Delivering Real Value.

Annual Report & Financial Statements 2018

Delivering Real Value.

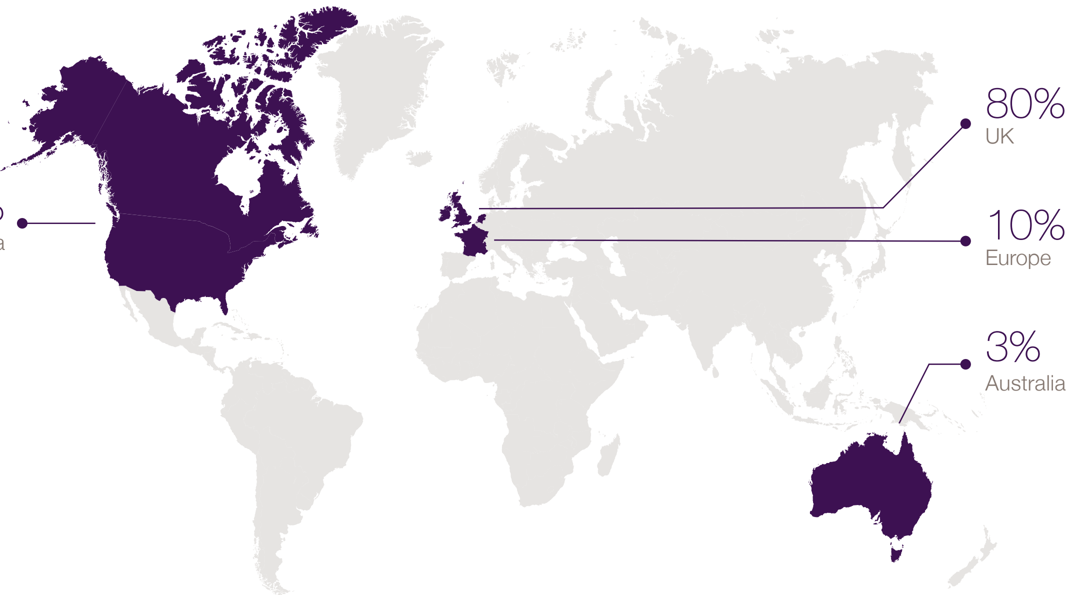
Birmingham Hospitals, UK

Contents

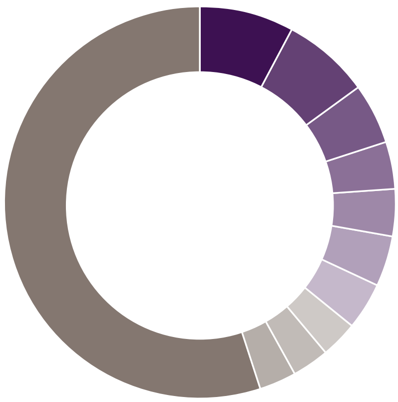
1.1 Summary of the Year

as at 31 March 2018

A Global Portfolio of Infrastructure Investments[1]



TEN LARGEST INVESTMENTS[1]



Affinity Water	8%	A63 Motorway	4%
High Speed 1	7%	AquaSure	3%
Northwest Parkway	5%	Dutch High Speed Rail Link	3%
Home Office	4%	Allenby & Connaught	3%
Southmead Hospital	4%	Remaining Investments	55%
Pinderfields & Pontefract Hospitals	4%		

INVESTMENT STATUS[1]

Fully operational	99%
Construction	1%

MARKET SEGMENT[1]

PPP projects	74%
Demand-based assets	18%
Regulated assets	8%

[1] By value using Directors' Valuation of £2,836.5m as at 31 March 2018.

Key Statistics (for the year ended 31 March 2018)

149.6p
NAV per share
(2017: 149.0p)

7.85p
Aggregate dividend per share
(2017: 7.65p)

5.7%
Total return for the year[2]
(2017: 10.3%)

£2.8bn
Directors' Valuation of the portfolio
(2017: £2.4bn)

8.05p
Dividend guidance for 2019[1]

8.25p
Dividend guidance for 2020[1]

A Differentiated Investment Proposition

LOW ASSET CONCENTRATION RISK

45%
Ten largest assets as a proportion of the portfolio at 31 March 2018

STRONG INFLATION CORRELATION

0.8
Correlation of portfolio returns to inflation[1] at 31 March 2018

GOOD CASH FLOW LONGEVITY

29.5 yrs
Weighted average asset life at 31 March 2018

[1] Expressed in pence per Ordinary Share for financial years ending 31 March. This is a target only and not a profit forecast. There can be no assurance that this target will be met.
[2] NAV per share appreciation plus dividends paid.

Central Middlesex Hospital, UK

01 Overview

Delivering Real Value.

1.2 Chairman's Statement

Ian Russell, CBE
Chairman

"...the Company has focused on executing its business model and I am pleased to present a resilient set of results for the year."

149.6p
NAV per share

7.85p
aggregate dividend per share

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].

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.

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 Section 3.1 Operating & Financial Review.

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

1.2 Chairman's Statement

(continued)

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.

"The Investment Adviser will continue to optimise portfolio construction and performance, through value enhancements and selective disposal and acquisition activity."

InfraRed's Asset Management team worked closely with portfolio company management teams on safety matters throughout the financial year. The health & 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

Zaanstad Penitentiary, The Netherlands

02 Strategic Report

Delivering Real Value.

2.1 The Infrastructure Market

The infrastructure asset class covers investments in assets that support local communities and essential public services, comprising a variety of sectors and risk profiles.

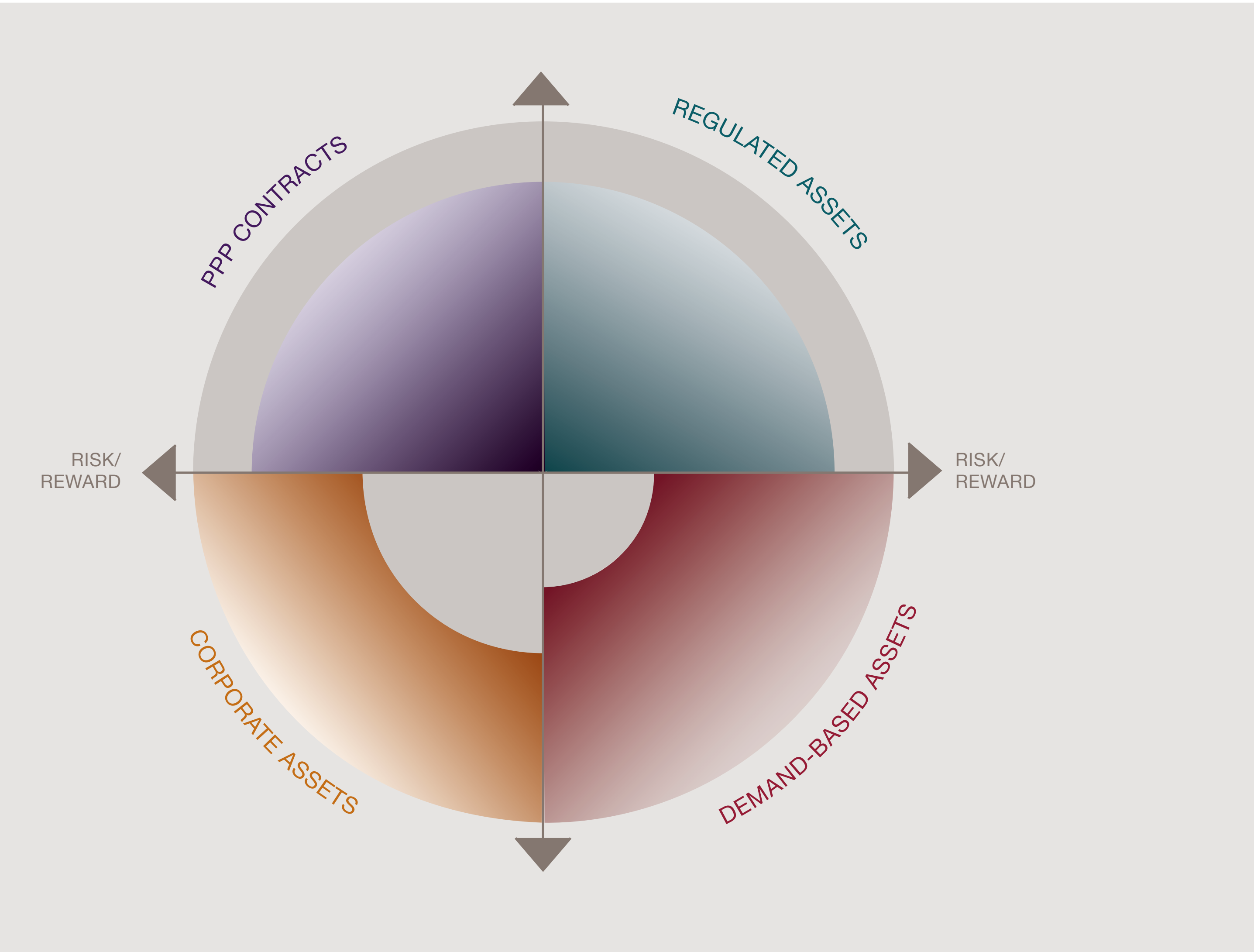
HICL segments the market using revenue risk categories, as revenue is a key driver of the long-term, stable and predictable cash flows that infrastructure investors are typically seeking.

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.

ILLUSTRATIVE INFRASTRUCTURE MARKET MAP



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 can be found in Section 3.5 Risk & Risk Management.

The diagram on page 14 shows an illustration of the Infrastructure Market; grey areas indicate that opportunities do not typically exist in the relevant segment across the entire risk spectrum.

The Company's positioning within the infrastructure market is discussed in more detail in Section 2.2 Investment Proposition.

