HICL Infrastructure Company Limited

23 May 2018

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The Board of HICL Infrastructure Company Limited announces preliminary Annual Results for the year ended 31 March 2018.

Highlights

For the year ended 31 March 2018

- A resilient set of results for the year.
- NAV per share of 149.6p as at 31 March 2018 (149.0p as at 31 March 2017).
- NAV total return of 5.7% for the period (NAV per share appreciation plus dividends paid basis) despite the impact of the failure of a key counterparty and a challenging UK regulatory environment.
- Aggregate dividends declared for the year of 7.85p per share in line with guidance.
- The Board re-affirms the 8.05p target for the next financial year ending 31 March 2019, and 8.25p per share for the financial year ending 31 March 2020, reflecting the Board's confidence in the resilience of the long-term forecast cashflows from the Group's portfolio.
- The Directors' valuation of the portfolio on an Investment Basis at 31 March 2018 is £2,836.5m (£2,380.0m at 31 March 2017).
- Successful, prudent approach to funding: a capital raising of £267.7m in June 2017; and the re-financing on improved terms of the £400m Revolving Credit Facility in March 2018.
- Four new investments in the period across all target market segments for a combined consideration of £473m. Following the year end, HICL has invested a further £35m in accretive investments.
- Clear focus on delivering value for shareholders as evidenced since year-end by the strategic divestment of HICL's investment in the Highland Schools PPP project for an attractive price.
- The Board and Investment Adviser are confident in the outlook for the Company and continue to focus on preserving and enhancing value from the existing portfolio, while seeking opportunities to optimise performance through a selective approach to accretive investment.

Summary Financial Results

(on an Investment Basis)

for the year to	31 March 2018	31 March 2017
Income	£161.7m	£207.6m
Profit before tax	£122.1m	£177.1m
Earnings per share	6.9p	12.4p
Total dividends declared per share for the year	7.85p	7.65p

Net Asset Values	31 March 2017	31 March 2017
Net Asset Value (NAV) per share	149.6p	149.0p
Fourth quarterly dividend declared	1.97p	1.92p
NAV per share after deducting fourth quarterly dividend	147.6p	147.1p

Ian Russell, Chairman of the Board, said:

"We are pleased to report that NAV, total return and cashflows have remained resilient in the face of some challenges during the year, which is testament to the well-diversified nature of the Group's portfolio. HICL delivered its target dividend for the year, and the Board is pleased to re-confirm the guidance of 8.05p per share for the year ending 31 March 2019; and 8.25p per share for the following financial year.

"HICL seeks to deliver long-term, stable income for its investors by focusing on its business model's three key elements: value preservation; value enhancement; and accretive investment. The Board believes that taking a responsible approach towards each of these activities, combined with a long-term perspective, is fundamental to sustaining the Company's investment proposition.

"The benefits of private investment in infrastructure – including the availability of capital and expert resources, risk transfer from the public to the private sector and long-term and responsible stewardship of community assets – are real, but often overlooked. Over the past year, negative political comment in the UK has weighed on the minds of investors as they consider their exposure to the asset class. However, we believe that there continues to be a role for private capital to provide critical infrastructure for taxpayers, public-sector clients, regulators and the wider community.

"The Board has conviction in the long-term direction of HICL and that shareholders will continue to benefit from the resilience afforded by the Group's well-diversified portfolio of investments. To this end, we will continue selectively to consider new opportunities which will enhance the portfolio while making prudent use of our borrowing facilities."

Harry Seekings, Director, InfraRed Capital Partners Limited, the Investment Adviser added:

"HICL's investment proposition has proven resilient during the year and it is pleasing to see that value enhancements delivered by InfraRed's Asset and Portfolio Management teams mitigated the impact of some specific challenges. The portfolio's performance as a whole, combined with the issuance of new equity at a premium in June 2017, helped the Company to deliver NAV growth over the year. HICL invested £473m during the year across all of its target markets, which has helped to increase portfolio diversification.

"The Board and the Investment Adviser continue to consider all appropriate options for optimising portfolio performance and managing the Company's funding. As an example, in April 2018 HICL entered into a commitment to dispose of its interest in the Highland Schools PPP project for an attractive price, generating value for shareholders which, in our view, would not have been achieved by holding on to the investment.

"The Investment Adviser is focused on continuing to build and deliver HICL's differentiated investment proposition, in terms of low single asset concentration risk, strong inflation correlation and predictable, long-term cashflows. In particular, despite the impact of counterparty and regulatory risks, resilient cash flows from HICL's diversified portfolio have ensured that dividends remained in line with previously communicated guidance and that cash cover remained solid."

This announcement contains Inside Information.

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Copies of this announcement can be found on the Company's website, www.hicl.com.
The Annual Report and Consolidated Financial Statements for the year ended 31 March 2018 will be published in June and an electronic version will be available from the Company's website at that time.

Chairman's Statement

The delivery of long-term, stable income from a diversified portfolio of infrastructure investments has been at the heart of HICL's investment proposition since its inception. As in previous years, the Company has focused on executing its business model and I am pleased to present a resilient set of results for the year.

However, the financial year to 31 March 2018 witnessed a combination of external factors that adversely impacted the wider sector, together with some challenges specifically within the HICL portfolio. As a consequence, the Company's share price fell materially in the second half of the year, and the Company's shares traded at a discount to Net Asset Value ("NAV") per share from January 2018 through the final quarter, rather than at a premium as the market has become accustomed.

Private investment in UK infrastructure has from time-to-time been the subject of political scrutiny and debate. The Board is convinced of the benefits of this investment, which include not only availability of capital, but also expert resources and long-term, responsible stewardship of critical community assets. The transfer from the public to the private sector of asset delivery risks, such as construction and maintenance, provides a valuable service which recent events have served to highlight. Nonetheless, it remains the case that these positives are not as widely acknowledged as they should be and, over the past year, negative political commentary has weighed on the minds of investors as they consider their exposure to the asset class. The Board and the Investment Adviser therefore recognise the responsibility that HICL has to consistently demonstrate the value of private investment to taxpayers, public sector clients, regulators and the wider community.

The failure of Carillion plc ("Carillion") has highlighted a fundamental principle of the public-private partnership ("PPP") risk transfer model. The Company's experience is that the framework is working exactly as intended: for the ten PPP projects in the HICL portfolio where Carillion was providing facilities management services, responsibility for sourcing credible replacement subcontractors has fallen squarely onto the Company and its co-shareholders. The Investment Adviser has worked on HICL's behalf with a broad range of stakeholders to ensure continuity of service provision at these projects, and to secure the smooth transition of staff and suppliers into arrangements with new operators. The Board wishes to express its thanks for the hard work and commitment of all parties who have been working constructively towards a successful outcome. Progress overall has been in line with expectations and the situation is being managed within the parameters of the provision that HICL announced in January 2018. Of course, Carillion's liquidation is an unwelcome manifestation of the counterparty risk that is commonly borne by equity investors in infrastructure. However, the continuing work to establish new long-term arrangements in an orderly fashion, whilst seeking to preserve value for shareholders, is a tangible demonstration of the responsible approach that HICL adopts towards its public sector clients and other stakeholders.

Approximately 90% of HICL's shareholders are UK-based, including a range of local authority and corporate pension funds, as well as retail investors. Overseas investors include public sector and corporate pension funds located in the EU. Delivering income to the Company's shareholders is fundamental to HICL's investment proposition, and I am pleased that the Company has been recognised by the Association of Investment Companies for 10 consecutive years of dividend growth. The portfolio has produced, and continues to produce, resilient and predictable cash flows. In the year to 31 March 2018 cash receipts from the portfolio on an Investment Basis covered the aggregate dividend paid 1.10 times, despite the timing of receipts from a number of PPP projects being affected by the consequences of the Carillion liquidation. The Board is pleased to reaffirm the dividend guidance provided in November 2017; namely a target of 8.05p per share for the financial year ending 31 March 2019; and 8.25p per share for the following financial year ending 31 March 2020[1].

[1] These are targets only and not profit forecasts. There can be no assurance that these targets will be met

Investment Activity

During the financial year the Group invested £473m in four assets, improving the correlation of the portfolio's expected returns to inflation and cash flow longevity. These investments contributed to portfolio diversification and are consistent with the Company's objective of positioning its portfolio at the lower end of the risk spectrum. Notably, HICL secured co-investment in both High Speed 1 and Affinity Water alongside UK local authority pension funds. These alliances are built on a strong alignment regarding the responsible approach to asset stewardship that we share as long-term investors in infrastructure.

Since the year end HICL has completed a further three acquisitions, representing commitments totalling approximately £35m. In addition, in April 2018, the Company entered into an agreement to divest, for an attractive price, its investment in the Highland Schools PPP project (UK).

Financial Performance

The Board has approved the Directors' Valuation of £2,837m for the Group's portfolio, as at 31 March 2018 (£2,380m at 31 March 2017). The Directors are satisfied with the methodology and assumptions used and as usual have taken independent, third party expert advice on the valuation. On an IFRS basis, at 31 March 2018, investments at fair value were £2,677m (£2,419m as at 31 March 2017). A reconciliation between the IFRS basis and Investment Basis can be found in the Operating & Financial Review.

The Company's NAV per share increased by 0.6p to 149.6p, up from 149.0p at 31 March 2017. This appreciation in NAV, together with dividends paid over the financial year, generated a 5.7% total shareholder return ("TSR"). Outperformance of the portfolio, issuing equity at a premium and actual UK inflation above our valuation assumption largely offset the financial impact of the Carillion liquidation and the impact of regulatory and operational challenges that impacted the valuation of Affinity Water.

From IPO in March 2006 to 31 March 2018, the Company has delivered a TSR of 9.3% 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 February 2017 prospectus, being a target long-term return of 5.6% p.a. based on an issue price of 159p per share.

Distributions

Three quarterly interim dividends for the year to 31 March 2018 have been paid during the financial year. The final dividend of 1.97p per share was declared on 16 May 2018 and is due to be paid on 29 June 2018. This will bring the total dividends for the financial year to 31 March 2018 to 7.85p, in line with previously communicated guidance.

With the Company's shares recently trading at a discount to NAV per share, it is important to note that, in light of the dilutive impact of issuing shares priced at a discount, the Board reserves the right to suspend the scrip dividend alternative if appropriate. The scrip dividend alternative will be reviewed by the Board on a quarterly basis with the objective being to avoid NAV-dilutive share issuance.

Shareholders

The Company prides itself on the open and constructive dialogue that it seeks to maintain with its shareholders. During the year to 31 March 2018, the Investment Adviser held two roadshows and a number of additional meetings with investors throughout the year. In early 2018, the Chairman and Senior Independent Director also held meetings with several of the Company's largest shareholders.

The Company also held a well-attended Capital Markets Seminar in February 2018. The aim of the event was to provide insight into the recent additions to the HICL portfolio and the diversification benefits these bring, as well as the Investment Adviser's approach to sourcing and managing these assets on behalf of HICL. The Board considers that diversification within the portfolio underpins the resilience of the portfolio's cash flows and supports the dividend guidance for the next two years, thus demonstrating value to shareholders, particularly in the current sector environment.

Funding

In June 2017, HICL successfully raised £267.7m (before expenses) through a tap issue of 162.2m ordinary shares. Following the Annual General Meeting ("AGM") in July 2017, the Company has the authority and tap issuance capacity to issue approximately 179m more ordinary shares, if market conditions allow.

The Company had net debt on an Investment Basis of approximately £115m at 31 March 2018. In light of the Company's strong balance sheet, the Board remains comfortable maintaining the level of current borrowing.

In recent months HICL's shares have traded at a discount to NAV per share – a situation that has rarely occurred previously. While this persists the Company's ability to raise further equity capital is curtailed and the Board and the Investment Adviser therefore continue to review all appropriate options for managing funding.

Corporate Governance

As in previous years, and aligned to corporate governance best practice, the Directors offered themselves for re-election at the AGM on 17 July 2017 and were duly re-elected.

I am delighted to welcome Mike Bane to the Board, who was announced as a non-executive director in April 2018, to take effect from 1 July 2018. He has worked at a senior level within the audit industry in the UK, as well as in Guernsey, and brings a wealth of relevant sector experience to the HICL Board.

As previously reported, the Board and the Investment Adviser reviewed the management fee structure in the first half of the year, and agreed to deliver economies of scale into the future through a reduction in the fee due to the Investment Adviser for the adjusted gross portfolio value in excess of £3.0bn, from 0.8% per annum to 0.65% per annum, with effect from 1 October 2017.

Key Risks

Political and regulatory risks are inherent in the infrastructure market segments in which HICL invests. PPP projects receive revenues from public sector clients, at a local and national level, and regulated assets are subject to periodic regulatory reviews and price controls. Changes to government policy towards private investment in infrastructure, or the market's perception of the risk of changes, may negatively impact the market value of, or the income delivered by, HICL's assets and thus erode shareholder value. Some mitigation of these risks is available through contractual arrangements with public sector counterparties, or the nature of regulatory processes, which typically balance the interests of consumers and investors. However, the current environment in the UK demonstrates that political and regulatory risks can have a tangible impact on infrastructure investors such as HICL.

Producing stable returns from investments in the HICL portfolio depends in part on the performance and stability of a series of counterparties, for example subcontractors that provide operational services to PPP projects. This model of subcontracting services, which allocates risk to those parties that are best placed to manage it, is efficient and effective. However, as seen during the year, the failure of a key counterparty can adversely affect the performance of a portfolio company, with cash flows impacted by the incremental costs of replacing the relevant subcontractor.

InfraRed's Asset Management team worked closely with portfolio company management teams on safety matters throughout the financial year. The health and safety of the users of the infrastructure in which HICL invests is a priority for the Company. Accidents first and foremost affect the individuals involved, but can also have negative financial and reputational consequences. Areas of focus during the financial year have included fire safety, in particular cladding systems and, in relation to construction quality, wall-ties.

The Board is aware of the evolving environment around cross-border taxation and the potential impact which this could have on future shareholder returns. The Company's tax policies continue to emphasise transparency, full disclosure and a corporate responsibility to provide this at all times within the framework and spirit of the various legal jurisdictions in which it operates. As previously reported to shareholders, the Company could undertake a change in domicile to the UK if the Board came to the conclusion that such a move was warranted. The Board is mindful of its responsibility to shareholders and therefore keeps the Company's domicile under review, while maintaining an open dialogue with shareholders on this subject.

Outlook

The Board and the Investment Adviser continually review opportunities to unlock value from the existing portfolio, both in terms of value enhancements and, where appropriate, disposals. The objective is to optimise the performance of the portfolio across the four accretion metrics that are also used to screen new investment opportunities; namely total return, yield, inflation correlation and cash flow longevity. The recent agreement to dispose of HICL's investment in the Highland Schools PPP project is a good example of how portfolio optimisation can work in practice. This achieved the combined objectives of improving portfolio performance, freeing capital which can be redeployed into accretive assets and prudently managing leverage, while finding additional value for HICL shareholders by selling at a significant premium to the valuation of the project at 30 September 2017. The Investment Adviser will continue to optimise portfolio construction and performance, through value enhancements and selective disposal and acquisition activity.

In light of the current UK political environment, the outlook for private investment in new UK infrastructure projects remains muted in the Company's target market segments. With some notable recent exceptions, deal flow within the secondary market in the UK has also been light and is expected to remain so. The Board welcomes the comments of the Infrastructure and Projects Authority to the Public Accounts Committee's Private Finance Initiatives inquiry regarding the need for real data to demonstrate the value for money of PPP projects. The Directors believe that the value of the PPP model is underestimated, even amongst key stakeholders that benefit most from its transfer of risk to the private sector. Empirical evidence may help to address this, particularly if it captures a holistic measure of resources and expertise that the private sector brings to bear for the duration of PPP projects.

