subsidiary of InfraRed Partners LLP which is owned by its senior management

Company Secretary and Administrator
Aztec Financial Services (Guernsey) Limited

Shareholders' funds
£2.4bn as at 31 March 2017

Market capitalisation
£2.7bn as at 31 March 2017

Investment Adviser and Operator Fees
1.1% per annum of the Adjusted Gross Asset Value [1] of the portfolio up to £750m.

1.0% from £750m up to £1.5bn 0.9% from £1.5bn up to £2.25bn

and 0.8% above £2.25bn

plus 1.0% of the value of new acquisitions [2]

plus £0.1m per annum investment advisory fee

No performance fee

Fees relating to shareholder matters from underlying project companies are paid to the Group (and not to the Investment Adviser).

ISA, NISA, PEP and SIPP status
The shares are eligible for inclusion in NISAs, ISAs and PEPs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.

NMPI status
Following the receipt of legal advice, the Board confirms that it conducts the Company's affairs such that the Company would qualify for approval as an investment trust if it were resident in the United Kingdom.

It is the Board's intention that the Company will continue to conduct its affairs in such a manner and that IFAs should therefore be able to recommend its shares to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

AIFMD status
The Company is a Guernsey-domiciled self-managed non-EEA Alternative Investment Fund.

FATCA
The Company has registered for FATCA and has GIIN number X5FC1F.00000.LE.831

Investment policy
The Company's investment policy is summarised in Section 2.3 (Strategy & Objectives) and can be found in full on the Company's website.

ISIN and SEDOL
ISIN: GB00B0T4LH64 SEDOL: B0T4LH6

Website
www.hicl.com

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

HICL Infrastructure

Delivering Real Value.

Registered Address
HICL Infrastructure Company Limited
(Registered number: 44185)

East Wing
Trafalgar Court
Les Banques
St Peter Port
GY1 3PP
Guernsey

T +44 1481 749 700
E info@hicl.com
W hicl.com

Registered Office: East Wing, Trafalgar Court, Les Banques, St Peter Port, GY1 3PP.