PPP PROJECTS
Examples: social infrastructure, transportation

- Long-term contracts, e.g. 20–30 year concessions
- Public sector counterparties, typically with strong covenants
- Availability-based payments offering stable, contracted revenues, often with inflation linkage

REGULATED ASSETS
Examples: water utilities, electricity and gas transmission and distribution

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

CORPORATE ASSETS
Example: rolling stock leasing

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

DEMAND-BASED ASSETS
Examples: toll roads, student accommodation

- Typically concessions, sometimes owners of assets with monopolistic traits
- Revenues linked to usage of the underlying assets
- Usually have good inflation linkage; may have returns correlated to GDP

2.2 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's Investment Policy Scope

The schematic below overlays the Company's Investment Policy onto the infrastructure market map (see Section 2.1 The Infrastructure Market).

HICL invests in assets positioned at the lower end of the infrastructure risk spectrum, as shown by the illustration below.

The diagram shows a representation of HICL's Investment Policy scope in the context of the wider infrastructure market.

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

- lower risk investments are towards the centre of the schematic, with higher risk investments towards the outside;
- each sector is broken down into sub-sectors which also cover overlapping risk profiles, ranging from, for example, low risk payment mechanisms (availability-based, long-term contracts) and/or fully operational assets at the lower end to higher risk propositions for example, those under construction, hybrid payment mechanisms and/or those with less predictable revenue streams; not all sub-sectors are shown, in particular some higher risk sub-sectors that are not relevant to the Company have been excluded; and
- grey indicates that opportunities do not typically exist in the relevant sub-sector across the entire risk spectrum.

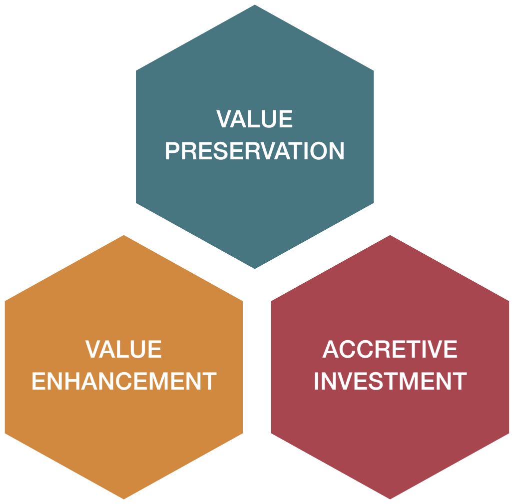
INVESTMENT POLICY SCOPE

University of Sheffield Accommodation, UK

2.3 Business Model & Strategy

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 Limited ("InfraRed"). More information on the InfraRed business can be found at Section 5.3 The Investment Adviser.



Value Preservation and Value Enhancement

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 (see Section 4 Strategic Report: Responsible Investment/Environmental, Social and Governance)
- 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 – Current Acquisition Strategy

GEOGRAPHY

Located in target markets

- Europe/UK
- North America
- Australia/New Zealand

ASSET QUALITY

At the lower end of the risk spectrum

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

MARKET SEGMENT

Generates long-term revenues

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

OPPORTUNITY TO ADD VALUE

Enhances existing portfolio

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

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
- making selective disposals that support the Company's overall Investment Proposition

2.3 Business Model & Strategy

(continued)

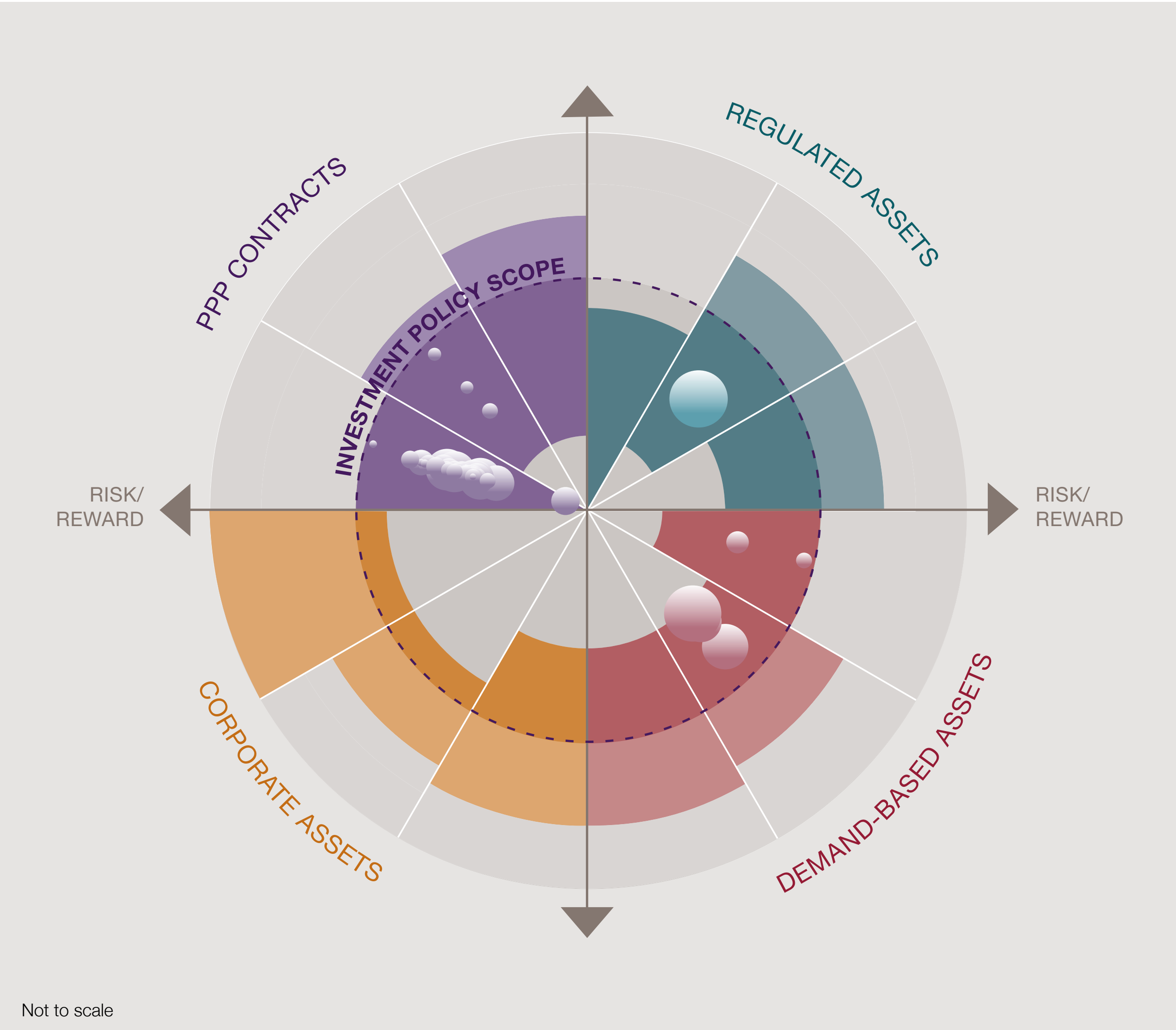
Responsible and Balanced Portfolio Construction

The schematic below shows an illustration of the overlay of the Company's portfolio of assets onto the infrastructure market map and within the boundaries of HICL's investment policy scope, as detailed in the previous sections (see Sections 2.1 and 2.2).

PPP projects, 74% of the portfolio by value, remain the largest market segment in HICL's portfolio (top left segment of the schematic, as shown). 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.

As illustrated in the Market Map, 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.

THE HICL PORTFOLIO



The relative valuations attributed to the investments are illustrated in the size of the bubbles, and these are positioned relative to each other, within the relevant market segment, along an increasing risk/reward scale by reference to their prevailing discount rates as at 31 March 2018 with the risk/reward axis denoting increasing discount rates as one moves further from the centre of the diagram.

2.4 Key Performance and 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.

KPI	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 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.

2.5 Investment Adviser's Report

Harry Seekings
Director, Infrastructure

Keith Pickard
Director, Infrastructure

- 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

HICL – a diversified investment proposition

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

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.

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 Section 3.1 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.

> "...approximately £50m of positive value enhancements over the course of the year, contributing to the NAV growth."

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[1].

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 Section 3.1 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 Section 3.2 Valuation of the Portfolio).

Regulated Assets

Regulated assets represented 8% of portfolio value at 31 March 2018. In April 2017, HICL committed to a £250m[1] acquisition of a 33.2% interest in Affinity Water. In July 2017, a consortium including HICL was announced as Ofgem's

[1] Net of co-investment.

2.5 Investment Adviser's Report

(continued)

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 Section 3.1 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.

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 Section 3.1 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 Section 3.2 Valuation of the Portfolio).

> "We are committed in our conviction that private investment in critical infrastructure, when responsibly undertaken, is a positive force."

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 year (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 Section 3.1 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').

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.

"A fundamental benefit of procurement models such as PPP projects is the transfer to the private sector of asset delivery risks..."

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.

2.5 Investment Adviser's Report

(continued)

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.

> "We will continue to seek opportunities to deliver value to HICL's shareholders through optimising portfolio construction and performance."

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 3.1 Operating & Financial Review and Sections 3.5 Risk & Risk Management. New disclosure in relation to the expiry of defect limitations/warranty periods and construction counterparties can be found in Section 3.4 Portfolio Analysis.

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.

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03 Performance & Risk

Delivering Real Value.

3.1 Operating & 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.

More portfolio metrics as at 31 March 2018 can be found in Section 3.4 Portfolio Analysis.

Value Preservation

Affinity Water

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 Section 2.5 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 are 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 in Section 2.5.

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 (see Section 3.5 Risk & Risk Management).

As noted in the Investment Adviser's Report in Section 2.5, 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.

3.1 Operating & Financial Review

(continued)

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]
Jul 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.

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 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.

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%

Financial Review

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.