The Board and the Investment Adviser continue to see opportunities in Europe and North America within HICL's target market segments (PPP projects, regulated assets and demand-based assets). The Company will selectively consider these in line with the principles laid out above, remaining mindful of current constraints on fundraising.

Despite short-term challenges faced by the Company in the period, the Board has conviction in the long-term strategic direction for the Company, as a responsible custodian of infrastructure. Both the Board and the Investment Adviser are committed to protecting shareholder value for the long term, and to the continued fulfilment of HICL's investment proposition, while at the same time responsibly providing infrastructure that supports vital public services for communities in the markets where the Company has invested.

Ian Russell
Chairman
22 May 2018

The Infrastructure Market, Business Model and Strategy

The infrastructure asset class covers investments in assets that support local communities and essential public services, comprising a variety of sectors and risk profiles. HICL segments the market using revenue risk categories, as revenue is a key driver of the long-term, stable and predictable cash flows that infrastructure investors are typically seeking.

The spectrum of risk associated with infrastructure assets varies within each market segment – and not all market segments offer the lowest categories of risk. The risk profiles of the market segments overlap depending on the characteristics of the assets themselves and the relevant contractual or regulatory arrangements.

HICL selectively targets opportunities within each market segment, with a focus on PPP projects, regulated assets and demand-based assets. These market segments have different, but complementary risk profiles, and HICL seeks to balance these through responsible, planned portfolio construction.

PPP projects can offer some of the lowest risk investment opportunities in the infrastructure market, due to the contractual nature of revenues and costs and limited residual risks borne by equity investors. However, if a PPP project is under construction, has financially weak counterparties, or has not been structured to pass down fully key delivery risks to subcontractors, its risk profile can be incrementally higher than a well-structured operational PPP project, a regulated asset or an operational toll road. This is a theme that was explored at the Company's Capital Markets Seminar in February 2018, for which the supporting presentation is available on the Company's website.

Regulated assets support the delivery of services to end users, including customers and businesses. Their monopolistic positioning means that they are subject to regulatory regimes that balance performance standards and affordable pricing for households with the financial viability of the companies. The relevant regulator has significant influence over their business plans, often through price controls. These assets add balance to the PPP project portfolio as the regulatory regimes, in the long term, provide protection for industry-wide movements in costs, including the cost of capital, operations, maintenance and investment. Regulated assets will typically self-perform operations and maintenance activities or outsource to a wider array of counterparties than individual PPP projects, thereby reducing counterparty risk, which is achieved for PPP projects through counterparty diversity on a portfolio-wide basis.

Balancing PPP projects and regulated assets, 'user-pays' demand-based assets are generally less sensitive to political and regulatory risks. They are more exposed to volume (traffic/usage) risk and often have investment returns that are correlated to the rate of economic growth. Those at the lower end of the risk spectrum will typically have strong usage history or limited uncertainty in forecast demand.

Active asset management can drive the mitigation of risk, which is inherent in the scope of the activities performed by the underlying portfolio companies. More detail on the key risks faced by portfolio companies will be available in the Risk & Risk Management section of the Company's Annual Report.

HICL’s Investment Proposition

HICL’s investment proposition is to deliver a long-term, stable income to shareholders from a diversified portfolio of infrastructure investments positioned at the lower end of the risk spectrum

HICL – a diversified investment proposition

- Low asset concentration risk
- Strong inflation correlation
- Good cash flow longevity

HICL’s Business Model

The Company delegates the majority of the day-to-day activities required to deliver the business model to the Investment Adviser, InfraRed Capital Partners (“InfraRed”).

Value Preservation

InfraRed’s Asset Management and Portfolio Management teams work closely together, in partnership with the management teams in the Group’s portfolio companies, to deliver HICL’s Investment Proposition by preserving the value of the Group’s investments for shareholders and stakeholders. The objective is to ensure portfolio companies perform in line with the relevant contractual obligations and/or regulatory framework; and deliver the forecast base case investment return.

This is achieved through:

- Providing oversight and governance of portfolio companies, usually through Board representation
- Building relationships with key portfolio company counterparties, in particular public sector clients/regulators
- Facilitating and/or driving resolution of operational issues, including disputes
- Promoting Environmental, Social and Governance (“ESG”) awareness within portfolio company management teams, encouraging the pursuit of specific initiatives to comply with regulation and support sustainable, responsible business operations
- Monitoring financial performance of each investment against Group forecasts
- Improving cash efficiency by managing cash flow from Group investments and minimising cash drag on returns
- Managing the process and analysis required for valuations of the Group’s portfolio
- Following prudent financial management practices (e.g. accounting and tax policies; treasury processes)

Value Enhancement

The Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio through value enhancements. This upside is often shared, between the Company’s shareholders and public sector clients for PPP projects or with the customers of regulated assets through periodic regulatory price reviews.

This is achieved through:

- Sponsoring 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)
- Developing and implementing procurement efficiencies across the Group’s portfolio, in particular by leveraging economies of scale (for example, management services and insurances for PPP projects)

- Exploring opportunities to add new revenues within existing portfolio companies (for example, undertaking contract variations on PPP projects that add to the scope of services)
- Driving efficient financial management of the Company, seeking opportunities to reduce ongoing charges
- Considering 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 HICL's Investment Proposition and is consistent with the Company's overall risk appetite.

Working within delegated parameters approved by the HICL Board, InfraRed is responsible for the selection and pricing of new investments and, from time-to-time, disposals. The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed, most recently in October 2017.

InfraRed uses a variety of channels to source accretive transactions 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;
- Participating in competitive auctions of investments in the secondary market; and
- Making selective disposals that support the Company's overall Investment Proposition.

Responsible and Balanced Portfolio Construction

PPP projects, 74% of the portfolio by value, remain the largest market segment in HICL's portfolio. Transactions must contribute to a prudent, balanced portfolio and are assessed on this basis. Over the past 24 months, HICL has diversified its portfolio through making investments in regulated and demand-based market segments.

These have overlapping, complementary risk/reward profiles and fall within the scope of the Investment Policy, which contributes to the construction of a balanced and resilient portfolio for HICL.

Key Performance & Quality Indicators

The Board has identified metrics against which to measure clearly the Company's performance against its strategic objectives. The results for the year ended 31 March 2018 are set out below.

KPI	Measure	Objective	Commentary	31 March 2018	31 March 2017
Dividends	Aggregate interim dividends declared per share for the year	An annual distribution of at least that achieved in the prior year	Achieved	**7.85p**	**7.65p**
Total Shareholder Return	NAV growth and dividends paid per share since IPO	A long-term IRR target of 7% to 8% as set out at IPO[1]	Achieved	**9.3% p.a.**	**9.6% p.a.**
Cash-covered Dividends	Operational cash flow/dividends paid to shareholders	Cash covered dividends	Achieved	**1.10x**	**1.22x**
Positive Inflation correlation	Changes in the expected portfolio return for 1% p.a. inflation change	Maintain positive correlation	Achieved	**0.8%**	**0.7%**
Competitive Cost Proposition	Annualised ongoing charges/average undiluted NAV[2]	Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible	Market competitive cost proposition	**1.08%**	**1.06%**

[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.

KQI	Measure	Objective	Commentary	31 March 2018	31 March 2017
Investment Concentration Risk	Percentage of portfolio value represented by the ten largest investments[1] Percentage of portfolio value represented by the single largest investment[1]	Maintain a diversified portfolio of investments (thereby mitigating concentration risk) and, at all times, remain compliant with the Company's Investment Policy	Within acceptable tolerances	**45%** **8%**	**40%** **6%**
Risk/Reward Characteristics	Percentage of portfolio value represented by the aggregate value of projects with construction and/or demand-based risk[2]	Compliance with the Company's Investment Policy	Achieved[5]	**19%**	**14%**
Unexpired Concession Length	Portfolio's weighted-average unexpired concession length	Seek where possible investments that maintain or extend the portfolio concession life	Achieved	**29.5 years**	**24.4 years**
Treasury Management	FX gain/(loss)[3] as a percentage of the NAV Cash less current liabilities on an Investment Basis as a percentage of the NAV	Maintain effective treasury management processes, notably: – Appropriate FX management (confidence in near-term yield and managing NAV gain/(loss) within Hedging Policy limits) – Efficient cash management (low net cash position)	Achieved	**(0.4%)** **0.3%**	**0.0%** **2.7%**
Refinancing Risk	Investments with refinancing risk[4] as a percentage of portfolio value	Manage exposure to refinancing risk	Within acceptable tolerances	**16%**	**9%**

[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 assets 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 2018, 1% of portfolio value was in construction and 18% was demand-based assets (19% total); in the year ended 31 March 2017, 2% of portfolio value was in construction and 12% was demand-based assets (14% total)

[3] Impact of foreign exchange after hedging on NAV

[4] There are three projects with refinancing risk – AquaSure Desalination Plant (Australia), Affinity Water (UK) 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, or that the company is a corporate entity with an unlimited life

[5] Substantially lower than the aggregate limit of 35% for such investments

Investment Adviser's Report

The Investment Adviser

InfraRed Capital Partners Limited ("InfraRed") acts as Investment Adviser to HICL and as Operator of the Group's investment portfolio in respect of origination of new investments and the oversight and management of existing investments. InfraRed, an independent investment management firm, is authorised and regulated by the Financial Conduct Authority and has been the Investment Adviser to the Company and Operator of the Group since its inception in 2006, having sourced and developed the original seed portfolio which was acquired at the time of the Company's listing.

- Headquartered in London with offices in New York, Hong Kong, Sydney and Seoul
- A 20-year track record of successful investment in infrastructure
- Over 70 infrastructure professionals with in-depth technical, operational and investment knowledge
- Multi-discipline support from InfraRed's shared corporate services

Operational Highlights

PPP projects

Acquisitions in other market segments during the year contributed to improved portfolio diversification, yet the core of the Group's portfolio remains its investments in 109 PPP projects with availability-based (or similar) revenue streams. PPP projects accounted for 74% of portfolio (by value) at 31 March 2018 (2017: 88%). Overall these investments are performing well and InfraRed's Asset and Portfolio Management teams have delivered approximately £50m of positive value enhancements over the course of the year, contributing to the NAV growth. Many of these value enhancements have also benefited public sector clients. These are set out in more detail in the Operating and Financial Review.

During the year, HICL announced incremental investments in the UK in the Addiewell Prison PPP (£12m) and the Priority Schools Building Programme (North East Batch) PPP (£9m). Both investments were sourced off-market and were acquired with forecast total returns that were accretive to the existing portfolio. They are examples of how opportunities are sourced through InfraRed's extensive network of industry relationships.

Since the year end, the Group has completed a new investment of up to €21m in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University (France); and has agreed to divest its 100% interest in the Highland Schools PPP for £56m (see 'Outlook and Market' below).

Carillion plc ("Carillion")

Carillion was the facilities manager and/or the construction contractor on a number of the HICL's PPP investments. As a consequence of the liquidation of Carillion announced on 15 January 2018, HICL recognised a reduction in value of £59.3m in respect of the affected projects at the year end. This comprised a number of elements: the cost of transitioning 10 PPP projects to long-term replacement facilities management subcontractors; the impact of distribution lock-up on these and a further five PPP projects where Carillion had acted as construction subcontractor; historic liabilities previously borne by Carillion on a small number of these projects where the costs are now expected to be borne by equity investors; and a reduction of £19m in the estimated market value of the affected PPP projects as at 31 March 2018, which has been taken through increased discount rates, whilst the transition to long-term solutions continues.

The projects in the Group's portfolio where Carillion acted as facilities management subcontractor include acute hospitals, defence accommodation, several emergency services projects (police and fire services) and primary healthcare accommodation. InfraRed activated existing contingency plans at the affected projects immediately after the liquidation was announced, prioritising continuity of service provision and asset availability. We are pleased that this has been achieved and that good service provision has been consistently delivered on all the impacted projects.

InfraRed's Asset Management team has worked closely with all stakeholders including management teams at project level, our chosen replacement operators, public sector clients, representatives of the Official Receiver and Carillion management. With the full support and consent of public sector clients and project lenders, facilities management subcontracts have been terminated on nine projects where Carillion was performing the services; and interim arrangements are now in place with replacement operators. We are pleased that over 600 former Carillion staff and over 1,000 seconded staff have successfully transferred into new arrangements with the replacement operators, representing the vast majority of staff working on the Carillion subcontracts at the affected projects. One project company remains in contract with an administered Carillion entity and, at the time of writing, the expectation is that this subcontract will terminate imminently and services moved to interim arrangements with a replacement operator.

Our key focus now is to convert the interim arrangements into long-term solutions. Good progress has been made to date and we are continuing to work at project level with a range of stakeholders. A long-term replacement subcontractor has been secured for the Birmingham and Solihull LIFT project meaning that all 11 affected contracts within this scheme now have long-term facilities management arrangements in place. For the remaining projects, commercial discussions are underway with three financially strong counterparties, with relevant experience and credible track records. In addition to Birmingham and Solihull LIFT, three of the five projects where Carillion acted as construction contractor are no longer in distribution lock-up. The ultimate objective is to release all projects from distribution lock-up and we expect this will be substantially achieved during the current financial year. In the meantime, as part of the valuation of the portfolio at 31 March 2018 and considering current information and progress to date, we have reviewed and re-confirmed the value reduction recognised by the Company.

At the time of its liquidation, Carillion was the Group's largest facilities management counterparty, providing services to approximately 14% of the portfolio (by value). The reduction in value of these projects, representing c. 2% of NAV (as at 31 March 2018), demonstrates the resilience of the portfolio; and that a key benefit of building a well-diversified portfolio is that it mitigates the impact on the Company of relatively severe events. Although the materialisation of this key infrastructure investment risk was unwelcome and affected HICL's financial performance for the year, the risk profile of the Company's business model remains fundamentally unchanged.

Demand-based Assets

18% of the Group's portfolio at 31 March 2018 (12% at 31 March 2017) was invested in demand-based assets where revenues and returns are dependent on end-user demand. During the year, HICL announced the acquisition of a 21.8% interest in High Speed 1 ("HS1") for £202m[2].

As outlined at the Capital Markets Seminar in February 2018, we have worked closely with the HS1 management team to assimilate this asset within the portfolio, both at Board level and with the key management functions. We are pleased to note that investment performance has been marginally ahead of HICL's acquisition expectations.

We continue to see value for shareholders in the Group's demand-based assets, which offer strong inflation correlation and long-dated cash flows. Both the A63 Motorway (France) and Northwest Parkway (USA) have continued to perform significantly ahead of acquisition assumptions. Baseline revenue performance has been adjusted accordingly in the portfolio valuation at 31 March 2018, while prudently retaining future growth rates in line with expectations at the time of the respective acquisitions (see the Operating & Financial Review).

As an infrastructure investor, HICL values the uncorrelated nature of its overall portfolio returns to economic factors. InfraRed continues to manage the Company's exposure to GDP-correlated, demand-based assets within the self-imposed limit agreed with the Board of no more than 20% of total portfolio value. The exposure as at 31 March 2018 was 17% (2017: 10%). We believe that this represents a balanced trade-off for the accretion that these investments bring to the portfolio. This is demonstrated in the sensitivity results for changes in GDP assumptions (See the Valuation of the Portfolio).