3.1 Operating & Financial Review

(continued)

Summary Financial Statements

Investment Basis Summary Income Statement

£m	Year to 31 March 2018 Investment Basis	Consolidation adjustments	IFRS Basis	Year to 31 March 2017 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 Section 3.2 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 and 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 and 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

3.1 Operating & Financial Review

(continued)

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 Section 3.2 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 [2]			**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

	Year to 31 March 2018			Year to 31 March 2017		
£m	Investment Basis	Consolidation adjustments	IFRS Basis	Investment Basis	Consolidation adjustments	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 PV
Euro	244	122	50%
North America	188	44	23%
Australia	83	64	77%
Total	**515**	**230**	**45%**

3.2 Valuation of the Portfolio

Valuation Methodology and Approach Overview

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

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

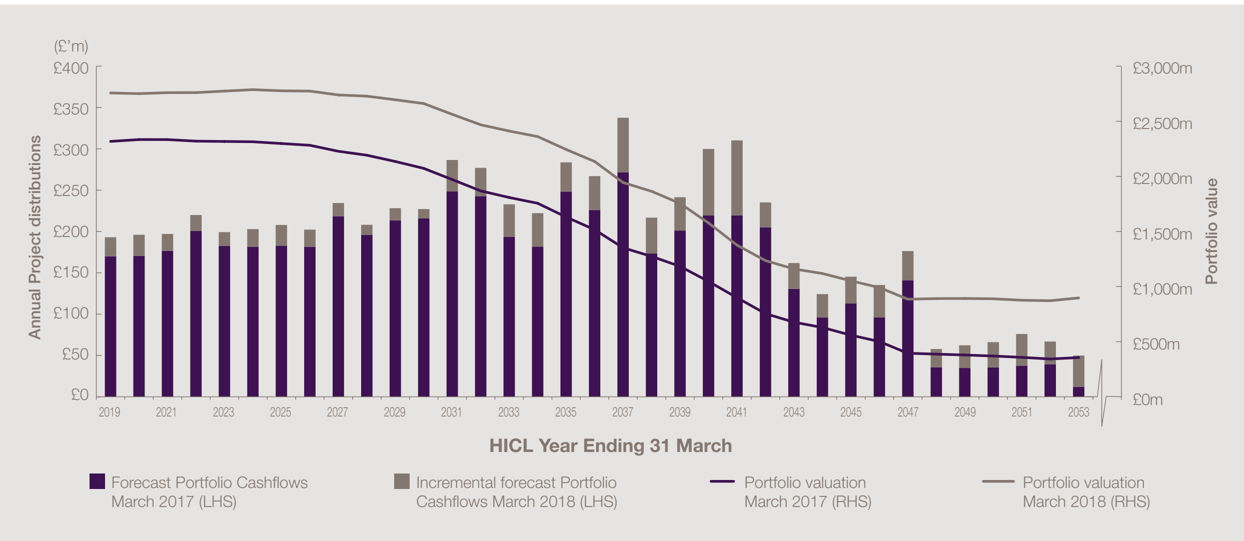
The fair value for each investment is then derived from the application of an appropriate market discount rate and year end currency exchange rate. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market 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

The chart below shows the expected future cash flows to be received by the Group from the portfolio as at 31 March 2018 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions.

Illustration of Expected Future Cash Flows to be Received by the Group from the Current Portfolio[1,2,3,4]



[1] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met.
[2] The cash flows and the valuation are based on a number of assumptions, including discount rates, inflation rates, interest rates, tax rates and foreign exchange rates. These assumptions and the valuation of the current portfolio may vary over time.
[3] The cash flows and the valuation are from the portfolio of 116 investments at 31 March 2018 and do not include other assets or liabilities of the Group, and assumes that during the period illustrated above, (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains.
[4] Valuation considers cash flows beyond 2053, for example for Northwest Parkway, 89 years of cash flows are assumed.

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

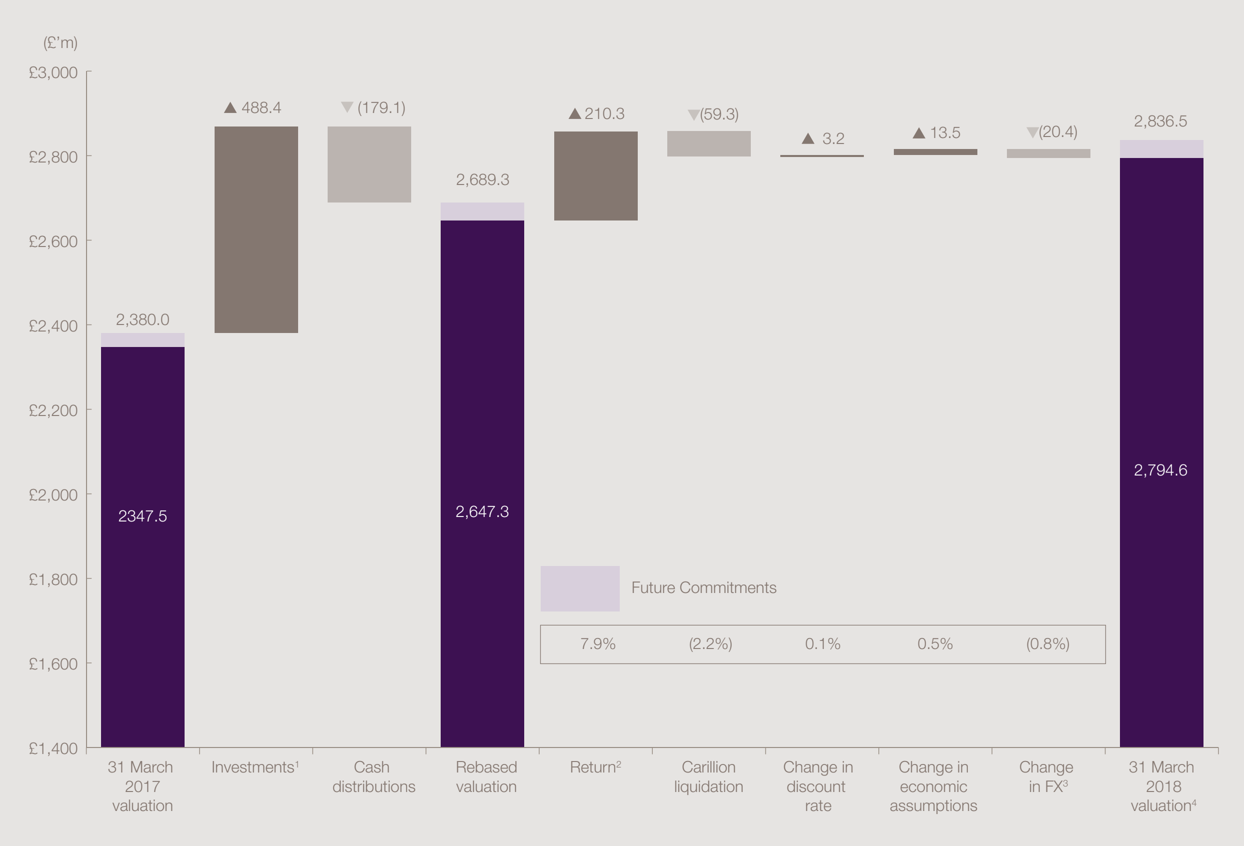
It is these forecast cash flows from the Group's current portfolio of investments that give the Board the comfort that there should be sufficient cash cover for the target dividend of 8.05p per share for the year to 31 March 2019 and the dividend guidance of 8.25p per share for the year to 31 March 2020.

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.

A Breakdown of the Movement in the Directors' Valuation in the Year



[1] Investments includes recognition of N17/18 option of €16.8m.
[2] 'Return' comprises the unwinding of the discount rate and project outperformance.
[3] FX movement net of hedging is a loss of £12.0m.
[4] £2,836.5m reconciles, on an Investment Basis, to £2,794.6m Investments at fair value through £41.9m of future commitments.

Rebased Net Valuation

Valuation blocks (purple) have been split into investments at fair value[5] and future commitments. The percentage movements have been calculated on investments at fair value as this reflects the returns on the capital employed in the year.

[5] On an Investment Basis.

3.2 Valuation of the Portfolio

(continued)

Valuation Movements During the Year to 31 March 2018 (£m)				% 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 Section 2.5 Investment Adviser's Report.

Country	31 March 2018 Long-term government bond yield	Risk premium	Discount rate	31 March 2017 Discount rate	Movement
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%**

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 above.

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.

3.2 Valuation of the Portfolio

(continued)

Valuation Assumptions

Apart from the discount rates, the other key economic assumptions used in determining the Directors' Valuation of the portfolio are shown below:

		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 costs.

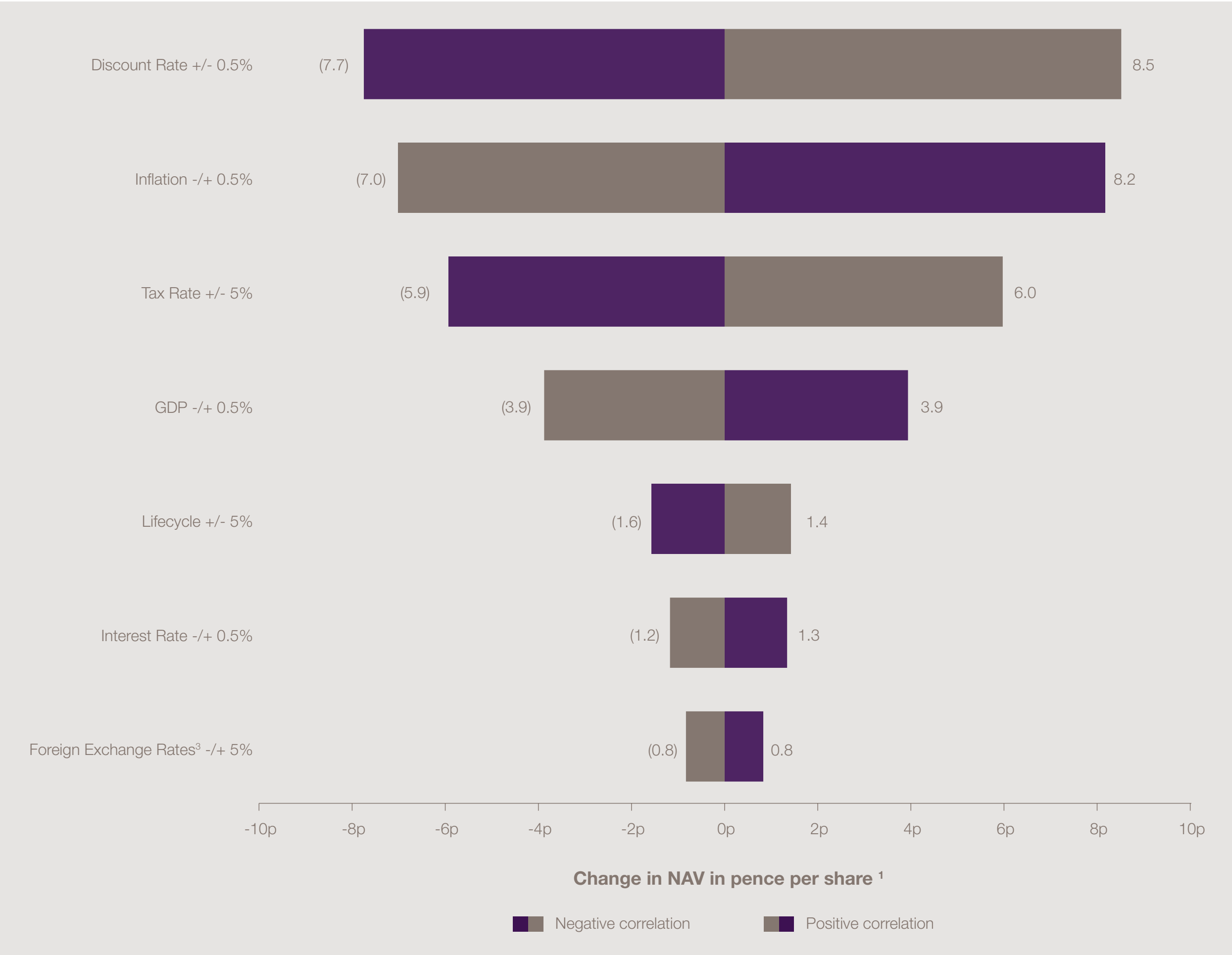
Valuation Sensitivities

The portfolio's valuation is sensitive to each of the macro-economic assumptions listed on the prior page. 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.

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 below.

Valuation Sensitivities



[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.

3.2 Valuation of the Portfolio

(continued)

Inflation Rate Sensitivity

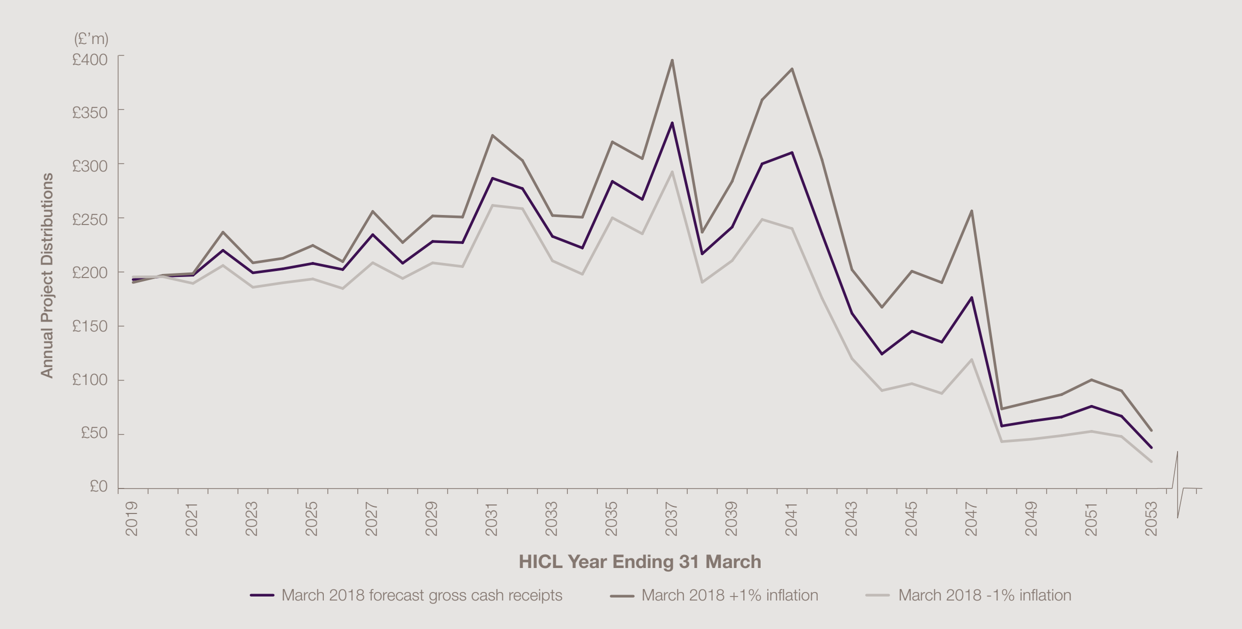
PPP projects in the portfolio have contractual income streams derived from public sector clients, which are rebased every year for inflation. UK projects tend to use either RPI or RPIx (RPI excluding mortgage payments) while non-UK projects use CPI (Consumer Price Index), and revenues are either partially 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%.

Cash Flow Sensitivity to Inflation[1,2,3]



[1] Sensitivity based on forecast gross portfolio cash flows as at 31 March 2018.
[2] The illustration represents a target only and is not a profit forecast. There can be no assurance that this target will be met.
[3] Expected return is the expected gross internal rate of return from the portfolio before group expenses; there is no assurance that returns will be met.

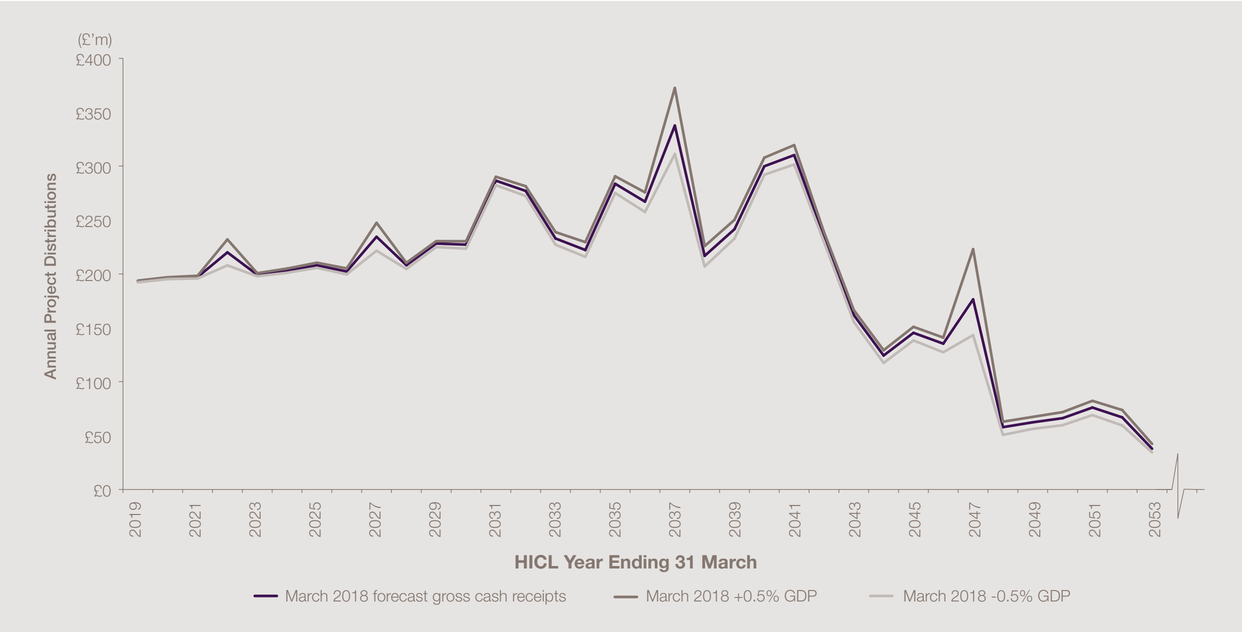
Gross Domestic Product ('GDP') Sensitivity

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 set out on page 42 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).

Cash Flow Sensitivity to GDP[1,2,3]



[1] Sensitivity based on forecast gross portfolio cash flows as at 31 March 2018.
[2] The illustration represents a target only and is not a profit forecast. There can be no assurance that this target will be met.
[3] Expected return is the expected gross internal rate of return from the portfolio before group expenses; there is no assurance that returns will be met.

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 on page 42.

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 on page 42. 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.

3.2 Valuation of the Portfolio

(continued)

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 Section 2.5 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[1] which is in line with recent transactions in the unlisted sector.

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

Dorset Fire and Rescue, UK

3.3 Investment Portfolio

as at 31 March 2018

Education 18%

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

Health 28%

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

Fire, Law and Order 7%

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

Transport 26%

A9 Road (Netherlands)	A249 Road	Kicking Horse Canyon P3 (Canada)	Northwest Parkway (USA)
A13 Road Senior Bonds	Connect PFI	M1-A1 Road	NW Anthony Henday P3 (Canada)
A63 Motorway (France)	Dutch High Speed Rail Link (Netherlands)	M80 Motorway DBFO	RD901 Road (France)
A92 Road	High Speed 1	N17/N18 Road (Ireland)	

Accommodation 10%

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

Water 11%

Affinity Water	AquaSure Desalination Plant (Australia)

Key

▲ New investment since 31 March 2017

▲ Incremental investment since 31 March 2017

3.4 Portfolio Analysis
as at 31 March 2018

MARKET SEGMENT

March 2018

March 2017

	2018	2017
▲ PPP projects	74%	88%
▲ Demand-based assets	18%	12%
▲ Regulated assets	8%	0%

GEOGRAPHIC LOCATION

March 2018

March 2017

	2018	2017
▲ UK	80%	77%
▲ EU	10%	11%
▲ Australia	3%	4%
▲ North America	7%	8%

OWNERSHIP STAKE

March 2018

March 2017

	2018	2017
▲ 100% ownership	27%	33%
▲ 50%-100% ownership	28%	32%
▲ Less than 50% ownership	45%	35%

SECTOR

March 2018

March 2017

	2018	2017
▲ Accommodation	10%	12%
▲ Education	18%	20%
▲ Health	28%	35%
▲ Fire, Law & Order	7%	7%
▲ Transport	26%	22%
▲ Water	11%	4%

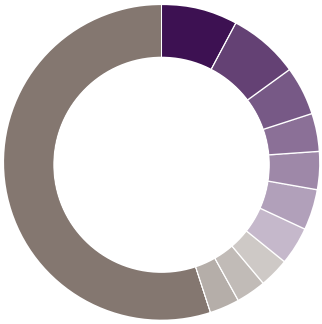
INVESTMENT STATUS

March 2018

March 2017

	2018	2017
▲ Fully operational	99%	98%
▲ Construction	1%	2%

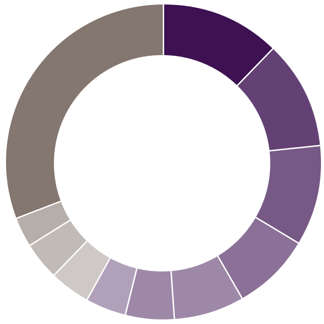
TEN LARGEST INVESTMENTS[1]



Affinity Water	8%	A63 Motorway	4%
High Speed 1	7%	AquaSure	3%
Northwest Parkway	5%	Dutch High Speed Rail Link	3%
Home Office	4%	Allenby & Connaught	3%
Southmead Hospital	4%	Remaining Investments	55%
Pinderfields & Pontefract Hospitals	4%		

[1] By value using Directors' Valuation of £2,836.5m as at 31 March 2018.