[2] Net of co-investment

Regulated Assets

Regulated assets represented 8% of portfolio value at 31 March 2018. In April 2017, HICL committed to a £250m[3] acquisition of a 33.2% interest in Affinity Water. In July 2017, a consortium including HICL was announced as Ofgem's preferred bidder for the Burbo Bank Extension OFTO. Financial close was reached after year end, in April 2018, with the Group investing approximately £10m for a 50% interest in this availability-based regulated asset.

The on-boarding of Affinity Water progressed well during the year, with InfraRed taking up a position on the board of the company and members of the Asset and Portfolio Management teams working closely with various management functions within the company. However, Affinity Water faced both regulatory and operational challenges which negatively affected the value of the investment.

In December 2017, the Water Services Regulation Authority ("Ofwat") published its final methodology for the 2019 Price Review ("PR19"), covering the regulatory period from 2020 to 2025 ("AMP7"). We have incorporated key aspects of this into the valuation of the investment:

- a lower than anticipated regulatory weighted average cost of capital, with the incorporation of floating rate debt into the cost of debt for the first time being particularly negative for the valuation of Affinity Water, which is financed with long-term fixed-rate bonds; and

- the regulatory gearing assumption and a change in the inflation measure from Retail Price Index ("RPI") to Consumer Prices Index including owner occupiers' housing costs ("CPIH"), which were both positive for the valuation.

During the year, Affinity Water experienced one-off operational costs relating to drought, the winter freeze-thaw and the termination of an underperforming subcontractor. In addition, the company forecasts that for the remaining two years of the current regulatory period, its total expenditure ("totex") outperformance targets will be challenging to meet. We have also re-cast our totex forecasts for AMP7.

The combination of these factors has negatively impacted HICL's NAV by £34m in the year to 31 March 2018. A little over half of this impact relates to Ofwat's PR19 final methodology; with the balance split broadly evenly between one-off operational costs and the impact of reforecasting totex. In late April 2018 Ofwat published a consultation re-opening certain aspects of PR19. Please see the Operating & Financial Review for more information.

We view Affinity Water as an attractive long-term investment and, over this time horizon, the company has sound prospects. The company has made good progress during the current regulatory period, in particular in relation to tackling the most challenging leakage reduction target in the industry and investing in innovation and information technology systems that provide a platform for driving efficiencies in the next regulatory period. Further texture on this was provided at HICL's Capital Markets Seminar in February 2018; the supporting presentation is available on the Company's website. The company also has a resilient financial structure with long-term debt in place such that no refinancing is required before 2025 and a pension surplus on an accounting basis. Affinity Water's business plan for PR19 will be submitted to Ofwat in September 2018.

[3] Net of co-investment

Financial Highlights

During the financial year to 31 March 2018, InfraRed's Origination and Transaction Team sourced two new and two incremental investments for the Group. Since the year end, the Group has announced three further new investments and a divestment. In addition, InfraRed's Asset Management and Portfolio Management

Teams continued active management at both portfolio and asset level, generating value enhancements for the shareholders. More detail on acquisitions and value enhancements can be found in the Operating & Financial Review. These enhancements, alongside actual inflation above our valuation assumptions, have enabled outperformance from the portfolio (excluding the projects affected by the Carillion liquidation), despite the impact of Affinity Water on portfolio value. Further valuation positives came from reductions in corporation tax rates in Australia, France and USA (see the Valuation of the Portfolio).

NAV per share for the financial year increased by 0.6p, from 149.0p as at 31 March 2017 to 149.6p as at 31 March 2018. Portfolio performance, combined with the issuance of equity at a premium enabled NAV growth. The Company's annualised TSR, based on growth in NAV per share plus dividends paid, was 5.7% for the period (2017: 10.3%). Excluding the impact of the Carillion liquidation, the Company's NAV per share would have been 153.0p and the annualised TSR would have been 8.1%.

Cash flow receipts for the Group on an Investment Basis were £179.1m (2017: £148.9m). After finance and operating costs, net operating cash flows on an Investment Basis were £142.9m (2017: £122.8m), which covered the dividends paid in the year 1.10 times (2017: 1.22 times).

Profit before tax was £121.8m for the year to 31 March 2018, a decrease of £55.0m (2017: £176.8m). This was principally due to the £59.3m adverse valuation impact from Carillion's liquidation, with the growth in profits from a 19% larger portfolio value offsetting the benefit of £40m from discount rate reductions in the prior year.

The Company uses the Association of Investment Companies' methodology to assess the ongoing charges percentage, which for the financial year to 31 March 2018 was 1.08% (2017: 1.06%). This compares well with other investment companies in the London-listed infrastructure sector, with the slight increase in the year attributable to drawings under the Revolving Credit Facility ("RCF") in the current year (see the Operating & Financial Review).

Funding and Capital

For the acquisitions of Affinity Water and HS1 in the first half of the financial year, the Company followed its usual model of funding investments by drawing on HICL's RCF and then repaying this through subsequent capital raising. In June 2017, HICL raised £267.7m (before expenses) through an oversubscribed tap issue of 162.2m ordinary shares. In total during the year, the Company raised equity capital of £274.2m, including scrip dividends.

HICL holds a modest balance on the RCF as market conditions have not been conducive to additional equity capital raising. At 31 March 2018, this balance was £134.6m. The Board and the Investment Adviser are comfortable drawing on the RCF in support of delivering portfolio optimisation (see 'Outlook and Strategy' below).

Since the end of the financial year the Company has announced the disposal of its interest in the Highland Schools PPP for £56.2m, representing significantly greater value than could be achieved by retaining the investment. The intention is to redeploy the proceeds into accretive investment.

Key Risks

Political Risk

In common with other investors in infrastructure, political and regulatory risks are inherent in HICL's business model. This is due to the contractual relationship that PPP project companies and demand-based concessions have with public sector counterparties, and the role of regulators in undertaking periodic reviews and setting price controls for regulated assets.

We are committed in our conviction that private investment in critical infrastructure, when responsibly undertaken, is a positive force. However, we remain aware that political comment in the current environment, particularly in the UK, is more equivocal. We note UK political commentary raising the possibility of nationalisation of PPP project companies and regulated utilities. This route disregards not only practical considerations and the material cost to the taxpayer of nationalisation of both compensation to investors and advisory costs, but also the considerable benefits that private capital brings to the public sector, in terms of ring-fenced capital maintenance budgets, long-term certainty of cash flows, private sector management expertise and resource and the transfer of significant operational risk (as demonstrated recently in the UK with the Carillion liquidation).

HICL and InfraRed take seriously our shared responsibilities to all stakeholders in critical infrastructure. We acknowledge our collective role in demonstrating responsible stewardship of key public assets, furthering dialogue on the benefits of private investment and restoring trust in partnerships between the public and private sectors as a valid model to deliver services to taxpayers and other stakeholders.

Counterparty Risk

A fundamental benefit of procurement models such as PPP projects is the transfer to the private sector of asset delivery risks such as construction and maintenance. Subcontracting these risks to specialist counterparties, as the Group's project companies do, mitigates the impact of these risks on equity investors in PPP projects. For example, if a public sector client deducts revenue from a PPP project because of asset unavailability that has arisen due to poor maintenance, the project company can typically make a corresponding deduction from its payments to a facilities management subcontractor. The key risk for the project company is therefore the ability of the subcontractor to perform the necessary maintenance and withstand revenue deductions as they arise. In the event of a failure of a counterparty, performance risk reverts to the project company until a replacement subcontractor is found. A manifestation of the consequences of this risk transfer occurred in the final quarter of the financial year, with the liquidation of Carillion in January 2018.

InfraRed's approach to managing counterparty risk is informed by an assessment of the financial strength of the subcontractors on whom the Group's portfolio companies rely in order to deliver services to public sector clients and other stakeholders. Our Asset Management team has developed contingency plans that contemplate a range of possible outcomes for subcontractors who are in difficulty and these can be tailored for specific scenarios. In the case of Carillion, during the autumn of 2017, InfraRed and project company management teams developed and refined contingency plans with public sector clients, which included identifying potential replacement operators and ensuring that they were in a position to mobilise quickly in the event that Carillion failed. These replacement operators were ready, on the ground and have been engaged on all affected projects since January 2018.

This is an example of a key component of HICL's business model: value preservation. In practice, preserving value can only be achieved over the long-term through responsible stewardship of the Group's investments for the benefit of all stakeholders. The continued availability of critical public infrastructure is therefore of paramount importance to InfraRed and to the HICL Board, and the focus of InfraRed's Asset Management team has been to ensure service continuity at project level, working in close co-ordination with all key stakeholders.

Another area of counterparty exposure, albeit with historically low impact for HICL as an equity investor, is in relation to the rectification of construction defects. Typically, the responsibility for this sits with construction subcontractors, to the extent that a defect becomes apparent whilst within the defect limitations/warranty period. More background on this risk can be found in the Operating & Financial Review and will be available in the Risk & Risk Management section of the Company's Annual Report. New disclosure in relation to the expiry of defect limitations/warranty periods and construction counterparties will be included in the Portfolio Analysis section of the Company's Annual Report.

Market

At a recent infrastructure conference in London, attended by representatives of managers and institutional investors, a poll of audience members found that the UK was now viewed as a less attractive destination for infrastructure investment than other areas of Europe. We believe that this reflects the current uncertainty that surrounds the perception of the UK's political commitment to working with private investors in the infrastructure market.

In the Company's Interim Report in November 2017, we noted the balanced comments on the industry made in the National Infrastructure Commission's report dated 13 October 2017, however we flagged that a weak pipeline of greenfield PPP projects was correspondingly inhibiting deal flow in operational UK PPP projects. This continues to be the case.

PPP markets in Europe and North America continue to generate new opportunities and provide scope for further geographical diversification. On a cautionary note, a recent report by the European Court of Auditors (20 March 2018) contained recommendations on the need to address concerns on the efficiency of the PPP procurement model before further widespread adoption in EU markets.

While the supply of new opportunities remains muted, competition for infrastructure investments continues to be strong across HICL's target market segments. It is notable that unlisted infrastructure funds and direct institutional investors are key sources of demand for assets and we have observed, in some specific scenarios, significant upward pricing pressure that we attribute in part to the material 'dry powder' available to these market participants. Connected to this, although secondary market PPP activity has been limited there have been some high-profile transactions; and HICL's own experience since year end with the Highland Schools PPP disposal, suggests that the market continues to value the predictable cash flows that these investments offer.

Outlook and Strategy

InfraRed and the Board are focused on preserving value within the Group's portfolio and on generating further value enhancements. The recent disposal of the Highland Schools PPP demonstrated value creation by achieving a price more than 20% higher than portfolio value (at 30 September 2017) and contributed to portfolio optimisation across target accretion metrics. The proceeds are expected to be redeployed.

We will continue to seek opportunities to deliver value to HICL's shareholders through optimising portfolio construction and performance. This may include taking advantage of favourable market conditions to undertake strategic disposals and/or a selective approach to making new investments. The Board and Investment Adviser are comfortable that the Company's RCF has the flexibility and capacity to facilitate these activities as opportunities arise, supporting the overall objective of developing the portfolio to deliver further diversification and accretion.

The acquisition of incremental interests in existing portfolio companies will be an area of focus. In the near term, we will also continue to pursue initiatives that have been in process for a number of months for example, the OTFO Tender Round 5 regulated assets where the Company, in partnership with Diamond Transmission Corporation, has been shortlisted by Ofgem for all the remaining procurements. HICL's three principal market segments for acquisition activity remain PPP projects, regulated assets and demand-based assets; with an opportunistic approach taken to appropriate corporate assets, with long-term counterparty arrangements, that fall within HICL's Investment Policy.

Operating and Financial Review

Operating Review

Portfolio statistics

During the year, the number of investments increased from 114 to 116 with new investments in Affinity Water, representing the Group's first regulated asset investment, and in High Speed 1. The Group also made incremental investments in the Addiewell Prison PPP and the Priority Schools Building Programme North East Batch PPP. Since the year end, the Group has announced investments in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP, Belfast Metropolitan College PPP and the Burbo Bank Extension. These, together with the sale of the Group's 100% interest in Highlands Schools PPP, brings the current number of investments in the portfolio to 118.

Overall, investment activity has reduced the Group's exposure to PPP projects, although at 74% of portfolio value at 31 March 2018 PPP projects remains HICL's largest market segment.

At 31 March 2018, six assets were exposed to demand risk, representing 18% of portfolio value (2017: four investments, 12% of portfolio value). High Speed 1 and the extension of the Helicopter Training Facility contract on a usage basis were the additions to this market segment in the year. Four of the six demand-based assets generate returns that are correlated to the rate of economic growth, representing 17% of portfolio value.

Regulated assets represented 8% of portfolio value at 31 March 2018 (31 March 2017: 0%).

The proportion of the portfolio invested in the UK increased from 77% at 31 March 2017 to 80% at 31 March 2018. The Investment Adviser continues to expect a long-term trend towards an increase in exposure to investments located outside the UK and the proportion of the Group's portfolio invested in the UK will fall to 79% following completion of transactions announced after the year end.

Value Preservation

<u>Affinity Water</u>

The Group completed its first regulated asset investment in May 2017 in Affinity Water. The financial year 2017-18 has been challenging for the Affinity Water business. A combination of Ofwat's final methodology for the 2019 Price Review ("PR19"), released in December 2017, and Affinity Water's performance in the year against its enhanced status targets, together with a reassessment of likely total expenditure ("totex") allowances for PR19, resulted in a net reduction of £34m in the valuation of the Group's investment at 31 March 2018. See the Investment Adviser's Report for more information.

In late April 2018, Ofwat published a consultation document that re-opened certain aspects of PR19 and introduced new proposals around the sharing of financial outperformance, requirements for dividend policies, testing of financial resilience and executive pay. Ofwat has suggested that it will require water companies to address these subjects in their September 2018 PR19 business plan submissions. Both Affinity Water and the Investment Adviser intend to respond to the consultation. Although subject to clarification and further development, if the proposals are confirmed they would negatively impact HICL's valuation of its investment in Affinity Water, although they are not expected to have a material impact on the Company's NAV. As a non-adjusting post balance sheet event these proposals are not reflected in the Affinity Water valuation as at 31 March 2018. Overall, the implications of PR19 as a whole for Affinity Water's forecast performance will be substantially confirmed following the publication of Ofwat's final determinations in the spring of 2019.

Affinity Water's debt has maintained its investment grade rating because of its prudent financial management, exemplified by its defined benefit pension scheme surplus (on a 'technical provisions' basis), nil financial engineering through use of swaps or derivatives linked to its debt and adoption of a sustainable dividend policy.

Physical resilience of water supply is key to delivering the company's long-term operational and financial performance. Affinity Water's particular challenge in this regard is that it has a substantial reliance on groundwater sources and limited scope for storage. Throughout the current regulatory period ("AMP6"), the company has invested to reduce leakage, reduce abstractions and reduce usage through installing meters. Leakage in the year is in line with targets. Abstraction is ahead of target which means less water is being taken from ground sources.

At the time of HICL's 2017 interim results, the Company noted that Affinity Water won two silver awards at the UK Customer Experience Awards 2017 for the best 'Customer Insight and Feedback' and the 'Customers at the Heart of Everything!' award. It has since won bronze awards for 'Best Corporate Social Responsibility' and 'Best Innovation in Business Transformation' at the European Contact Centre & Customer Service Awards 2017. Each of these awards is a considerable achievement given the broad range of eligible companies and sectors.