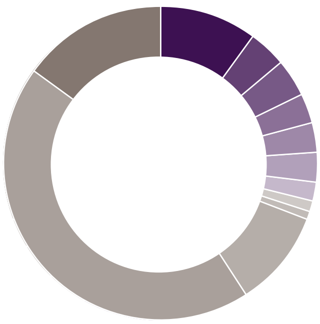
TEN LARGEST FACILITIES MANAGEMENT AND OPERATIONS COUNTERPARTY EXPOSURES[1]



In House	13%	KBR	4%
Equity	11%	Egis	4%
Engie	10%	Sodexo	4%
Bouygues	9%	SUEZ environnement	3%
Network Rail	7%	Other	30%
Mitie	5%		

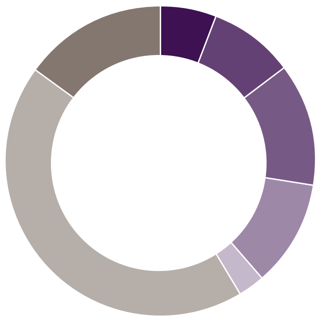
[1] By value, at 31 March 2018, using Directors' Valuation excluding A13 senior bonds. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation.

TEN LARGEST CONSTRUCTION COUNTERPARTY EXPOSURES[1,2]



Balfour Beatty	10%	Morgan Sindall	1%
Laing O'Rourke	4%	Bilfinger	1%
Colas	4%	Other contractors	10%
Galliford Try	3%	Latent defects limitation/warranty period expired[2]	44%
KBR	3%	Affinity Water and High Speed 1[3]	15%
Lendlease	3%		
Bouygues	2%		

LATENT DEFECTS LIMITATIONS / WARRANTY PERIODS REMAINING[1,2]



Within 1 year	6%	Latent defects limitation/warranty period expired[2]	44%
1-2 years	8%	Affinity Water and High Speed 1[3]	15%
2-5 years	13%		
5-10 years	11%		
10+ years	3%		

[1] By value, at 31 March 2018, using Directors' Valuation excluding A13 senior bonds. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Adviser). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation.

[2] Warranty defects period expired includes 13% portion for construction contracts which at 15 January 2018 were in their warranty defects period with Carillion.

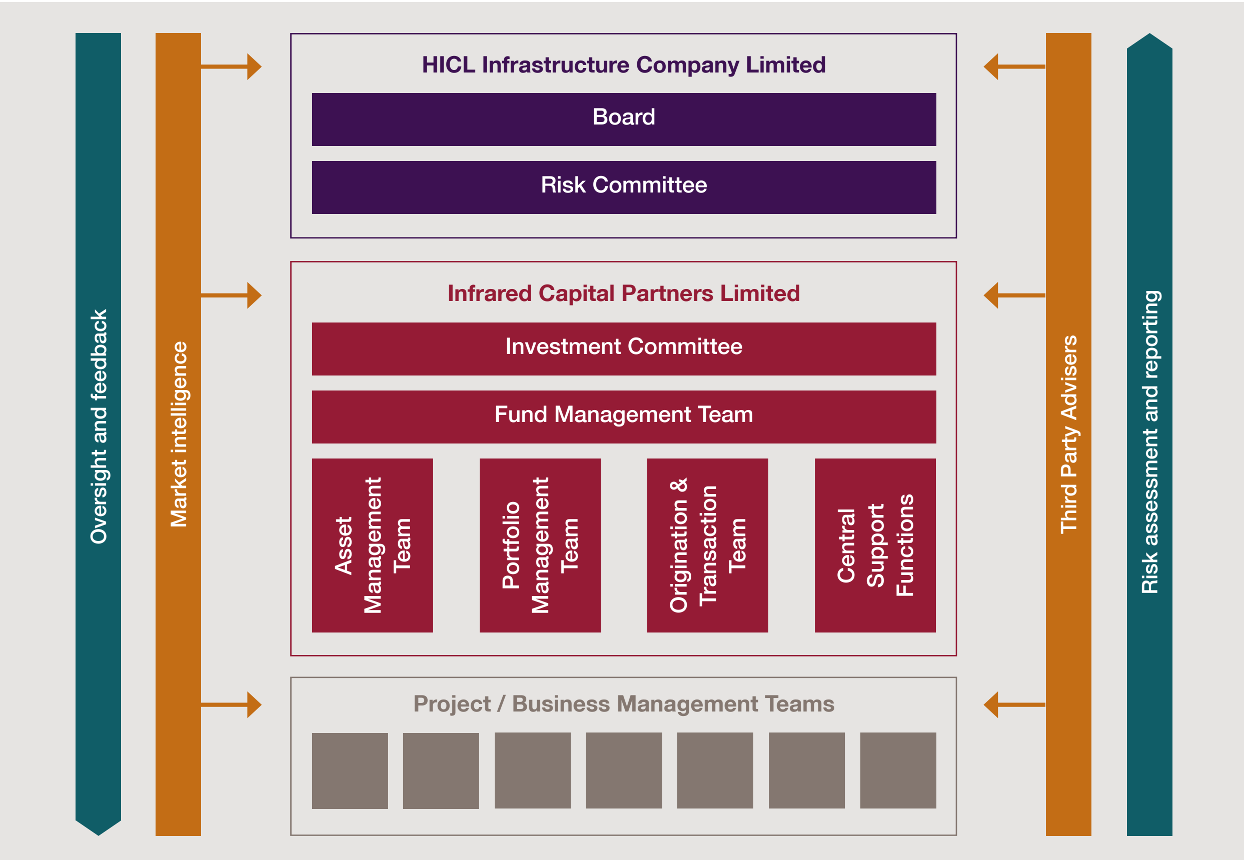
[3] Assets subject to regulatory regimes that help mitigate the potential impact of defects on equity.

3.5 Risk & Risk Management

Risk management framework

HICL's risk management framework covers all aspects of the Company's business. The Board monitors, evaluates and manages risk through the consideration of scenarios and situations that, should they occur, could materially impact the operational or financial performance of the Company. Having considered and analysed key risks, mitigating action may be undertaken to reduce the likelihood of manifestation or the impact if the risk has materialised.

The schematic below sets out the different bodies involved in the management of risk.



The Board has ultimate responsibility for setting the Company's Risk Policy and Risk Appetite. It has convened a Risk Committee to assist the Board by assessing the Company's overall risk profile, recommending a risk appetite, and ensuring its framework is adequately designed and effective in operation. The terms of reference for the Risk Committee can be found on the Company's website.

Day-to-day monitoring, evaluation and management of risk is delegated by the Board to InfraRed as the Company's Investment Adviser. The Investment Adviser reports to, supports and advises the Risk Committee, thus enabling the Risk Committee to make informed decisions on behalf of the Company and recommendations to the Board.

The Investment Adviser uses its experience, insight from investments within the Group's portfolio and the wider infrastructure market, and third party advisers, to proactively consider future risks. Mitigation strategies are then developed. It utilises its systems and policies, oversight and third party assurance to ensure effective risk management. The Investment Adviser oversees the deployment of these strategies and directs portfolio company management teams as required.

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

Risk classes

Risk is evaluated across seven risk classes. These are set out in the table below along with the Investment Adviser's assessment of:

- The potential financial impact of a 12-month prudent downside scenario, which are developed by the Investment Adviser and reviewed by the Risk Committee. They represent the estimated impact of severe but plausible scenarios meaning they are not worst-case. Each scenario is presented before (inherent) and after (residual) the effect of mitigation strategies is considered.
- A residual risk rating based on the likelihood and mitigated impact of the prudent downside scenario for each risk class.

The Investment Adviser uses the table below as the basis of the risk dashboard that forms the summary of its reporting to the Risk Committee. The Investment Adviser regularly presents stress scenarios and associated mitigation strategies to the Risk Committee to assist its assessment of severe low-probability downside scenarios.

Detail of the material components of each risk class together with the mitigation strategies are described in the tables that follow.

Primary Risk Class	Residual Risk Rating	Valuation Impact (NAV/share) Residual vs Inherent	12 Month Cash Flow Impact (Dividend/share) Residual vs Inherent
Political risk	Medium		
Portfolio performance risk	Medium		
Financial/market risk	Low		
Operational risk – execution	Low		
Operational risk – portfolio administration, asset management	Very Low		
HICL central management risk	Very Low		
Operational risk – regulation and compliance	Very Low		

3.5 Risk & Risk Management

(continued)

Principal risk	Risk Description	Risk Mitigation
Political risk		
Policy changes	With a wide range of public sector counterparties, political risk is inherent in HICL's business model and consistently has been a key risk faced by the Company. There is a risk that clients of HICL's portfolio companies or national governments choose to terminate contracts. There is a risk that they may potentially act outside the terms of the project agreements, for example through nationalisation of assets without the payment of fair compensation. There have also been suggestions that a future UK government may consider taking utilities, including water companies, back into public ownership.	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. More detail on compensation on voluntary client termination provisions is set out in Section 3.1 Operating & Financial Review. In the case of a breach of contract, the Group may consider legal options. The legal processes and means for redress would involve expending time and money. This may impact the value of the Group's investment portfolio and could affect the Company's ability to meet its target distributions. While future public ownership of utilities is a possibility, some comfort can be taken from the reasonable assumption that any future government will take a pragmatic approach to its overall infrastructure investment programme and seek to preserve the relationships that enable this. It is incumbent on the private utilities to demonstrate through performance and service quality the benefits of private investment in infrastructure.
Legal or regulatory changes	Various legal and regulatory changes may adversely impact the Group and the portfolio companies in which the Group invests. This could take the form of legislation impacting the supply chain or contractual costs or obligations to which portfolio companies (and therefore the equity investor) are exposed. Certain investments in HICL's portfolio are subject to regulatory oversight. Regular price control reviews by the regulator determine levels of investment and service that the portfolio company must deliver and revenue that may be generated. Particularly severe reviews may result in poor financial performance of the affected investment.	The Company, the Investment Adviser and their advisers continually monitor any potential or actual changes to regulations to ensure both the Group and its service providers remain compliant. Most social and transportation infrastructure concessions provide a degree of protection, through their contractual structures, in relation to changes in legislation which affect either the project asset or the way the services are provided. Regulators seek to balance protecting customer interests with making sure that each company has enough money to finance its functions. Where appropriate, the Investment Adviser will participate in consultation processes, to ensure that the legislature and regulators hear the concerns and views of the Company, in its capacity as a private sector investor.

Principal risk	Risk Description	Risk Mitigation
Political risk (continued)		
Taxation changes	Taxation legislation or treaty changes may adversely impact the Group and the portfolio's value. This may include changes to: ▲ Corporation tax rates; ▲ Cross-border tax rules; and ▲ Other taxation legislation such as changes to the deductibility of interest costs of debt used to finance projects arising from the implementation of the OECD's recommendations in relation to Base Erosion and Profit Shifting ("BEPS").	Certain risks, such as changes to corporation tax rates, cannot be prevented or mitigated. The Company aims to be realistic in its tax rate assumptions. Investors are provided with an illustration of the portfolio's sensitivity to changes in tax rates in Section 3.2 Valuation of the Portfolio. Relevant cross-border tax rules are closely monitored for any potentially adverse changes to the Group. Ultimately, the Company could choose to change its domicile (e.g. to the UK), should this be a source of mitigation for changes in cross-border tax regulations. Equally the Group could sell overseas investments to local investors if this is a better financial outcome. The Board and the Investment Adviser actively monitor broader taxation legislation developments.
Portfolio performance risk		
Revenue adjustments	Poor operational performance and the failure to meet the prescribed contractual or regulatory service standards, or the appearance of construction defects, may reduce the income of the portfolio company concerned, e.g. through the application of availability deductions or regulatory penalties. In addition to the financial cost of these deductions, there is the potential for an adverse reputational impact to the private sector consortium (including the Company) from any material operational issues.	**Operational issues** Operational issues can be caused by a number of factors, e.g. for PPP projects the most likely cause is the underperformance of a service delivery partner. The Investment Adviser's Asset Management team plays a pro-active oversight role, to ensure any trends in performance are picked up early and, if necessary, corrected accordingly. When problems do arise, the relevant asset manager will work on the corrective steps and relevant actions in order to preserve good working relations with the client and thereby minimise any potential financial and reputational damage. Payment deductions for periods of unavailability or poor service delivery are typically contractually passed down to the subcontractor who is at fault. In a severe case, the project company can terminate a subcontractor who fails to perform and either self-manage the services or tender for a new service provider. The cost of this action would, where possible, also be recovered from the previous supplier. Penalties levied against regulated assets could result in lower investment returns. Some mitigation is achieved through the regulatory price control process through setting reasonable targets that are both stretching and achievable. The compensation of the portfolio company's management team is linked to near-term financial performance and long-term performance against regulatory plan outcomes.

3.5 Risk & Risk Management

(continued)

Principal risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Revenue adjustments (continued)		**Construction defects** Typically, PPP project companies have a right (either in law, or expressly under the terms of a construction subcontract) to make claims against the relevant construction subcontractor in relation to defects in the design, construction or commissioning of the project assets. This right persists for a defined period of time following the completion of construction (the 'statutory limitations period'). In England and Wales, for example, the statutory limitations period is typically 12 years. Construction defects are in most cases revealed through the regular programme of operations and maintenance activities or as a result of surveys that are commissioned. Defects detected within the statutory limitations period are lodged with the relevant construction subcontractor for remediation. The cost of remediation is the responsibility of the construction subcontractor and not borne by the PPP project company. An arbitration or court process may be used where disputes arise, though the need to escalate matters in this manner has been historically remote. Following the expiry of the statutory limitations period, the risk of remediation of construction defects that are subsequently detected typically falls to the PPP project company itself and is an equity risk (for which the lifecycle budget can in some cases be a source of mitigation). In addition, there are certain other circumstances, for example if a subcontractor becomes insolvent, where construction counterparty may no longer be able to fulfil its obligations to correct construction defects. Management of counterparty credit risk is discussed below.
Demand	The revenue generated by demand-based assets is dependent on the usage of the associated infrastructure. For some of these demand-based assets, usage may be correlated to the rate of economic growth. Usage below acquisition assumptions could lead to adverse financial performance of the portfolio company, with significant underperformance potentially resulting in default of the financing arrangements.	Demand risk is extensively considered by the Investment Adviser as part of the due diligence process at the time of acquisition. Usage history is considered and, where appropriate, third party experts are used to assess demand projections. The Company publishes an analysis of the portfolio's sensitivity to changes in demand as a result of changes in GDP in Section 3.2 Valuation of the Portfolio.

Principal risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Construction, operations and maintenance counterparties	The PPP project companies and demand-based asset concessionaires in which the Group invests typically subcontract the provision of the services to specialist providers (construction, operations or maintenance companies). The failure of a supply chain provider could negatively impact the project company's ability to fulfil its contractual obligations with the client. Availability-based payment deductions could be made which may impact the Company's cash flow and therefore the valuation of the Group's portfolio.	As one of its key objectives the Company provides investors with access to a balanced, diversified portfolio of investments (in terms of clients, funders and supply chain contractors), thereby mitigating concentration risk and the impact of the default/non-performance by any single counterparty. The Company publishes an analysis of the portfolio's counterparty exposure in the Operating & Financial Review in Section 3.1. In addition, counterparty credit risk is considered at regular intervals by the Investment Adviser's internal credit risk team. If a key subcontractor was to fail, the Company's priority is the continuation of services to public sector clients and the users of the affected infrastructure. The Company has developed contingency plans that specifically contemplate a scenario in which a key subcontractor enters administration or liquidation, and the Investment Adviser's wide network provides a number of potential replacement service providers.
Operational costs	The budget, and therefore the risk, of certain key operational costs associated with a project lies with the portfolio company. For PPP project companies and demand-based asset concessionaires this generally relates to the management services contract, the lifecycle costs and the insurance premium. There is a risk that the budget could prove to be insufficient. For regulated assets, the regulatory price control process sets a total expenditure (capital and operational) allowance for the associated portfolio company to achieve its targets. Overspend against this allowance does not necessarily result in additional revenue, which may reduce the returns generated.	As part of the due diligence process at the time of acquisition, all operating budgets are reviewed to determine if they are adequate. In the case of insurance, there is often some protection through contractual premium risk-sharing agreements with the project company's client. The adequacy of lifecycle budgets of regularly assessed where the risk sits with the project companies. The Company publishes an analysis of the portfolio's sensitivity to lifecycle costs, is set out in Section 3.2 Valuation of the Portfolio. The management teams of regulated assets, with oversight from the Investment Adviser, prepare detailed business plans as part of each price control process. These take inputs from in-house and third party experts and are scrutinised by the regulator. Mitigation is achieved through setting reasonable expenditure allowances that are both stretching and achievable. The compensation of the portfolio company's management team is linked to near-term financial performance and long-term performance against regulatory plan outcomes.
Clients	Reductions in revenue arising from clients facing financial difficulties and therefore failing to meet their payment obligations could have a material adverse impact on that portfolio company's cash flows.	The impact of any single client default to the overall Group is considered small, as the Group has low concentration risk associated with any individual client.

3.5 Risk & Risk Management

(continued)

Principal risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Cyber security	Failure to protect data appropriately could have negative legal, operational and reputational repercussions. A breach of data security could occur by accident or as a result of a deliberate cyber attack. A cyber attack could affect the IT systems of the Group, the Investment Adviser or a portfolio company, causing theft or loss of data, or damage to the infrastructure's control systems and equipment.	The Group has no IT systems as it relies on those of its services providers. The Investment Adviser has data management policies and its staff receive regular training to reduce the risk of an accidental data breach. The Investment Adviser has IT systems designed to withstand a cyber attack and these systems have been subject to successful annual tests by a specialist third party. Portfolio companies that operate through a subcontracted management structure, such as PPP projects, tend not to have their own IT systems and rely on those subcontractors. Data is normally backed up and the risk, should data be corrupted or stolen, is considered low. Regulated assets, and those demand-based asset concessionaires that are operating companies, typically will have their own IT systems. These companies have data management policies and their staff receive regular training to reduce the risk of an accidental data breach. Typically, these companies also undergo cyber penetration testing or use the separation of critical operational systems from the internet through bespoke procedures and firewalls to support the implementation of IT systems designed to withstand a cyber attack. Data held by subcontractors or by portfolio companies themselves is normally backed up. The subcontractors or portfolio companies will also have disaster recovery plans. This reduces the potential impact of business interruption. Further detail of work undertaken in relation to cyber security can be found in Section 4.3 Responsible Investment in Action.
Financial and market risk		
Investor sentiment	Prolonged periods where the prevailing share price trades below the Company's Net Asset Value inhibits the Company's ability to issue new equity capital.	The need to issue new equity capital primarily relates to the repayment of drawings under the Company's Revolving Credit Facility ("RCF"). The Company has a number of alternative options available. Inter alia, these include: ▲ Refinancing the RCF to extend its maturity reduces the near-term urgency to repay drawings, though it is not the Company's policy to be drawn for substantial periods of time. Details on the recent refinancing of the RCF can be found in Section 3.1 Operating & Financial Review. ▲ Strategic management of the portfolio composition through accretive disposals to pay down drawings under the RCF and facilitate opportunistic acquisitions without substantially increasing the Company's gearing. Details on the recent disposal of the Highland Schools PPP project can be found in Section 2.5 Investment Adviser's Report.