Affinity Water will be making detailed proposals as part of PR19 to Ofwat, the Department for Environment, Food and Rural Affairs and the Environment Agency to continue the improvement of the resilience of its network while maintaining water quality, particularly in response to continuing population growth in the region, the potential for weather shocks and climate change.

As part of management's initiatives to improve performance, the company and one of its subcontractors mutually agreed to terminate a subcontract. The associated works programmes are now being delivered in-house. Although this led to a short-term cost impact, the company expects an improvement in medium-term performance.

Underpinning this investment approach is responsible governance practices. Since the change in ownership, Affinity Water has reviewed its executive pay policy to reflect HICL's long-term investment perspective and Ofwat's outcomes and customer service focus. The Investment Adviser, together with HICL's co-shareholders, has overseen the selection of a new Chairperson, Tony Cocker, and CEO, Pauline Walsh, both of whom bring an exceptional depth of knowledge and experience.

Carillion

Counterparty risk has been a key focus of the Group. The insolvency of Carillion on 15 January 2018 was the first of one of the Group's major counterparties since launch in 2006. HICL announced a provision of £59.3m shortly after the liquidation; and this has been re-confirmed as a value reduction as at 31 March 2018. More detail can be found in the Investment Adviser's Report.

Carillion subsidiaries acted as facilities management subcontractor on ten projects within the HICL portfolio. The focus of the Investment Adviser has been to ensure continuity of services across these assets. At the time of writing, nine of these projects have terminated their subcontracts with Carillion. Of these, eight have transitioned to interim measures and one (Birmingham & Solihull LIFT) has entered into a new long-term arrangement for all 11 affected sites within the scheme.

Following Carillion's failure, a further five projects were in distribution lock-up where Carillion was the original construction contractor and thereby held an ongoing responsibility for latent defect risk at the time of its liquidation. Of these, three are now out of lock-up along with Birmingham & Solihull LIFT. The Investment Adviser expects lock-ups at projects affected by the liquidation to be substantially released during the current financial year.

Construction defects

The Company continues to monitor and implement remediation strategies in relation to known construction defects.

As noted in the Investment Adviser's Report, responsibility for, and the cost of, remediation falls to the relevant construction subcontractor on each PPP project, and each affected project reserves the right to pursue contractual remedies against the relevant construction subcontractor in order to achieve necessary remediation and cost coverage for any deductions consequences. The costs to rectify known defects within the portfolio are the responsibility of the relevant construction subcontractors on each project. Plans have been, or are being, developed for all known defects. The Investment Adviser assesses and monitors the financial strength of key counterparties and is satisfied that the subcontractors responsible for remediating known material defects have the resources to deliver on their obligations.

In some cases, where construction defects are known and quantified, an adjustment may be made to the discount rate used to value the PPP project. Examples of this include where a counterparty is financially weak or where the quantum of defects is material relative to the value of the investment. At 31 March 2018, the total impact of these adjustments is in the range of £0-5m of portfolio value. This excludes adjustments in respect of assets built by Carillion subsidiaries.

The Investment Adviser continues to focus on construction defects, including those relating to fire safety, particularly in relation to fire-stopping and cladding systems, and wall ties. Where defects have been identified, rectification plans and work have been prioritised, involving key stakeholders and appropriate specialists. Health & Safety is a paramount concern and is monitored across the portfolio.

Other Updates

At the time of the 2017 Annual Report, the Company highlighted some non-material ongoing issues to provide additional texture. These are updated below:

- Progress resolving alleged building defects and operational issues at a hospital PPP continues to be slow. An adjudication process is likely to be used to seek resolution to certain challenges. The value of the investment in the portfolio is in the range of £0-5m.
- As previously reported, there is a road PPP that has suffered from operational issues and construction defects. An outline agreement has been reached in relation to the dispute with the construction subcontractor. The value of the investment in the portfolio is in the range of £0-5m.
- Negotiations continue with respect to the compensation due to the Group from a school PPP project which was voluntarily terminated by the local authority client during the previous financial year, and which has certain construction defects outstanding. This is taking time to resolve due to the number of issues and parties involved. The value of the investment in the portfolio is in the range of £5-10m.

Compensation on termination

Typically, public sector counterparties are entitled to voluntarily terminate a PPP contract and, if this occurs, project companies have a corresponding right to receive compensation. For the majority of HICL's investments in UK PPP projects, this compensation is contractually based on market value which would, we believe, be equal to the prevailing value of the asset in the portfolio.

For a number of years, the Investment Adviser has selectively acquired and disposed of investments on behalf of HICL in order to manage the exposure of the Group to voluntary termination situations where compensation is not equivalent to the prevailing market value of investments.

As at 31 March 2018, the Investment Adviser estimated that the difference between the Group's valuation of its investments in PPP projects and demand-based assets, and the compensation contractually payable in the hypothetical event of voluntary terminations across the Group's portfolio, represents approximately 4% of total portfolio value, which will fall to 3% of total portfolio value following the completion of transactions announced after the year end.

Value Enhancement

The Investment Adviser actively seeks to enhance the value of the Group's portfolio companies for all stakeholders. Over the course of the year, these initiatives enhanced the Directors' Valuation by approximately £50m in the Group's PPP portfolio alone.

Examples of value enhancement activity in the year include:

- **Demand resilience**
  Both major toll roads in the portfolio, the Northwest Parkway (USA) and the A63 Motorway (France), have continued to outperform the traffic and revenue assumptions made at the time of their acquisitions. The management team of the Northwest Parkway investment has begun work to implement variable tolling, which is designed to improve the traffic management on the road. In August 2017, the management team introduced multiple-axle tolling with no deterioration in traffic volumes since its implementation.

- **Construction completion**
  During the year, construction was completed on the Ecole Centrale Supelec project (France) and the N17/18 Road (Ireland). In each case, construction was completed on time and on budget for the public sector clients, with the infrastructure now available for use. Of the 116 investments at 31 March 2018, three were in construction: Irish Primary Care (Ireland), an accommodation project in Northern Europe and the A9 Road in the Netherlands, which represented 1% of the portfolio. Construction of the accommodation project in Northern Europe met its availability date on time and on budget for the public sector client shortly after year end.

- **Renewal of revolving credit facility**
  In January 2018, the Company renewed its £400m revolving credit facility for a further three years. The facility was agreed on improved terms for the Company including a reduced margin of 1.65% over LIBOR. The new expiry date is 31 May 2021.

- **Portfolio company refinancing**
  In February 2018, the Dutch High Speed Rail Link project successfully completed a refinancing of its debt service reserve account by replacing it with a letter of credit, releasing €40-50m to the project's shareholders. Importantly, this innovative solution has no recourse to the Group.

- **Lifecycle**
  Public sector clients to PPP projects typically contract the long-term risk of asset condition to the private sector. Project companies, and therefore equity, have retained this risk on a proportion of the PPP portfolio. The risk has been contracted to the operations and maintenance subcontractor(s) on the remainder of the PPP portfolio.
  Technical advisors evaluate whether savings can be recognised in lifecycle (or capital maintenance) budgets without compromising maintenance programmes. These savings are a combination of historic savings and new budget forecasts. Lender consent is sought for revised budgets.

- **Project extensions**
  A transformation agreement was signed in the year to extend the concession for the Helicopter Training Facility project. This PPP project reached financial close in 1997 and the client's requirements have evolved over the years. With senior debt now fully repaid as scheduled, the project has converted to a demand-based arrangement and new rates agreed for an eight-year period, with the opportunity to negotiate new terms at the end of this period for the remainder of the contract which extends to 2037. This initiative delivers savings for UK Ministry of Defence as well as additional value for the Group.

- **Portfolio composition**
  From time-to-time, the Group may dispose of one or more of its investments. This can provide an opportunity to rebalance the underlying portfolio and realise value above that which would be gained from continuing to hold the investment. During the year, the Group commenced a process to dispose of its 100% interest in the Highland Schools PPP project. This was completed shortly after the year end.

Accretive Investment

During the year the Group made two new investments and two incremental investments for a total consideration of £473m. Further detail can be found in Note 14 to the financial statements.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
May 17	£250m	New	Operational	Affinity Water	Regulated	36.6%	33.2%[1]
July 17	£202m	New	Operational	High Speed 1	Demand-based	21.8%	21.8%
Nov 17	£12m	Incremental	Operational	Addiewell Prison	PPP	33.3%	66.7%
Mar 18	£9m	Incremental	Operational	Priority Schools Building Programme North East Batch	PPP	45.0%	90.0%
	£473m						

[1] Overall stake net of the sell down of a 3.4% interest to a small group of co-investors, comprising UK local authority pension funds, for £25m completed in June 2017 shortly after the initial acquisition of a 36.6% by the Group. The use of co-investment has opened the opportunity to access investments in larger assets, such as Affinity Water, on behalf of HICL whilst maintaining prudent portfolio weightings and low single asset concentrations

Following the year end, the Group made three further investments, which are set out in the table below.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
Apr 2018	€21m	New	Construction	The Biology, Pharmacy and Chemistry Department of the Paris-Sud University	PPP	85%	85%
Apr 2018	£6m	New	Operational	Belfast Metropolitan College	PPP	75%	75%
Apr 2018	£10m	New	Operational	Burbo Bank Extension OFTO	Regulated	50%	50%

Where appropriate as part of a strategy to optimise portfolio performance, the Company seeks to responsibly recycle capital into incrementally accretive investments. Since the year end, the Group entered into an agreement to divest its 100% interest in the Highland Schools PPP (UK) for £56m, which is expected to be redeployed.

The Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP provides the opportunity for future value enhancement if construction of the project is successfully delivered. The incremental acquisitions made during the year were accretive due to existing insight into the assets and the strength of relationships facilitating off-market transactions.

The impact of the acquisitions during the year and the post year end transactions, once completed, will be to increase the weighted average asset life to 29.8 years.

Accounting

The Company applies IFRS 10 and in the March 2017 financial year adopted the amendment to this that states investment entities should measure subsidiaries that are themselves investment entities at fair value, following the issuance of 'Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28'.

Prior to the adoption of the IFRS 10 amendments, 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") into its financial statements, however, as investment entities themselves, the Company now holds the Corporate Subsidiaries at fair value.

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

The Company and its advisers have concluded that to report the relevant financial performance and position to stakeholders, the Company will continue to prepare pro forma summary financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries – this is consistent with the prior year. This basis is designated the Investment Basis and provides shareholders with more information regarding the Corporate Group's gearing and expenses, coupled with greater transparency into the Company's capacity for investment and ability to make distributions.

NAV per share and Earnings per share are the same under the Investment Basis and the IFRS Basis.

Summary financial statements

Investment Basis Summary Income Statement

	Year to 31 March 2018			Year to 31 March 2017		
£m	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**
Total income[1]	**161.7**	**(37.6)**	**124.1**	**207.6**	**(29.0)**	**178.6**
Expenses & finance costs	**(39.6)**	**37.3**	**(2.3)**	**(30.5)**	**28.7**	**(1.8)**
Profit/(loss) before tax	**122.1**	**(0.3)**	**121.8**	**177.1**	**(0.3)**	**176.8**
Tax	**(0.3)**	**0.3**	**-**	**(0.3)**	**0.3**	**-**
Earnings	**121.8**	**-**	**121.8**	**176.8**	**-**	**176.8**
Earnings per share	**6.9p**	**-**	**6.9p**	**12.4p**	**-**	**12.4p**

[1] Includes all FX movements

On the Investment Basis, Total income of £161.7m (2017: £207.6m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. Total income has decreased by 22% (£45.9m) reflecting the £59.3m impact of Carillion's compulsory liquidation, as announced in January 2018, and a lower contribution from discount rate reductions in the year compared to the prior year, partly offset by incremental revenue arising from a 19% increase in investments at fair value on an Investment Basis. Further detail on the valuation movements is given in the Valuation of the Portfolio.

On an IFRS Basis, both Total income and Expenses & finance costs are lower than on the Investment Basis, as costs incurred by the Corporate Subsidiaries are included within Total income under IFRS, not under Expenses & finance costs. Total income of £124.1m (2017: £178.6m) comprises income received by the Company and valuation movements in its investments.

The £12.0m net foreign exchange loss (2017: £0.1m gain), which is included with Total income, comprises a £20.4m foreign exchange loss (2017: £17.8m gain) on revaluing the non-UK assets in the portfolio using March 2018 exchange rates, partly offset by an £8.4m foreign exchange hedging gain (2017: £17.7m loss). As announced in HICL's September 2017 Interim Report, the Company amended its hedging policy to target volatility of NAV per share of no more than 2% for a 10% movement in foreign exchange rates from 1 October 2017 (versus the previous policy of targeted volatility of NAV per share of no more than 1% for a 10% movement in foreign exchange rates).

On both the Investment Basis and IFRS Basis, Earnings were £121.8m (2017: £176.8m) and Earnings per share were 6.9p (2017: 12.4p). The reductions reflect the factors stated above as well as Corporate Group expenses and finance costs being higher at £39.6m (2017: £30.5m), reflecting acquisition activity and the growth in the portfolio.

Investment Basis Cost Analysis

£m	Year to 31 March 2018	Year to 31 March 2017
Finance costs	**5.2**	**2.4**
Investment Adviser fees	**30.9**	**24.4**
Auditor – KPMG – for the Group	**0.3**	**0.3**
Directors' fees & expenses	**0.4**	**0.4**
Acquisition bid costs	**0.6**	**1.7**
Professional fees	**1.9**	**1.1**
Other expenses	**0.3**	**0.2**
Expenses & finance costs	**39.6**	**30.5**

Total fees accruing to the Investment Adviser were £30.9m (2017: £24.4m) 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, 0.8% for assets above £2.25bn and 0.65% for assets above £3bn, 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 £4.5m (2017: £3.4m).

In the year, the Corporate Group incurred £0.6m of third party costs (2017: £1.7m) on unsuccessful bids and bids in progress (mainly legal, technical and tax due diligence). The decrease in bid costs in the year was due to a higher bid win/lose ratio compared to the prior year.

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 £2.3m (2017: £1.8m) as they exclude those incurred by the Corporate Subsidiaries.

Investment Basis Ongoing Charges

£m	Year to 31 March 2018	Year to 31 March 2017
Investment Adviser[1]	**26.4**	**21.0**
Auditor – KPMG – for the Group	**0.3**	**0.3**
Directors' fees and expenses	**0.4**	**0.4**
Other ongoing expenses	**1.1**	**1.3**
Total expenses	**28.2**	**23.0**
Average NAV	**2,602.6**	**2,172.2**
Ongoing charges	**1.08%**	**1.06%**

[1] Excludes acquisition fees of £4.5m (2017: £3.4m), in line with AIC calculation methodology

Ongoing charges, in accordance with Association of Investment Companies ("AIC") guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. On this basis, the Ongoing charges percentage is 1.08% (2017: 1.06%). The slight increase reflects the higher usage of the Corporate Group's multi-currency revolving credit facility ("RCF") to fund acquisitions during the year. The use of gearing to fund acquisitions has the effect of increasing portfolio value which increases total expenses without a commensurate increase in net assets.

Investment Basis Summary Balance Sheet

	31 March 2018			31 March 2017		
£m	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**
Investments at fair value	**2,794.6**	**(117.4)**	**2,677.2**	**2,347.5**	**71.9**	**2,419.4**
Working capital	**(2.3)**	**1.5**	**(0.8)**	**(10.3)**	**9.4**	**(0.9)**
Net (debt)/cash	**(115.2)**	**115.9**	**0.7**	**82.2**	**(81.3)**	**0.9**
Net assets attributable to Ordinary shares	**2,677.1**	**-**	**2,677.1**	**2,419.4**	**-**	**2,419.4**
NAV per share (before dividend)	**149.6**	**-**	**149.6**	**149.0p**	**-**	**149.0p**
NAV per share (post dividend)	**147.6**	**-**	**147.6**	**147.1p**	**-**	**147.1p**

On an Investment Basis, Investments at fair value increased 19% to £2,794.6m (2017: £2,347.5m), being the Directors' valuation of £2,836.5m (2017: £2,380.0m) net of £41.9m of future investment obligations (2017: £32.5m). Further detail on the movement in Investments at fair value is given in the Valuation of the Portfolio.

The Corporate Group had net debt, on an Investment Basis, at 31 March 2018 of £115.2m (2017: net cash of £82.2m); the movement in the year mainly reflecting cash used for acquisitions net of equity capital raised. Drawings from the Corporate Group's RCF at the end of the year were £134.6m (2017: £nil).

An analysis of net (debt)/cash movement is shown in the cash flow analysis below.

On an IFRS Basis, Investments at fair value increased to £2,677.2m (2017: £2,419.4m), reflecting the Investment Basis movements partly offset by a £189.3m decrease in the fair value of the Corporate Subsidiaries as a result of changes in net (debt)/cash held by the Corporate Subsidiaries. On an IFRS basis, cash and cash equivalents decreased marginally to £0.7m (2017: £0.9m). The Corporate Group's cash is mainly held in the Corporate Subsidiaries.

NAV per share was 149.6p (2017: 149.0p) before the 1.97p fourth quarterly distribution. NAV per share has increased by 0.6p, reflecting dividends paid in excess of earnings and a 1.3p contribution from the NAV-accretive tap issue in June 2017. 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 0.6p.

Analysis of the Growth in NAV per Share

Pence per share			
NAV per share at 31 March 2017			**149.0**
Valuation movements			
Change in economic assumptions	**0.9**		
Forex loss	**(0.7)**		
		0.2	
Portfolio Performance			
Project outperformance[1]	**1.9**		
Carillion liquidation	**(3.4)**		
Expected NAV growth[2]	**0.6**		
		(0.9)	
Accretive Issuance of shares		**1.3**	
Total		**0.6**	
NAV per share at 31 March 2018			**149.6**

[1] Project outperformance excludes the effect of Carillion's liquidation
[2] Expected NAV growth is the Company's budgeted EPS less target dividend

Cash Flow Analysis

Investment Basis Summary cash flow

£m	Year to 31 March 2018 Investment Basis	Year to 31 March 2018 Consolidation adjustment	Year to 31 March 2018 IFRS Basis	Year to 31 March 2017 Investment Basis	Year to 31 March 2017 Consolidation adjustment	Year to 31 March 2017 IFRS Basis
Cash from investments	**179.1**	**(46.1)**	**133.0**	**148.9**	**(40.7)**	**108.2**
Operating and finance costs outflow	**(36.2)**	**33.8**	**(2.4)**	**(26.1)**	**24.9**	**(1.2)**
Net cash inflow before capital movements	**142.9**	**(12.3)**	**130.6**	**122.8**	**(15.8)**	**107.0**
Net cost of new investments including acquisition costs	**(480.3)**	**213.6**	**(266.7)**	**(339.5)**	**(36.2)**	**(375.7)**
Share capital raised net of costs	**265.8**	**-**	**265.8**	**369.7**	**-**	**369.7**
Forex movement on borrowings/hedging[1]	**4.1**	**(4.1)**	**-**	**(22.9)**	**22.9**	**-**
Distributions paid	**(129.9)**	**-**	**(129.9)**	**(100.6)**	**-**	**(100.6)**
Movement in the year	**(197.4)**	**197.2**	**(0.2)**	**29.5**	**(29.1)**	**0.4**
Net cash at start of year	**82.2**	**(81.3)**	**0.9**	**52.7**	**(52.2)**	**0.5**
Net (debt)/cash at end of year	**(115.2)**	**115.9**	**0.7**	**82.2**	**(81.3)**	**0.9**

[1] Includes amortisation of capitalised debt issue costs of £0.5m (2017: £0.7m)

Cash inflows from the portfolio on an Investment Basis were £179.1m (2017: £148.9m). 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 £480.3m (2017: £339.5m) represents the cash cost of the two new investments and the two incremental acquisitions, loan note subscriptions on two investments and acquisition costs of £7.0m (2017: £2.0m).

On an IFRS Basis, the Company received £133.0m from its direct Corporate Subsidiary (2017: £108.2m). 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 £266.7m (2017: £375.7m) reflected 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 net £4.1m cash inflow (2017: £22.9m cash outflow) in foreign exchange rate hedging and borrowings arises from the strengthening of the US Dollar, Australian Dollar and Canadian Dollar against Sterling during the year, partly offset by the weakening of the Euro against Sterling. The Corporate Group enters forward sales to hedge foreign exchange exposure in line with the Company's hedging policy set out below (see 'Foreign Exchange Hedging').

The issue of 162m shares in June 2017 at a premium to the prevailing NAV per share provided net cash receipts in the year of £265.8m (2017: £369.7m).

Dividends paid in the year increased £29.3m to £129.9m (2017: £100.6m). Dividend cash cover, which compares operational cash flow of £142.9m (2017: £122.8m) to dividends paid, was 1.10 times (2017: 1.22 times). The reduced dividend cash cover arose from Carillion's insolvency which at year end caused restrictions on distributions to equity on 11 projects.

The scrip dividend alternatives for the fourth quarterly interim dividend in respect of the year ended 31 March 2017, and for the first three quarterly interim dividends for the reported financial year, resulted in an aggregate of 4.0m (2017: 4.6m) new shares being issued in June 2017, September 2017, December 2017 and March 2018.

It remains the Board's intention to continue both the payment of cash dividends on a quarterly basis and to offer a scrip dividend alternative, however a scrip dividend alternative may not be offered to the extent the Company's shares trade at a discount to NAV.

Group Drawings and Gearing Levels

As at 31 March 2018, the Corporate Group's drawings under its RCF were £134.6m by way of cash (2017: £Nil) and £26.6m (2017: £30.9m) by way of letters of credit.

The RCF was renewed on 31 January 2018 on improved terms and has an expiry date of 31 May 2021. The Company is therefore able to confirm that sufficient working capital is available for the financial year ending 31 March 2019, without needing to refinance. The Investment Adviser will, however, consider refinancing options periodically aligned to the pipeline of potential transactions.

Foreign Exchange Hedging

In the year the Company amended the hedging policy to target volatility of NAV per share of no more than 2% for a 10% movement in foreign exchange rates (versus the previous policy of targeted volatility of NAV per share of no more than 1% for a 10% movement in foreign exchange rates). The reason for the change was to balance the cost/benefit of hedging activity whilst retaining the key objective of materially mitigating the impact of foreign exchange movements on HICL's financial results.

Hedging as at 31 March 2018 compared to non-Sterling portfolio values were:

	Portfolio Value (PV) £m	FX Hedge £m	FX Hedge as % of Portfolio Value
Euro	244	122	50%
North America	188	44	23%
Australia	83	64	77%
Total	**515**	**230**	**45%**

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 predominately 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 the quoted market price of the bonds. This valuation methodology is the same as that used at the time of the Company's launch and in each subsequent six-month reporting period (further details can be found in the Company's February 2017 Prospectus, available from the Company's website).

The key external (macroeconomic and fiscal) factors affecting the forecast of each portfolio company's cash flows in local currency are inflation rates, interest rates, rates of gross domestic product growth 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 judgment in assessing the expected future cash flows from each investment based on the detailed financial models produced by 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 an investment such as investment risks (e.g. liquidity, currency risks, market appetite) and any risks to the investment's earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by the phase of the investment. 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 excludes 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 13 to the financial statements.

Investment Portfolio: Cash Flow Profile

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 the 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 8.05p per share for the year to 31 March 2019 and the dividend guidance of 8.25p per share for the year to 31 March 2020.

Directors' Valuation at 31 March 2018

The Directors' Valuation of the portfolio at 31 March 2018 was £2,836.5m. This valuation compares to £2,380.0m at 31 March 2017 (up 19.2%). A reconciliation between the Directors' Valuation at 31 March 2018 and that shown in the financial statements is given in Note 13 to the financial statements, the principal differences being £115.9m net debt in the Corporate Subsidiaries and that the Directors' Valuation includes the £41.9m outstanding equity commitments in respect of the A9 Road (Netherlands), Irish Primary Care (Ireland), N17/N18 Road (Ireland), Willesden Hospital and the Northern European accommodation project.

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

Rebased net valuation

The percentage movements have been calculated on investments at fair value as this reflects the returns on the capital employed in the year.

Valuation movements during the year to 31 March 2018 (£m)				**Percentage change**
Directors' Valuation at 31 March 2017			**2,380.0**	
Investments	**488.4**			
Cash receipts from investments	**(179.1)**			
		309.3		
Less future commitments			**(42.0)**	
Rebased valuation of the portfolio			**2,647.3**	
Return from the portfolio	**210.3**			**7.9%**
Value reduction due to Carillion liquidation	**(59.3)**			**(2.2%)**
Change in discount rate[1]	**3.2**			**0.1%**
Economic assumptions	**13.5**			**0.5%**
Forex movement on non-UK investments	**(20.4)**			**(0.8%)**
		147.3		**5.5%**
Future commitments			**41.9**	
Directors' Valuation at 31 March 2018[2]			**2,836.5**	

[1] Excludes the impact of the liquidation of Carillion
[2] A reconciliation between the Directors' Valuation and the financial statements is given in Note 13 to the financial statements

Allowing for the investments during the year of £488.4m, and investment receipts of £179.1m, the rebased valuation was £2,647.3m. Investments includes the recognition of the N17/18 option for €16.8m as an equity commitment because the key condition, construction completion, was achieved in the year. The growth in the valuation of the portfolio at 31 March 2018 over the rebased value was 5.5%.

The increase arises from a £210.3m return from the portfolio, a £13.5m increase from changes to certain economic assumptions which are partly offset by the impact of Carillion's liquidation (£59.3m) and a negative impact of movement in foreign exchange rates (£20.4m). The positive movement in economic assumptions includes lower tax rates in Australia, France and the USA and an increase in interest rate assumptions for North America and the Eurozone.

Return from the Portfolio

The return from the portfolio of £210.3m (2017: £173.3m) represents a 7.9% (2017: 8.2%) increase in the rebased value of the portfolio. Adjusting this calculation, for the timing of acquisitions of Affinity Water and HS1 and excluding the impact of the Carillion liquidation gives an annualised return of 8.3%, versus the discount rate, or expected annualised return, of 7.4% demonstrating outperformance of the portfolio.

Incremental value was generated from operational outperformance across various cost saving and efficiency initiatives as well as higher actual UK inflation on average running above the 2.75% p.a. forecast, though these were mostly negated by an adverse valuation movement on Affinity Water.

2017 was challenging for the Affinity Water business. Ofwat's final methodology for Price Review 19 ("PR19") was released in December 2017 and combined with a reassessment of operational performance in AMP6, the current regulatory period, and totex allowances in AMP7, the next regulatory period, resulted in a value reduction of £34m. A little over half of this impact relates to Ofwat's PR19 final methodology; with the balance split broadly evenly between one-off operational costs and the impact of reforecasting totex. Affinity Water's debt has maintained its investment grade rating because of its prudent financial management, exemplified by its defined benefit pension scheme surplus, nil financial engineering through use of swaps or derivatives linked to its debt and adoption of a sustainable dividend policy.

As announced in the Interim Update Statement on 5 February 2018, as a consequence of the liquidation of Carillion in January 2018, the Company recognised a value reduction of £59.3m for investments where Carillion was the facilities manager and/or the construction contractor. More information on Carillion can be found in the Investment Adviser's Report.

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

In the portfolio there were three projects in construction at 31 March 2018, all of which are located in the Eurozone. An investment in a project under construction can offer a higher overall return (i.e. require a higher discount rate) compared to buying an investment in an operational project, but it does not usually yield during the construction period and there is the risk that delays in construction affect the investment value.

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

Country	31 March 2018			31 March 2017 Discount rate	Movement
	Long-term government bond yield	Risk premium	Discount rate		
UK	1.7%	5.7%	7.4%	7.2%	**0.2%**
Australia	2.7%	3.8%	6.5%	7.3%	**(0.8%)**
Eurozone	1.2%	6.4%	7.6%	7.6%	**0.0%**
North America	2.8%	5.4%	8.2%	8.2%	**0.0%**
Portfolio	**1.7%**	**5.7%**	**7.4%**	**7.4%**	**0.0%**

In the UK, there is sufficient market data on discount rates and hence the risk premium is derived from this market discount rate for operational social and transportation infrastructure investments less the appropriate long-term government bond yield. For Australia, 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 projects 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 0.2% increase in the average discount rate in the UK is attributable to two factors – acquisitions and Carillion's liquidation. The acquisitions of investments in Affinity Water and HS1 were done at a higher discount rate than the portfolio average, pushing up the average by 0.1% and increased discount rates on assets affected by Carillion's liquidation have further increased the average by 0.1%.

The 0.8% reduction for the Australian discount rate was driven by a re-appraisal of the value of the Group's investment in the AquaSure project. This followed receipt in the first half of the year of a pre-emption notice from an AquaSure co-shareholder for their investment. The price on a pro-rata basis was materially higher than the value we ascribed to the Group's investment at 31 March 2017.

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 2018	31 March 2017
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	2.75% p.a. 2.0% p.a.	2.75% p.a. n/a
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% p.a. thereafter	1.0% p.a. to 2019, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	2.0% p.a.
	Australia (CPI)	2.5% p.a.	2.5% p.a.
Interest Rates	UK	1.0% p.a. to March 2021, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Eurozone	0.5% p.a. to March 2021, 1.5% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 3.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	USA	2.0% p.a. with a gradual increase to 3.0% p.a. long-term	1.0% p.a. with a gradual increase to 2.0% p.a. long-term
	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	CAD/GBP	0.55	0.60
	EUR/GBP	0.88	0.85
	USD/GBP	0.71	0.80
	AUD/GBP	0.55	0.61
Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Various – no change apart from French tax rate (33.3% in 2018, 31% in 2019, 28% in 2020, 26.5% in 2021 and 25% thereafter with no 3% distribution tax)	Various (French tax rate reducing from 33.3% to 28% by 2019)
	USA	21% Federal & 4.6% Colorado State	35% Federal &, 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
	Australia	30% stepping down to 25% from 2027	30%
GDP Growth	UK	2.0% p.a.	2.0% p.a.
	Eurozone	1.8% p.a.	1.8% p.a.
	USA	2.5% p.a.	2.5% p.a.

[1] Retail Price Index and Retail Price Index excluding mortgage interest payments
[2] Consumer Prices Index including owner occupiers' housing cost

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 valuation follows below[1,2,3]. The sensitivities are also contained in Note 4 to the financial statements.

	Change in NAV per share[1]	
Sensitivites[2]	**Decrease**	**Increase**
Discount Rate +/- 0.5%	-7.7p	8.5p
Inflation -/+ 0.5%	-7.0p	8.2p
Tax Rate +/- 5%	-5.9p	6.0p
GDP -/+ 0.5%	-3.9p	3.9p
Lifecycle +/- 5%	-1.6p	1.4p
Interest Rate -/+ 0.5%	-1.2p	1.3p
Foreign Exchange Rates[3] -/+ 5%	-0.8p	0.8p

[1] NAV per share based on 1,790m Ordinary Shares as at 31 March 2018
[2] Sensitivities for inflation, interest rates, tax rates and lifecycle are based on the 35 largest investments extrapolated for the whole portfolio
[3] Foreign exchange rate sensitivity is net of Group hedging at 31 March 2018

Discount Rate Sensitivity

Whilst not a macro-economic assumption, the weighted average discount rate that is applied to each portfolio company'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 Directors' Valuation and the NAV per share is shown above.