Principal risk	Risk Description	Risk Mitigation
Financial and market risk (continued)		
Inflation	Investment returns from portfolio companies typically have positive inflation correlation. Inflation levels below the Company's long-term assumptions would result in the valuation of the portfolio being adversely impacted, and sustained periods of deflation could result in defaults under loan arrangements.	The Board and Investment Adviser consider a number of factors in determining the Group's long-term inflation assumptions, which have been largely unchanged since launch in 2006. The Board and the Investment Adviser believe the Company's assumptions for inflation remain reasonable. The Company publishes an analysis of the portfolio's sensitivity to inflation in Section 3.2 Valuation of the Portfolio.
Discount and interest rates	A discounted cash flow methodology is used to value the majority of the Group's investments. Appropriate discount rates are key to deriving a fair and reasonable valuation for the portfolio. The rate is established by reference to comparable market transactions, which is corroborated by considering the yield on long-dated government bonds (as a reference for the risk-free rate) plus an adequate risk premium. All other things being equal, higher discount rates would result in a reduction in the portfolio valuation. The Group benefits from use of the Company's RCF and debt within the portfolio companies. Increases in interest rates would increase the cost of financing these instruments.	Interest rates and inflation are correlated over the long term, and they exhibit a positive relationship. Therefore, an increase in discount rates due to increased interest rates over the long term is likely to coincide with higher inflation – factors which materially offset one another in the portfolio valuation calculation. An interest rate increase would have a positive impact on cash deposit interest income for portfolio companies. This would partly mitigate a portfolio value reduction arising from increased discount rates. It does not necessarily follow that an increase in long-dated government bond yields would result in an increase in discount rates. As long-dated government bond yields have trended downwards since the Company's launch in 2006, the market discount rate applied to secondary transactions has remained robust. The resulting increase in risk premium may absorb potential increases in government bond yields thereby reducing the impact on the overall discount rate. To manage interest rate risk, the Group may use interest rate swaps to hedge RCF drawings. At portfolio company level, the risk of rising interest rates causing an increase in debt service cost is materially mitigated through the use of fixed-rate or inflation-linked bonds or hedging instruments. The Company publishes an analysis of the portfolio's sensitivity to discount and interest rates in Section 3.2 Valuation of the Portfolio.
Foreign exchange	The Company is exposed to changes in foreign exchange rates where investment return is received in a currency other than Sterling from investments in jurisdictions outside the UK.	To mitigate the foreign exchange risk, the Group has used a combination of balance sheet hedging and hedging of prospective income on a short-term basis through forward currency sales.

3.5 Risk & Risk Management

(continued)

Principal risk	Risk Description	Risk Mitigation
Operational risk – execution		
Inadequate due diligence	Poor or inadequate due diligence can result in underperformance against acquisition assumptions.	The Investment Adviser's Origination team has a depth of experience in buying and selling infrastructure assets and has developed a thorough checklist approach to the due diligence phase. The Investment Adviser is supported by specialist advisers (e.g. lawyers, technical consultants, and tax advisers). Oversight is provided by the Investment Adviser's HICL Investment Committee, and by the Board in respect of matters falling outside the Investment Adviser's 'Approved Delegated Parameters'.
Breach of policies	New acquisitions may cause the Company to breach its Investment Policy, its banking covenants, or other internal control policies.	This risk is mitigated by the Investment Adviser's detailed internal sign off procedures involving a team independent of the acquisition reviewing against all policies and procedures.
Operational risk – portfolio administration, asset management		
The Investment Adviser	The Company is heavily reliant upon the Investment Adviser to implement the strategies and deliver its objectives. The Investment Adviser's team is responsible for fund, portfolio and asset management, as well as investment selection and pricing discipline. A performance deterioration of any of these functions could have a material impact on the Company's performance.	The Investment Adviser has a track record of investing and managing infrastructure investments dating back to the 1990s. It has depth of resource and knowledge in the asset class, as well as appropriate and detailed policies, procedures, and compliance systems. The Investment Adviser's team benefits from a group of individuals possessing relevant qualifications, relationships and experience for their roles. The Board is satisfied that there is sufficient depth of expertise within the Investment Adviser's team for the Group not to be reliant on any single 'key person'.
Valuations	The sensitivity analysis presented in Section 3.2 Valuation of the Portfolio does not show a comprehensive picture of all potential scenarios. Further, variables do not tend to move in isolation, and the analysis does not show the potentially infinite number of permutations, and resultant impacts, that might arise. Financial models, either for the Group or the underlying project companies, may contain errors, or incorrect inputs, resulting in inaccurate outputs. These could adversely impact the assessment of the Company's financial position.	Sensitivity analysis is a tool with limitations. It seeks to illustrate to investors the impact that certain key variables have on the portfolio's valuation. It cannot provide a comprehensive assessment of all of the risks and should be treated accordingly. Financial models are managed by an experienced team who are adept at working with them in a manner that seeks to minimise the introduction of errors. In addition to the processes of the Investment Adviser, the Group's portfolio valuation is assessed by the Company's valuation expert.

Principal risk	Risk Description	Risk Mitigation
HICL central management risk		
Loss of key personnel	The Company relies on the Board of Directors and key service providers, including the Investment Adviser, to manage the Group. Loss of a 'key person' could lead to gaps in the 'corporate knowledge'.	The Board is comfortable that it is not overly reliant on any one director. Similarly, it is comfortable that the teams in all its key service providers, including the Investment Adviser, have a suitable breadth and depth of resources such that if any one individual was to depart, the services can continue to be provided to the required standards by the remaining team members.
Service provider failure	The Group has no employees and relies on service providers to provide management services, the most important of which is the Investment Adviser. Failure of any one service provider would lead to potential operating issues and a possible value impairment.	The Management Engagement Committee reviews the performance of all key service providers annually. Poor performance issues are communicated promptly back to the relevant service provider and, to date, this has had the necessary effect. Changes are made when necessary.
Poor controls	Poor control systems of either the Group or a service provider lead to a loss for the Group.	Detailed operating procedures have been developed and adopted by the Group. These are regularly reviewed including by the compliance team of the Investment Adviser. Service providers also have the own control systems which are reviewed as and when required. Changes to controls are implemented in light of industry experience and changing policies and regulation.
Operational risk – regulation and compliance		
Breach of regulations	The Group's activities may breach regulations in the jurisdictions in which it operates.	When entering new jurisdictions for the first time, specialist technical and legal advice is taken. Once investments are made, the Investment Adviser seeks to remain abreast of changes of regulations and laws to ensure the Group and its portfolio companies remain compliant.

3.5 Risk & Risk Management

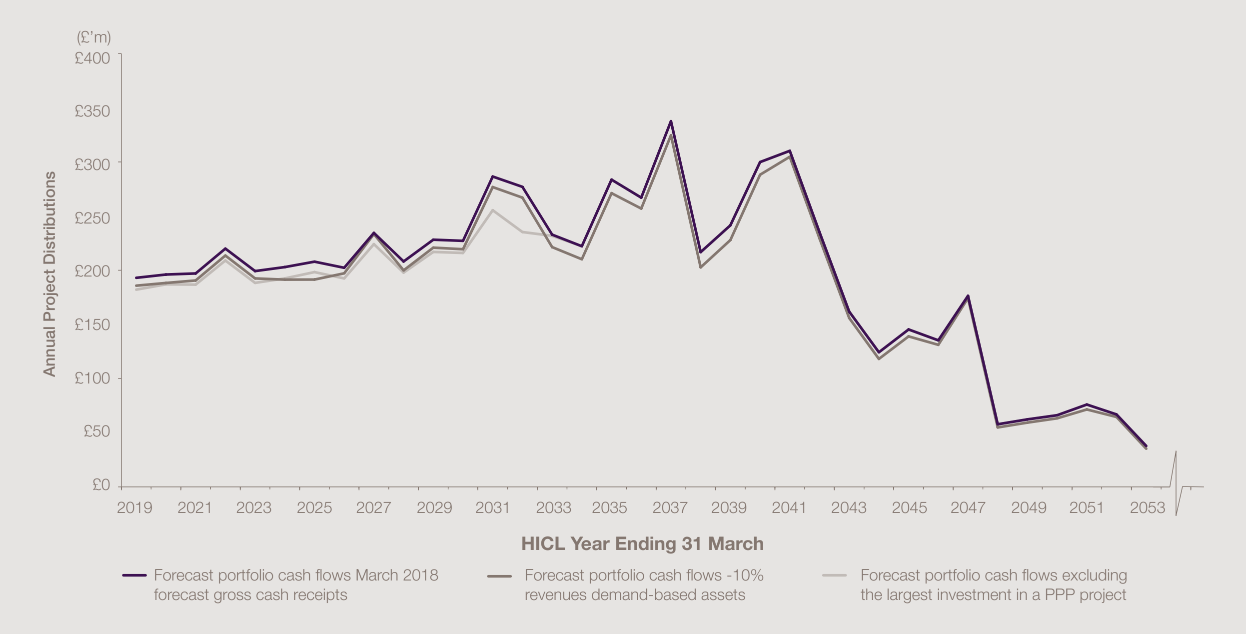
(continued)

Example Stress Scenarios

InfraRed conducts stress tests to assess the resilience of the portfolio to various downside scenarios. The chart below sets out two examples of stress scenarios considered on forecast portfolio cash flows. The first scenario shows the impact on portfolio cash flows of excluding the Company's largest PPP investment and the second scenario shows the potential impact of a global recession on GDP sensitive assets.

The recession stress scenario assumes a 10% reduction in revenues in all periods for the four GDP correlated assets. In this scenario, none of the relevant portfolio companies breach their debt covenants, while for the Company it results in a reduction of NAV/share of 6.0p (as at 31 March 2018). If the largest PPP project in the Group's portfolio (by value) was terminated with zero compensation, the impact on valuation would be 6.4p NAV/share (as at 31 March 2018). The results of these downside stress tests demonstrate the robust nature of the Group's portfolio cash flows.