Inflation Rate Sensitivity

PPP 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 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 and operating subcontracts have similar indexation arrangements.

On the demand-based assets, the concession agreement usually prescribes how user fees are set, which is generally rebased annually for inflation. Similarly to PPP projects in the UK, this is typically RPI, while non-UK projects use CPI. On Affinity Water, the Company's regulated asset, revenues are regulated by Ofwat in a five-yearly cycle with the pricing of water bills set with the aim of providing an agreed return for equity that is constant in real terms for the five-year period by reference to RPI currently and CPIH in the next regulatory period.

The chart shows that the Directors' Valuation and NAV per share are both positively correlated to inflation. The correlation and sensitivity of the portfolio to inflation increased in the year with the acquisition of Affinity Water. The portfolio's inflation correlation at 31 March 2018 was 0.8 (2017: 0.7) such that should inflation be 1% p.a. higher than the valuation assumption for all future periods the expected return from the portfolio would increase 0.8% from 7.4% to 8.2%.

In the UK, RPI and RPIx were 3.3% and 3.4% respectively for the year ended 31 March 2018. 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 2018 forecasts for RPI out to December 2019 range from 2.3% to 4.2% from 20 independent forecasters as compiled by HM Treasury, with an average forecast of 3.1%.

Gross Domestic Product ('GDP') Sensitivity

The acquisition of HS1 in the year has resulted in an increase in the proportion of the portfolio (by value) that is correlated to changes in GDP to 17% (10% at 31 March 2017).

At 31 March 2018 the portfolio had four investments which are considered sensitive to GDP, namely the A63 Motorway (France), M1-A1 Road, Northwest Parkway (USA) and High Speed 1. At times of higher economic activity there will be greater traffic volumes using these roads and railways generating increased revenues for the projects than compared to periods of lower economic activity and therefore we assess these as GDP sensitive investments.

If outturn GDP growth was 0.5% p.a. lower for all future periods than those in the valuation assumptions above for all future periods, expected return from the portfolio (before Group expenses) would decrease 0.2% from 7.4% to 7.2% (7.2% at 31 March 2017).

Interest Rate Sensitivity

Each portfolio company's interest costs are at fixed rates, either through fixed rate bonds, bank debt which is hedged with an interest rate swap or linked to inflation through index-linked bonds. However, there are three investments - Affinity Water, Northwest Parkway (USA) and AquaSure (Australia), which have refinancing requirements, exposing these investments to interest rate risk. Except for these three, an investment's sensitivity to interest rates predominantly relates to the cash deposits which the investment is required to maintain as part of its 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 2018, 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 2019 of 1.25% p.a.

The portfolio valuation assumes UK deposit interest rates are 1.0% p.a. to March 2021 and 2.0% p.a. thereafter, this is unchanged from March 2017. There have been some minor movements in overseas jurisdictions as detailed above.

Lifecycle Expenditure Sensitivity

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

The lifecycle obligation, together with the budget and the risk, is usually either taken by the project company (and hence the investor) or is subcontracted and taken by the FM contractor. Of the 116 investments, 53 have lifecycle as a project 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 project is located. The sensitivity considers a 5% movement in tax rates in all jurisdictions.

There has been a suggestion that a future UK government could consider raising UK corporation tax rates. To the extent there was a 5% increase in UK corporation tax rates, there would be a NAV per share reduction of 4.9p.

The UK corporation tax assumption for the portfolio valuation is 19% to March 2020 and 17% thereafter, which is unchanged from March 2017. There have been reductions in the corporation tax rate assumptions in Australia, France and the USA which are detailed above. These changes have resulted in an increase to the portfolio valuation of £11.5m which is included within the £13.5m aggregate increase in portfolio value attributable to changes in Economic Assumptions.

Discounted Cash Flow Key Assumptions and Principles

As described above, the Group's investments are predominantly valued using a discounted cash flow ("DCF") analysis of the forecast investment cash flows from each portfolio company. The following is an overview of the key assumptions and principles applied in the valuation and forecasting of future cash flows:

- Discount rates and other key valuation assumptions (as outlined above) continue to be applicable
- Contracts for PPP projects and demand-based assets are not terminated before their contractual expiry date
- A reasonable assessment is made of operational performance, including in relation to PPP projects, payment deductions and the ability to pass these down to subcontractors
- Distributions from each portfolio company reflect reasonable expectations, including consideration of financial covenant restrictions from senior lenders
- Lifecycle and capital maintenance risks are either not borne by the portfolio company because they are passed down to a subcontractor or, where borne by the portfolio company, are incurred per current forecasts
- For demand-based assets a reasonable assessment is made of future revenue growth, typically supported by forecasts made by an independent third party
- Where assets are in construction, a reasonable assessment is made as to the timing of completion and the ability to pass down any costs of delay to subcontractors
- Where a portfolio company expects to receive residual value from an asset, that the projected amount for this value is realised
- Non-UK investments are valued in local currency and converted to Sterling at the period end exchange rates
- A reasonable assessment is made of regulatory changes in the future which may impact cash flow forecasts
- Perpetual investments are assumed to have a finite life (e.g. Affinity Water is valued using a terminal value assumption)

In forming the above assessments, the Investment Adviser works with portfolio companies' management teams, as well as engaging with suitably qualified third parties such as technical advisers, traffic consultants, legal advisers and regulatory experts.

Regulated Assets

In the year, the Company acquired an interest in Affinity Water, its first investment in the regulated asset market segment. The valuation drivers and metrics for regulated assets are different in certain aspects from the Company's other market segments – in particular, it is necessary to forecast future regulatory outcomes as well as operational performance against targets and allowances agreed with the regulator.

As noted in the Investment Adviser's Report, Ofwat recently published its final methodology for the 2019 Price Review ("PR19") which provided its view on key aspects of the regulatory regime for Asset Management Period 7 ("AMP7"). These included elements that impact on the valuation of Affinity Water, such as weighted average cost of capital, gearing, the transition from RPI to CPIH and a revised performance regime.

The consequences of the PR19 methodology published in December 2017 have been incorporated into the Group's forecasts for AMP7 (and regulatory periods beyond) and hence the valuation of Group's valuation of the Affinity Water investment. In determining the valuation, the Investment Adviser has made an assessment of various operational targets for AMP7 total expenditure allowances and operational performance, taking input from Affinity Water's senior management and recognising the need to improve operational efficiency.

The Regulated Capital Value ("RCV") multiple, which measures a company's enterprise value as a multiple of RCV, is the most widely used valuation metric for UK regulated assets and forms a useful cross-check to the DCF-derived valuation. An RCV multiple will vary depending on a company's risk profile and operational performance, influenced by factors such as whether the business is listed, its level of gearing, whether it is responsible for funding a pension deficit, and its business scope and complexity. Affinity Water's RCV multiple, based on the 31 March 2018 valuation, is 1.32x[4] which is in line with recent transactions in the unlisted sector.

[4] Based on Affinity Water's Regulated Capital Value of £1,207.3m as at March 2018 (source: Ofwat)

Financial Statements

Income Statement
For the year ended 31 March 2018

	Note	Year ended 31 March 2018 Total £million	Year ended 31 March 2017 Total £million
Investment income	6	124.1	178.6
Total income		124.1	178.6
Fund expenses	7	(2.3)	(1.8)
Profit before tax		121.8	176.8
Profit for the year	10	121.8	176.8
Earnings per share – basic and diluted (pence)	10	6.9	12.4

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 2018

	Note	31 March 2018 £million	31 March 2017 £million
Non-current assets			
Investments at fair value through profit or loss	13	2,677.2	2,419.4
Total non-current assets		2,677.2	2,419.4
Current assets			
Trade and other receivables		-	0.1
Cash and cash equivalents		0.7	0.9
Total current assets		0.7	1.0
Total assets		2,677.9	2,420.4
Current liabilities			
Trade and other payables		(0.8)	(1.0)
Total current liabilities		(0.8)	(1.0)
Total liabilities		(0.8)	(1.0)
Net assets		2,677.1	2,419.4
Equity			
Ordinary Share capital	16	0.2	0.2
Share premium	16	2,025.6	1,753.3
Retained reserves		651.3	665.9
Total equity		2,677.1	2,419.4
Net assets per Ordinary Share (pence)	12	149.6	149.0

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 22 May 2018, and signed on its behalf by:

S Farnon

Director

I Russell

Director

Statement of Changes in Shareholders' Equity
For the year ended 31 March 2018

Year ended 31 March 2018

	Attributable to equity holders of the parent		
	Share capital and share premium £million	Retained reserves £million	Total shareholders' equity £million
Shareholders' equity at 1 April 2017	1,753.5	665.9	2,419.4
Profit for the year	-	121.8	121.8
Distributions paid to Company shareholders in cash	-	(129.9)	(129.9)
Distributions paid to Company shareholders by scrip issue	-	(6.5)	(6.5)
Total distributions paid to Company shareholders in the year	-	(136.4)	(136.4)
Ordinary Shares issued for cash	267.7	-	267.7
Ordinary Shares issued for scrip dividend	6.5	-	6.5
Total Ordinary Shares issued in the year	274.2	-	274.2
Costs of issue of Ordinary Shares	(1.9)	-	(1.9)
Shareholders' equity at 31 March 2018	2,025.8	651.3	2,677.1

Year ended 31 March 2017

	Attributable to equity holders of the parent		
	Share capital and share premium £million	Retained reserves £million	Total shareholders' equity £million
Shareholders' equity at 1 April 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

Cash Flow Statement

For the year ended 31 March 2018

	Year ended 31 March 2018	Year ended 31 March 2017
	£million	£million
Cash flows from operating activities		
Profit before tax	121.8	176.8
Adjustments for:		
Investment income	(124.1)	(178.6)
Operating cash flow before changes in working capital	(2.3)	(1.8)
Changes in working capital:		
Decrease in receivables	0.1	-
(Decrease)/Increase in payables	(0.2)	0.6
Cash flow from operations	(2.4)	(1.2)
Income received from investments	133.0	108.2
Net cash from operating activities	130.6	107.0
Cash flows from investing activities		
Purchases of investments	(266.7)	(375.7)
Net cash used in investing activities	(266.7)	(375.7)
Cash flows from financing activities		
Net proceeds from issue of share capital	265.8	369.7
Distributions paid to Company shareholders	(129.9)	(100.6)
Net cash from financing activities	135.9	269.1
Net (decrease)/increase in cash and cash equivalents	(0.2)	0.4
Cash and cash equivalents at beginning of year	0.9	0.5
Cash and cash equivalents at end of year	0.7	0.9

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

Notes to the Financial Statements

1. Reporting entity

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The financial statements of the Company as at and for the year ended 31 March 2018, and 31 March 2017, comprise the Company only.

2. Key accounting policies

(a) Basis of preparation

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2018.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or the period of the revision and future periods if the revision affects both current and future periods. Note 3 shows critical accounting judgements, estimates and assumptions which have been applied in the preparation of these financial statements.

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

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

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Proposition and Business Model & Strategy sections. The financial position of the Company, its cash flows, and liquidity position are described in the Operating & Financial Review and Valuation of the Portfolio sections. 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 have considered areas of financial risk, the Group's access to the Revolving Credit Facility and reviewed cashflow forecasts with a number of stress scenarios. The Directors have concluded based on this analysis that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the year-end financial statements.

New standards effective for the current year

The Company adopted the following standards that became effective during the current year, although they had no material impact on the financial statements of the Company.

- Amendments to IAS 12 Recognition of Deferred Tax Assets (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)

Standards not yet applied

The Company notes the following standards and interpretations which were in issue but not yet effective at the date of these financial statements. They are not expected to have a material impact.

- IFRS 9 Financial Instruments (effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)
- IFRS 16 Leases (effective date 1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective date 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed)

The Investment Adviser undertook an initial analysis of the potential impact of IFRS 9, IFRS 15 and IFRS 16 on the Company's reported performance and financial statements and is of the opinion that the new standards are not expected to have a material impact.

IFRS 9 Financial Instruments

IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 (Financial Instruments: recognition and measurement) with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. As the Company already values its investment in its direct subsidiary at fair value through profit or loss, IFRS 9 is not expected to have a material impact on the Company's reported results.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. New disclosure requirements are also introduced. The Company's income is derived from fair valuation movements on investments and interest income from its direct subsidiary, both of which are outside the scope of IFRS 15. As a result, it is not anticipated that the new standard will have a material impact on the Company's reported results.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Company is the lessee, to be included on the Company's balance sheet, and recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The Company itself does not have any leases so it is not anticipated that the new standard will have a material impact on the Company's reported results.

(b) Financial instruments

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

(i) Non-derivative financial instruments

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

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

Investments in equity and debt securities

Investments in the equity and loanstock of entities engaged in infrastructure activities which are not classified as subsidiaries of the Company or which are subsidiaries not consolidated in the Company, are designated at fair value through profit or loss since the Company manages these investments and makes purchase and sale decisions based on their fair value.

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

Other

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

(ii) Fair values

Fair values are determined using the income approach, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the appropriate discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

(iii) Investment income

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

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 2018 valuation was 7.4% (2017: 7.4%). 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.

Affinity Water

Judgement is required when considering the impact of the 2019 Price Review ("PR19") and future price reviews, which contain Ofwat's views on key aspects of the regulatory regime, on the Corporate Group's valuation of Affinity Water. Further detail is provided in the Valuation of the Portfolio section. The Board and Investment Adviser have given careful consideration to the current PR19 methodology and these have been reflected in the valuation of Affinity Water at 31 March 2018.

Subsequent to the year end, a further consultation was issued introducing new proposals around the sharing of financial outperformance, requirements for dividend policies, testing of financial resilience and executive pay. The Board and Investment Adviser have considered this non-adjusting post balance sheet event, and are of the view that the outcome is unlikely to be material to the 31 March 2019 financial statements of HICL.

Carillion

Following the liquidation of Carillion in January 2018, the Company has recognised a value reduction of £59.3m for investments where Carillion was the facilities manager and/or the construction contractor. The key elements of this impact are set out in the Investment Adviser's Report.

One component of the value reduction is a £19.4m reduction in the estimated market value of the affected PPP projects as at 31 March 2018, which has been taken through increased discount rates, whilst the transition to long-term solutions continues. As these long-term solutions are reached, discount rates will be re-adjusted to reflect this. Theoretically, based on current market conditions and all else being equal, the adjustment from increased discount rates can be reasonably expected to be reversed.

Whilst this estimate depends on the outcome of future events, the Investment Adviser has considered a number of scenarios and has confidence that the total Carillion liquidation impact on 31 March 2019 financial statements is unlikely to be materially different to the £19.4m valuation impact described above.

The other material impacts on the measurement of fair value are inflation rates, deposit rates, gross domestic products 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 2018 £million	31 March 2017 £million
Financial assets		
Investments designated at fair value through profit or loss	2,677.2	2,419.4
Financial assets at fair value through profit or loss	2,677.2	2,419.4
Trade and other receivables	-	0.1
Cash and cash equivalents	0.7	0.9
Financial assets - loans and receivables	0.7	1.0
Financial liabilities		
Trade and other payables	(0.8)	(1.0)
Financial liabilities - payables	(0.8)	(1.0)

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

Fair value hierarchy

The fair value hierarchy is defined as follows:

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

As at 31 March 2018

	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Investments at fair value through profit or loss (Note 13)	-	-	2,677.2	2,677.2
	-	-	2,677.2	2,677.2

As at 31 March 2017

	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Investments at fair value through profit or loss (Note 13)	-	-	2,419.4	2,419.4
	-	-	2,419.4	2,419.4

There were no transfers between Level 1, 2 or 3 during the year (2017: None). A reconciliation of the movement in level 3 assets is disclosed in Note 13.

Level 3

Valuation methodology

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.

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation of all the underlying investments. All equity investments in PPP or similar projects are valued using a discounted cashflow 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.

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

Investments - The key valuation assumptions and sensitivities for the valuation

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

		31 March 2018	31 March 2017
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	 2.75% p.a. 2.0% p.a.	 2.75% p.a. n/a
	Eurozone (CPI)	1.0% p.a. to 2019, 2.0% p.a. thereafter	1.0% p.a. to 2019, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	2.0% p.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 2021, 2.0% p.a. thereafter
	Eurozone	0.5% p.a. to March 2021, 1.5% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 3.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	USA	2.0% p.a. with a gradual increase to 3.0% p.a. long-term	1.0% p.a. with a gradual increase to 2.0% p.a. long-term
	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	CAD / GBP	0.55	0.60
	EUR / GBP	0.88	0.85
	USD / GBP	0.71	0.80
	AUD / GBP	0.55	0.61
Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Various - no change apart from French tax rate (33.3% in 2018, 31% in 2019, 28% in 2020, 26.5% in 2021 and 25% thereafter with no 3% distribution tax)	Various (no change apart from French tax rate reducing from 33.3% to 28% by 2019)
	USA	21% Federal & 4.6% Colorado State	35% Federal & 4.6% Colorado State

	Canada	26% and 27%	26% and 27%
	Australia	30% stepping down to 25% from 2027	30%
GDP	UK	2.0%	2.0%
	Eurozone	1.8%	1.8%
	USA	2.5%	2.5%

1 Retail Price Index and Retail Price Index excluding mortgage interest payments.
2 Consumer Prices Index including owner occupiers' housing costs.

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 an investment-by-investment basis and take into account risks and opportunities associated with the investment earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by investment 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 2017	5.6% to 9.8%	7.4%
30 September 2017	4.9% to 9.8%	7.4%
31 March 2018	4.1%[1] to 9.8%	7.4%

1. The 4.1% discount rate relates to the A13 senior bonds. The rate is the implied rate from the quoted market price of the bonds at the year end.

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 2018	**+£152.4m**	**£2,677.2m**	**-£138.7m**
March 2017	+£121.5m	£2,419.4m	-£111.2m
Implied change in NAV per Ordinary Share [1] – March 2018 (March 2017)	**+8.5 pence** (+7.5 pence)	**149.6 pence** (149.0 pence)	**-7.7 pence** (-6.9 pence)

1. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018

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), RPIx (RPI excluding mortgage payments) or CPI (Consumer Prices Index), 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 2018	**-£125.5m**	**£2,677.2m**	**+£146.3m**
March 2017	-£90.9m	£2,419.4m	+£100.4m
Implied change in NAV per Ordinary Share [1 2] – March 2018 (March 2017)	**-7.0 pence** (-5.6 pence)	**149.6 pence** (149.0 pence)	**+8.2 pence** (+6.2 pence)

1. Analysis is based on the Company's 35 largest investments (2017: 25 largest investments), pro-rata for the whole portfolio
2. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018

Interest rates

Each investment'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. The portfolio's sensitivity to interest rates primarily relates to the cash deposits required as part of the project funding, though a small number are sensitive to interest rates as future refinancings are required.

Each PPP project and demand risk asset in the portfolio has cash held in bank deposits, which is a requirement of their senior debt financing. As at 31 March 2018 cash deposits for the portfolio were earning interest at a rate of 0.2% per annum on average.

A change to the interest rate and/or 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:

Interest rate	**-0.5% p.a. change**	**Investments at fair value through profit or loss**	**+0.5% p.a. change**
March 2018	**-£21.0m**	**£2,677.2m**	**+£24.0m**
March 2017	-£25.3m	£2,419.4m	+£24.2m
Implied change in NAV per Ordinary Share [1 2 3] – March 2018 (March 2017)	**-1.2 pence** (-1.8 pence)	**149.6 pence** (149.0 pence)	**+1.3 pence** (+1.7 pence)

1. This analysis is based on the Company's 35 largest investments (2017: 25 largest investments), pro-rata for the whole portfolio
2. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018
3. March 2017 comparatives have been represented to be an interest rate sensitivity rather than a deposit rate sensitivity

Gross Domestic Product

The portfolio has 4 projects (2017: 3 projects) where revenues are positively correlated to changes in Gross Domestic Product. These projects are A63 Motorway, M1-A1 Road, HS1 and Northwest Parkway which together comprise 16% 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 2018	**-£69.4m**	**£2,677.2m**	**+£70.5m**
March 2017	-£49.5m	£2,419.4m	+£46.5m
Implied change in NAV per Ordinary Share [1] – March 2018 (March 2017)	**-3.9 pence** (-3.0 pence)	**149.6 pence** (149.0 pence)	**+3.9 pence** (+2.9 pence)

1. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018

Tax Rates

The profits of each investment company are subject to corporation tax in the country in which the investment is located. 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 5.0% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Tax rate assumption	-5.0% p.a. change	Investments at fair value through profit or loss	+5.0% p.a. change
March 2018	**+£106.9m**	**£2,677.2m**	**-£106.2m**
March 2017	+£73.7m	£2,419.4m	-£71.7m
Implied change in NAV per Ordinary Share [1 2] – March 2018 (March 2017)	**+6.0 pence** (+4.5 pence)	**149.6 pence** (149.0 pence)	**-5.9 pence** (-4.4 pence)

1. This analysis is based on the Company's 35 largest investments (2017: 25 largest investments), pro-rata for the whole portfolio
2. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018

Risk management

Market risk

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

Financial risk management

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

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

Interest rate risk

The Company invests indirectly in subordinated loanstock of infrastructure project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecasted both over the near future (five year time horizon) and the long term (over whole period of projects' concessions) to analyse the cash flow returns from investments. The Company has made 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 cashflows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Company's cashflows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. The sensitivity of Investments at fair value through profit or loss 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 2018 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 2% for a 10% foreign exchange movement.

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

Foreign Exchange sensitivities	**-5.0% change**	**Net Asset Value**	**+5.0% change**
March 2018	**-£14.9m**	**£2,677.2m**	**+£14.9m**
March 2017	-£4.8m	£2,419.4m	+£4.8m

Implied change in NAV per Ordinary Share [1] [2] – March 2018 (March 2017)	**-0.8 pence** (-0.3 pence)	**149.6pence** (149.0 pence)	**+0.8 pence** (+0.3 pence)

1. Sensitivities include effect of foreign exchange hedging contracts
2. NAV per Ordinary Share based on 1,790 million Ordinary Shares at 31 March 2018

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 2018 was to the Affinity Water project (8% of investments at fair value) and the largest sub-contractor counterparty risk exposure was to subsidiaries of the Engie group which provided facilities management services in respect of 10% 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 £41.9 million (2017: £32.5 million, plus a €16.8 million contingent commitment) (see Note 18).

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

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

31 March 2018	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
	£million	£million	£million	£million
Trade and other payables	0.8	-	-	-
Total	**0.8**	**-**	**-**	**-**

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

Capital management

The Company at 31 March 2018 had a £400 million Revolving Credit Facility via a Corporate Subsidiary of which £134.6 million (2017: Nil) was drawn down at the year end. Further equity raisings are considered when debt drawings are at an appropriate level and the Company's shares are not trading at a discount to NAV. 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 2018	**31 March 2017**
	£million	£million
Outstanding drawings		
Bank borrowings	134.6	-
Letter of credit facility	26.6	30.9
	161.2	30.9
Adjusted Gross Asset Value		
Directors' valuation (Note 13)	2,836.5	2,380.0
Cash and cash equivalents	17.4	82.2
	2,853.9	2,462.2
Borrowing ratio	5.6%	1.3%

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

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

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

There were no changes in the 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.

Investment Income	UK	Eurozone	North America	Australia	Total
March 2018	**£93.2m**	**£17.3m**	**£5.2m**	**£8.4m**	**£124.1m**
% of Total Investments Income	**75%**	**14%**	**4%**	**7%**	**100%**
March 2017	£132.1m	£32.8m	£6.4m	£7.3m	£178.6m
% of Total Investments Income	74%	18%	4%	4%	100%

Investments at fair value through profit and loss	UK	Eurozone	North America	Australia	Total
March 2018	**£2,141.8m**	**£267.7m**	**£187.4m**	**£80.3m**	**£2,677.2m**
% of Total Investments	**80%**	**10%**	**7%**	**3%**	**100%**
March 2017	£1,921.6m	£224.0m	£190.5m	£83.3m	£2,419.4m
% of Total Investments	80%	9%	8%	3%	100%

6. Investment income

	Year ended 31 March 2018	Year ended 31 March 2017
	Total £million	Total £million
Income from investment	133.0	108.6
(Loss)/gain on valuation (Note 13)	(8.9)	70.0
	124.1	178.6

7. Fund expenses

	Year ended 31 March 2018	Year ended 31 March 2017
	Total £million	Total £million
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)	0.3	0.4
Professional fees	1.7	1.1
	2.3	1.8

The Company had no employees during the year (31 March 2017: Nil).

8. Net finance costs

During the year ended 31 March 2018, 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 116 (2017: 114) 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.

	2018	2017
Profit attributable to equity holders of the Company	£121.8 million	£176.8 million
Weighted average number of Ordinary Shares in issue	1,757.1 million	1,427.5 million
Basic and diluted earnings per Ordinary Share	6.9 pence	12.4 pence

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

11. Dividends

	Year ended 31 March 2018 £million	Year ended 31 March 2017 £million
Amounts 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	25.9

First quarterly interim dividend for the year ended 31 March 2018 of 1.96p per share (2017: 1.91p)	35.0	26.5
Second quarterly interim dividend for the year ended 31 March 2018 of 1.96p per share (2017: 1.91p)	35.1	27.9
Third quarterly interim dividend for the year ended 31 March 2018 of 1.96p per share (2017: 1.91p)	35.1	27.9
	136.4	**108.2**
Distributions paid to Company shareholders in cash	129.9	100.6
Distributions paid to Company shareholders by scrip issue	6.5	7.6
Total distributions paid to Company shareholders in the year	**136.4**	**108.2**
Amounts not recognised as distributions to equity holders during the year:		
Fourth quarterly interim dividend for the year ended 31 March 2018 of 1.97p (2017: 1.92p) per share	35.3	31.2

The fourth quarterly interim dividend was approved by the Board on 16 May 2018 and is payable on 29 June 2018 to shareholders on the register as at 25 May 2018. 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 2018.

The 2017 fourth quarterly interim dividend of 1.92p and the first three 2018 quarterly interim dividends of 1.96p each are included in the statement of changes in shareholder equity.

Interim dividend	**Year ended 31 March 2018**	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**Year ended 31 March 2015**	**Year ended 31 March 2014**
3 month period ending 30 June	1.96p	1.91p	1.86p	1.81p	
3 month period ending 30 September	1.96p	1.91p	1.86p	1.81p	
3 month period ending 31 December	1.96p	1.91p	1.86p	1.81p	
3 month period ending 31 March	1.97p	1.92p	1.87p	1.87p	
6 month period ending 30 September					3.5p
6 month period ending 31 March					3.6p
	7.85p	7.65p	7.45p	7.3p	7.1p

12. Net assets per Ordinary Share

	31 March 2018 £million	**31 March 2017** £million

Shareholders' equity at 31 March	2,677.1	2,419.4
Less: fourth interim dividend	(35.3)	(31.2)
	2,641.8	2,388.2
Number of Ordinary Shares at 31 March (million)	1,789.5	1,623.3
Net assets per Ordinary Share after deducting fourth interim dividend	147.6p	147.1p
Add fourth interim dividend	1.97p	1.92p
Net assets per Ordinary Share at 31 March	149.6p	149.0p

13. Investments at fair value through profit or loss

	31 March 2018	31 March 2017
	£million	£million
Opening balance	2,419.4	1,973.7
Investments in the year	266.7	375.7
(Loss)/gain on valuation	(8.9)	70.0
Carrying amount at year end	2,677.2	2,419.4
This is represented by:		
Greater than one year	2,677.2	2,419.4
Carrying amount at year end	2,677.2	2,419.4

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 portfolio 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.

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2018. 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 are valued using a discounted cashflow 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 4.1% to 9.8% (weighted average of 7.4%) (2017: 5.6% to 9.8% (weighted average of 7.4%)).

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

	31 March 2018	31 March 2017
	£million	£million

Directors' valuation	2,836.5	2,380.0
Less: future commitments	(41.9)	(32.5)
Investments at fair value per Investment Basis	2,794.6	2,347.5
Net (debt)/cash in Corporate Subsidiaries	(115.9)	81.3
Working capital in Corporate Subsidiaries	(1.5)	(9.4)
Investments per Balance Sheet	2,677.2	2,419.4

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;
- Investment company is in compliance with the terms of its senior funding arrangements; and
- Senior lenders have approved the annual budget for the company.

Details of percentage holdings in investments recognised at fair value through profit or loss were as follows (UK unless stated otherwise):

	31 March 2018			31 March 2017		
Project name	**Equity**	**Subordinated Debt**	**Mezzanine Debt**	**Equity**	**Subordinated Debt**	**Mezzanine Debt**
A13 Road [7]	-	-		-	-	
A249 Road	50.00%	50.00%		50.00%	50.00%	
A63 Motorway	13.82%	13.82%		13.82%	13.82%	
A9 Road [2]	20.00%	-		20.00%	-	
A92 Road	50.00%	50.00%		50.00%	50.00%	
Addiewell Prison	66.66%	66.66%		33.33%	33.33%	
Affinity Water	33.20%	-		-	-	
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%		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%		75.50%	75.50%	
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%		25.00%	25.00%	
Ecole Centrale Supelec[4]	85.00%	-		85.00%	-	
Edinburgh Schools	100.00%	100.00%		100.00%	100.00%	
Exeter Crown Court	100.00%	100.00%		100.00%	100.00%	
Falkirk NPD Schools	29.10%	29.10%		29.10%	29.10%	
Fife Schools 2	30.00%	30.00%		30.00%	30.00%	
Glasgow Hospital	25.00%	25.00%		25.00%	25.00%	
Gloucestershire Fire & Rescue	75.00%	75.00%		75.00%	75.00%	
Government Accommodation in Northern Europe	85.00%	-		85.00%	-	
Greater Manchester Police Authority	72.90%	72.90%		72.90%	72.90%	
Haverstock School	50.00%	50.00%		50.00%	50.00%	
Health & Safety Executive (HSE) Merseyside Headquarters	50.00%	50.00%		50.00%	50.00%	
Health & Safety Laboratory	80.00%	90.00%		80.00%	90.00%	
Helicopter Training Facility - AssetCo	86.60%	7.20%	100.00%	86.60%	7.20%	100.00%
Helicopter Training Facility - OpCo	23.50%	74.10%		23.50%	74.10%	
Highland Schools [8]	100.00%	100.00%		100.00%	100.00%	
Hinchingbrooke Hospital	75.00%	75.00%		75.00%	75.00%	

Home Office Headquarters	100.00%	100.00%	100.00%	100.00%
High Speed Rail 1	21.80%	21.80%	-	-
Irish Grouped Schools [1]	50.00%	50.00%	50.00%	50.00%
Ireland Primary Care Centres	60.00%	-	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%	30.00%	30.00%
M80 Motorway	50.00%	50.00%	50.00%	50.00%
Manchester School	75.50%	75.50%	75.50%	75.50%
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%	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%	-	33.33%	-
Northwood MoD Headquarters	50.00%	50.00%	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	90.00%	90.00%	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%	90.00%

Redbridge & Waltham Forest LIFT	60.00%	60.00%	60.00%	60.00%
Renfrewshire Schools	30.00%	30.00%	30.00%	30.00%
Rhonnda Cynon Taf Schools	100.00%	100.00%	100.00%	100.00%
Royal Canadian Mounted Police 'E' Division Headquarters [3]	100.00%	-	100.00%	-
Royal School of Military Engineering	26.00%	32.10%	26.00%	32.10%
Salford Hospital	50.00%	50.00%	50.00%	50.00%
Salford Schools	25.50%	25.50%	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%	100.00%	100.00%

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.
8. Since the year end, the Company entered into an agreement to dispose of its 100% equity and subordinated debt in the project.

14. Investments – acquisitions and disposals

The Company, via its Corporate Subsidiaries, made the following acquisitions for the year ended 31 March 2018:

- 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 £274.5 million.

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

  As part of the transaction to acquire Affinity Water, in June 2017, the Company, via its Corporate Subsidiaries, partially disposed of its investment in the Affinity Water Group to a co-investment fund managed by InfraRed Capital Partners Limited. The transaction reduced the Company's 36.6% stake to 33.2%, generating £24.8 million of proceeds.

- In September 2017, the Company, via its Corporate Subsidiaries, acquired a 21.8% equity and loan interest in the High Speed 1 Project ("HS1") for a consideration of £202.0 million.

  HICL is part of a consortium, alongside Equitix and National Pension Service of the Republic of Korea, which has acquired 100% of the equity interest in HS1.

- In November 2017, the Company acquired an incremental 33.3% equity and loan interest in the Addiewell Prison Project for total consideration of £12.3 million, which took the Company's stake to 66.7%.

- In March 2018, the Company acquired an incremental 45% equity interest in the Priority Schools Building Programme North East Batch Project for total consideration of £9.0 million, which took the Company's stake to 90%.

Note 19 details the acquisitions the Company, via its Corporate Subsidiaries, has made since the year end.

15. Loans and borrowings

The Company through its Corporate Subsidiaries had £134.6 million cash loans or borrowings outstanding at 31 March 2018 (2017: Nil). A Corporate Subsidiary had letters of credit utilised on the Revolving Credit Facility totalling £26.6 million at 31 March 2018 (2017: £30.9 million).

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

	2018	**2017**
Floating rate:	£million	£million
Secured		
- expiring within one year	-	-
- expiring between 1 and 2 years	-	-
- expiring between 2 and 5 years	238.8	269.1
- expiring after 5 years	-	-
	238.8	269.1

The Company's multi-currency Revolving Credit Facility via a Corporate Subsidiary was increased from £300m to £400m in April 2017 and was jointly provided by The Royal Bank of Scotland, National Australia Bank, Lloyds Bank, Sumitomo Mitsui Banking Corporation, ING, HSBC and Santander. In January 2018, the multi-currency Revolving Credit Facility was renewed for £400m and Credit Agricole joined the existing banking group.

The facility runs until 31 May 2021 and has a margin of 1.65%. It is available to be drawn in cash and letters of credit for future investment obligations.

All bank covenants were complied with during the year; the most significant of which being maintaining a forward and historic interest cover ratio above 3:1 and gearing ratio not greater than 30%.

16. Share capital and reserves

Ordinary Shares

	31 March 2018 million	**31 March 2017** million
Authorised and issued at 1 April	1,623.3	1,388.4
Issued for cash	162.2	230.2
Issued as a scrip dividend alternative	4.0	4.7
Authorised and issued at 31 March – fully paid	1,789.5	1,623.3

The holders of the 1,789,556,677 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 (2017: 1,623,260,735 Ordinary Shares).

Ordinary Share capital and share premium

	31 March 2018 £million	**31 March 2017** £million
Opening balance	1,753.5	1,376.6
Premium arising on issue of equity shares	274.2	380.9
Expenses of issue of equity shares	(1.9)	(4.0)
Balance at 31 March	2,025.8	1,753.5

Share capital at 31 March 2018 is £179.0 thousand (2017: £162.3 thousand).

For the year ended 31 March 2018

On 30 June 2017, 0.5 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 171.0p as a scrip dividend alternative in lieu of cash for the fourth quarterly interim dividend in respect of the year ended 31 March 2017.

On 30 September 2017, 2.3 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 161.98p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ending 31 March 2018.

On 31 December 2017, 0.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 155.64p as a scrip dividend alternative in lieu of cash for the second quarterly interim dividend in respect of the year ending 31 March 2018.

On 31 March 2018, 0.6 million new Ordinary Shares of 0.01p each fully paid in the Company were issued at a reference price of 143.36p as a scrip dividend alternative in lieu of cash for the third quarterly interim dividend in respect of the year ending 31 March 2018.

In June 2017, 162.2 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) of 165.0p.

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.

Retained reserves

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

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 Fund expenses in Note 7) (2017: £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 2018, in aggregate IRCP and the General Partner were entitled to fees and/or profit share equal to: i) 1.1 per cent per annum of the adjusted gross asset value of all investments of the Company up to £750 million, 1.0 per cent per annum for the incremental value in excess of £750 million up to £1,500 million, 0.9 per cent for the incremental value in excess of £1,500 million, 0.8 per cent for the incremental value in excess of £2,250 million and 0.65 per cent for the incremental value in excess of £3,000 million and ii) 1.0 per cent of the value of new portfolio investment, that were not sourced from entities, funds or holdings managed by the IRCP Group.

The total Operator fees were £26.2 million (2017: £20.9 million) of which £6.7 million remained payable at the year end (2017: £10.8 million). The total charge for new portfolio investments was £4.6 million (2017: £3.4 million) of which £0.1 million remained payable at the year end (2017: £2.6 million).

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

Total fees for Directors for the year were £323,000 (2017: £393,334). Directors expenses of £27,608 (2017: £34,006) were also paid in the year. One Director also receives fees of £6,000 (2017: £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 2018, the Company, through its Corporate Subsidiaries, had £41.9 million commitments for future investments (2017: £32.5 million). As at 31 March 2017, the Company, through its Corporate Subsidiaries, also had a contingent commitment of €16.8 million in relation to the N17/N18 Road project. Construction completion was reached during the year to 31 March 2018 so this commitment is now included within the £41.9 million future commitments.

19. Events after the balance sheet date

The fourth quarterly interim dividend for the year ended 31 March 2018 of 1.97 pence per share was approved by the Board on 16 May 2018 and is payable on 29 June 2018 to shareholders on the register as at 25 May 2018.

In April 2018 the Company acquired a 85% equity interest in Paris-Sud university Project in Paris for a total commitment of €20.7 million, which includes a loan stock subscription obligation payable following the substantial completion of construction of the project.

In April 2018, the Company acquired a 75% equity and loan interest in the Belfast Metropolitan College PFI Project for total consideration of £6.4 million through an existing joint venture company, Redwood Partnership Ventures 2 Limited, in which the Company has a 75% shareholding.

In April 2018, the Company acquired a 50% equity and loan interest in the transmission assets associated with the Burbo Bank Extension Windfarm Project for total consideration of £10.1 million.

In April 2018, the Company entered into an agreement to dispose of its 100% equity and subordinated debt interest in the Highland Schools PPP2 Project for £56.2m. The disposal is expected to complete before 30 September 2018.

20. Disclosure – Service Concession Arrangements

At 31 March 2018, the Company via its Corporate Subsidiaries held investments in 116 (2017: 114) service concession arrangements in the Accommodation, Education, Health, Fire, Law and Order, Transport and Water 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	2038	24	€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	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	2034	30	£79m	FM Conway
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	Egis
A92 Road	Design, construct, finance and operate the upgraded A92 shadow toll road between Dundee and Arbroath for Transport for Scotland	2035	32	£54m	Eurovia
Addiewell Prison	Design, build, finance and operate a new maximum security prison at Addiewell, West Lothian	2033	27	£75m	Sodexo
Affinity Water	Ownership and management of water treatment and supply covering an area of 4,515 square kilometres	N/A	N/A	N/A	In house
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	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	Ecovert Compass Siemens

Birmingham & Solihull LIFT	Design, construct and invest in facilities of new health and social care facilities	2040	36	£65m	Interim arrangement [1]
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	Engie
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	2034	35	£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	Engie
Blackpool Primary Care Facility	Design, construct, finance and operate a primary care centre in Blackpool for Blackpool Primary Care Trust	2039	32	£19m	Eric Wright
Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside	2031	27	£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.	2033	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	2038	32	£23m	Integral
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	2029	26	£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).	2032	27	€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	2035	32	£20m	Vinci
Darlington Schools	Design, construct, finance, operate and maintain an Education Village comprising four schools	2030	27	£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	2032	29	£15m	N/A
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	Engie
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	2026	26	£6m	Interim arrangement [1]

Dutch High Speed Rail Link	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and Belgian border in the Netherlands	2031	30	€890m	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	2036	32	£22m	Optivo
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	2031	29	£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	2043	28	€65m	Bouygues
Edinburgh Schools	Design, construct, finance, operate and maintain six secondary schools and two primary schools for the City of Edinburgh Council	2038	31	£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	2039	33	£178m	Engie
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	2030	27	£82m	Interim arrangement [1]

Haverstock School	Design and construction of a single new secondary school on an existing school site on Haverstock Hill, Camden	2030	27	£21m	Mitie
Health & Safety Laboratory	Construct new workshops and offices in Buxton	2034	33	£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	2036	33	£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	31	£143m	AWG Group Limited
High Speed 1	Finance, operate, and maintain a high-speed rail link for the UK Department of Transport	2040	30	£5,793m	Network Rail
Hinchingbrooke Hospital	Construction, financing, maintenance and operation of a two storey 8,500m2 diagnostic and treatment centre situated adjacent to the existing Hinchingbrooke District General Hospital.	2035	31	£19m	Kier
Home Office Headquarters	Build, finance, operate and maintain a new headquarters building to replace the Home Office's existing London office accommodation with purpose-built serviced offices	2031	29	£200m	Bouygues
Irish Grouped Schools	Design, construct, finance, operate and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills	2027	26	€34m	Bilfinger Berger
Ireland Primary Care Centres	Design, build, finance and maintain 14 primary care centres across Republic of Ireland.	2042	26	€145	Aramark
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	2030	25	CAD$ 127m	Emcon
Lewisham Hospital	Design, construct, finance, operate and maintain a new wing in Lewisham Hospital for the Department of Health	2036	32	£58m	Interim arrangement [1]

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	2041	33	£275m	Eurovia
Manchester School	Design, construct, finance, operate and maintain the Wright Robinson College in Manchester for Manchester City Council	2032	27	£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	2035	30	£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	2028	27	£40m	Interim arrangement [1]
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	2034	27	£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.	2035	26	£53m	Mitie
Newport Schools	Design, construct, finance, operate and maintain a nursery, infant and junior school for Newport City Council	2034	26	£15m	Vinci
Newton Abbot Hospital	Design, construct, finance, operate and maintain a community hospital for Devon Primary Care Trust	2039	33	£20m	Rydon
North Ayrshire Schools	Design, build, finance and operate three secondary schools and one primary school on behalf of the North Ayrshire Council.	2037	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	2034	32	£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	Eurovia
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	In House
Northwood MoD Headquarters	Design, construct and commission new-built facilities on behalf of the Ministry of Defence in Northwood, Greater London	2031	25	£198m	Interim arrangement [1]
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	29	€336m	Strabag
Oldham Library	Design, construct, finance, operate and maintain the Oldham Library and Lifelong Learning Centre for Oldham Metropolitan Borough Council	2031	27	£15m	Kier
Oldham Schools	Design, construct, finance and operate two secondary schools for Oldham Metropolitan Borough Council	2033	27	£54m	Kier
Oxford Churchill Oncology	Design, construct, finance, operate and maintain a 100 bed oncology unit, including provision of medical equipment for Oxford Radcliffe Hospitals NHS Trust.	2038	33	£124m	Impregilo
Oxford John Radcliffe Hospital	Design, construct, manage, finance, operate and maintain a new wing adjacent to the former Radcliffe Infirmary	2036	33	£161m	Interim arrangement [1]

PSBP North East Batch Schools	Design, construct, operate and maintain 6 new primary and 6 new secondary schools in various UK locations.	2041	26	£103m	Galliford Try
Perth and Kinross Schools	Design, construct, financing and operation of four secondary schools and five primary schools for the Perth and Kinross Council	2041	34	£136m	Mitie
Pinderfields and Pontefract Hospitals	Design, construct, manage, finance and operate a new 708 bed acute hospital in Pinderfields, West Yorks and a new diagnostic and treatment hospital in Pontefract, West Yorks for the Mid Yorkshire NHS Trust	2042	35	£311m	Engie
Queen Alexandra Hospital, Portsmouth	Design and construct a new hospital and retained estates work in Portsmouth	2040	35	£255m	Interim arrangement [1]
Queen's (Romford) Hospital	Design, construct, manage, finance, operate and maintain a new hospital in Romford	2039	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	Colas
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	26	£15m	Rydon
Renfrewshire Schools	Design, construct, manage, finance, operate and maintain six primary and four secondary schools in Renfrewshire, Scotland	2036	31	£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	2031	27	£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	2037	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	Babcock

Salford Hospital	Design, construct and commission new-build facilities and associated site infrastructure for the Salford Royal NHS Foundation Trust	2042	35	£137m	Engie
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	27	£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	2037	32	£26m	Veolia
Sheffield Schools	Design, construct, finance and operate two primary schools and two secondary schools for Sheffield City Council	2031	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	2029	27	£80m	Interim arrangement [1]
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.	2045	36	£431m	Interim arrangement [1]
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	2043	38	£40m	Integral
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust	2036	32	£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	2033	32	£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	Engie
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	2029	26	£23m	Interim arrangement [1]
University of Bourgogne	Design, construct, finance and maintain 3 new buildings on the Bourgogne university campus in France and the refurbishment of an existing one.	2040	27	€20m	Bouygues
University of Sheffield Accommodation	Construct and manage a new student village at the University of Sheffield	2046	40	£160m	Engie
West Lothian Schools	Design, construct, finance and operate two new schools, Armadale Academy and the Deans Community High School for West Lothian Council	2039	32	£60m	Bellrock
West Middlesex Hospital	Design, construct, finance, operate and maintain a new 228 bed hospital for West Middlesex University Hospital NHS Trust	2038	37	£60m	Bouygues
Willesden Hospital	Design, construct, manage and finance a community hospital in north London for NHS Brent	2035	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	26	£24m	Mitie

Zaanstad Prison	Design, build, finance, maintain and operate of a new penitentiary institution at business park Hoogtij in Zaanstad, the Netherlands.	2041	27	€160m	Ballast Nedam

1. Carillion was a key subcontractor such that, following its insolvency in January 2018, an interim arrangement was in place at 31 March 2018, with equity at risk for operational performance.

21. 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).

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%
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%
GT NEPS Limited	United Kingdom	90.0%
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.