Stress Test Scenarios – Exclusion of Largest PPP Investment and Recession Stress Scenario[1,2,3]



[1] Sensitivity based on forecast gross portfolio cash flows as at 31 March 2018.
[2] The illustration represents a target only and is not a profit forecast. There can be no assurance that this target will be met.
[3] Expected return is the expected gross internal rate of return from the portfolio before group expenses; there is no assurance that returns will be met.

3.6 Viability Statement

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

The Directors have determined that the five year period to March 2023 remains an appropriate period over which to assess the viability of the Company as this period accords with the Company's business planning exercises, is appropriate for the investments owned by the Group and is consistent with the long term objective of the Company.

Assessment of the Company's Prospects

The Directors' primary assessment of the Company's prospects is achieved through HICL's annual strategic and business planning exercise. The Directors review a five year budget and business plan, which is prepared by the Investment Adviser and includes cash flow projections to aid strategic planning and provide support for the dividend approval process. The projections consider cash balances, key covenants and limits, dividend cover, investment policy compliance and other key financial indicators over the period. These projections are based on the Investment Adviser's expectations of future asset performance, income and costs and are consistent with the methodology applied to provide the valuation of the investments.

The Company, as is common for an investment company, has a low level of expenses relative to forecast receipts from its portfolio investments. The portfolio consists of companies whose underlying assets are predominately fully constructed and operating PPP or similar projects with public sector counterparties in jurisdictions with established and proven legal systems. As a result, the Company benefits from predictable long-term contracted cash flows and a set of risks that can be identified and assessed (see Section 3.5 Risk & Risk Management). The projects are each financed on a non-recourse basis to the Company and supported by detailed financial models. The Directors believe that the non-recourse financing and diversification within the portfolio of investments helps to withstand and mitigate for the risks it is most likely to meet.

Assessment of Viability

In making this statement the Directors have considered the resilience of the Company, taking account of its current position and the principal risks facing the business, in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. In particular, consideration has been given to the current market and political environment for the Company.

The Investment Adviser has prepared sensitivity analysis including various stress scenarios which have been considered previously by the HICL Risk Committee. These include increasing HICL's tax rate assumptions by 5%, increasing lifecycle costs by 10% and assuming that 10% of the portfolio is in lock-up. Individually, these scenarios pose little threat to HICL's solvency. A severe scenario was also prepared to assess the loss in revenue necessary to cause insolvency. The analysis demonstrated that HICL should remain viable over the five year assessment period.

Viability Statement

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2023, on the assumption that there is sufficient liquidity in the debt market to allow the Company to refinance or repay obligations becoming due under the Group's revolving debt facility and that its investments are not materially affected by retrospective changes to government policy, laws or regulations.

3.7 Risk Committee Report

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

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

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

Simon Holden
Risk Committee Chairman
22 May 2018

Main Duties and General Approach

The main duties of the Risk Committee are:

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

Statement of the Chairman of the Risk Committee

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

The risk management framework utilises 'three lines of defence', being cascading approaches by which the interests of the Company and its shareholders are effectively safeguarded and protected:

- The first line is the development of systems. This is the day-to-day management of risk through effective controls. These are set out in documents such as the Company's and the Investment Adviser's Policies and Controls Manuals. Under direction from the Board, the identification, assessment and management of risk are integral elements in the work of both the Investment Adviser and the Operator in their management of the existing portfolio and in seeking new investment opportunities.
- The second line is that of oversight, namely the challenge mechanism that is provided by the Risk Committee which reviews, challenges and monitors to ensure that policies are up-to-date and delegated authorities are respected/complied with and responds to new strategic priorities and emerging or changing risks. The Risk Committee reviews the key risks affecting the Company at each quarterly meeting. This review includes the consideration of any new circumstances that could arise creating additional risks for the Group. For each material risk identified, a mitigation strategy is, where appropriate, developed and implemented, together with appropriate monitoring by the Investment Adviser and other key service providers, as appropriate.
- The third and final defence is third party assurance which is utilised on an as-needed basis to provide an independent challenge to the risk management framework of the Company, an audit of key controls and guidance as to best practice, with the results reported to the Audit Committee.

Significant Activities in the Year

The Committee considered and noted compliance with the Approved Delegated Parameters ("ADPs"), which are a component of the Company's risk management processes. The ADPs, which operate within the Investment Policy, are designated thresholds pre-agreed with the Risk Committee (and approved by the Board) from time to time, in view of the Company's risk appetite, within which the Investment Adviser may make specific, unilateral investment and asset management decisions.

They provide the Board with comfort on the delegation of the investment management functions as they are designed to optimise risk and return by empowering the Investment Adviser for the more conventional investment operations of the Group, whilst reserving Board approval for other matters exceeding the ADP limits. During the year, the Board considered one new potential investment that fell outside the agreed Investment ADP limits at the time: High Speed 1.

The Committee's principal tools to oversee the Group risk profile are the risk dashboard and the seven risk class summaries, with combined stress scenario impacts, both pre and post mitigation. This is more fully set out in Section 3.5 on Risk & Risk Management. During the year, the Committee continued its programme of 'deep-dives' to fully debate certain risk classes and mitigation measures in place.

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

The Committee continued to track a number of matters, providing updates to the Board and shareholders as necessary. The key risks faced by the Group and associated mitigants are set out in Section 3.5 on Risk & Risk Management.

3.7 Risk Committee Report

(continued)

▲ Political and regulatory risk: With a wide range of public sector counterparties, political risk is inherent in HICL's business model and consistently has been a key risk faced by the Company. The Investment Adviser actively monitors, plans for and reacts to emerging political and regulatory risk, providing updates to the Risk Committee where appropriate. Matters considered in the year include:

- Clients of HICL's portfolio companies or national governments may choose to terminate contracts and potentially act outside the terms of the project agreements;
- Certain investments in HICL's portfolio are subject to regulatory oversight. Particularly severe price reviews may affect the financial performance of the investment in the associated regulated asset; and
- The impact that BEPS could have on the Group's future cash flows, noting that different governments have varying plans to implement the recommendations.

▲ Counterparty risk: The PPP project companies in which the Group invests subcontract the provision of the services to specialist providers (construction and facilities management companies). The failure of a supply chain provider could negatively impact the project company's ability to fulfil its contractual obligations with the client. This risk materialised in the year with Carillion issuing three profit warnings between July 2017 and November 2017 before entering compulsory liquidation in January 2018. The Investment Adviser had contingency plans in place, which were activated the same morning that Carillion's liquidation was announced. Detail on the Investment Adviser's preparedness and subsequent steps being taken is set out in the Investment Adviser's Report in Section 2.5. The Committee receives regular updates from the Investment Adviser in respect of progress towards securing long-term replacement operators and releasing the projects from distribution lock-up. The Committee receives regular reporting from the Investment Adviser in respect of HICL's counterparty exposure management, with intra-quarter updates provided when necessary.

▲ Health & Safety: The Risk Committee receives quarterly reporting from the Investment Adviser in relation to health & safety matters. The Investment Adviser reports on matters of fire safety and building defects. 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 being monitored across the portfolio.

The Committee's routine quarterly agenda covers, inter alia, an analysis of counterparty exposure and portfolio concentration, a summary of pertinent fund matters and the Company's financial risk management policies and status, together with commentary on specific project issues warranting discussion with the Board.

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

The Committee concludes each meeting with an assessment of whether the Company is compliant with its risk appetite.

Health & Safety Executive, UK

Croydon Schools, UK

04 Responsible Investment/ Environmental, Social & Governance

Delivering Real Value.

4.1 Overview

Context

The Directors believe that Responsible Investment ("RI") principles and practices are essential for the Company to deliver long-term investment and corporate performance. In managing the Company and its Corporate Subsidiaries, the Directors have ensured that procedures and policies have been integrated within the core functions of service providers, including the Investment Adviser, to manage the Group effectively and responsibly with respect to all the Group's stakeholders. Through working in partnership with public sector clients and regulators, the Company aims to deliver high-quality infrastructure that supports the community and essential public services.

Principles for Responsible Investment

The Investment Adviser recognises that core to RI behaviours is considering the Environmental, Social and Governance ("ESG") consequences of the activities of the Company and its portfolio companies, which is fundamental to sustainable, responsible business operations. To that end it has chosen to be a signatory to the Principles for Responsible Investment ("PRI"). The PRI are widely recognised and regarded around the world and the six principles, which the Investment Adviser has incorporated within its business, can be summarised as follows:

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

The Investment Adviser's infrastructure business maintained its A+ rating, as assessed by PRI, for the third consecutive year. This is the highest attainable rating and comfortably above the peer median. The PRI assessment methodology can be found on the PRI website: www.unpri.org/report/about-reporting-and-assessment.

The Investment Adviser continues to take a leadership role in the implementation of robust responsible investment strategies through its on-going membership of the PRI Infrastructure Advisory Committee, and during the period its membership of the Supply Chain Guidance Working Party.

Implementing RI/ESG Policies

The Investment Adviser applies these principles through active oversight of the underlying investments. In almost all cases, the Group is entitled to appoint at least one director to the board of each portfolio company and board meetings are not quorate without the Group's nominated director being present.

Robust governance principles are adopted by portfolio company boards, which typically meet quarterly and address current issues. It is normal that RI/ESG is tabled on board agendas. The development of new ESG programmes, progress against existing ESG initiatives and issues, including anti-bribery and health & safety, are promoted by the boards, reported via the board packs and discussed at board meetings.

As part of this, it has also been using the Group's role as a shareholder in each investment to request that each portfolio company report against the Group's approved RI/ESG policies. RI/ESG is discussed at each HICL Board meeting and the Group monitors RI/ESG activity across its portfolio.

Portfolio company management teams and contractors typically develop and implement social and environmental initiatives, with oversight provided by the Investment Adviser through representation on the portfolio companies' boards, and additional resource provided by the Investment Adviser where appropriate.

The Investment Adviser has an RI/ESG policy and guidelines to enhance RI/ESG performance and improve monitoring on investment-level activities.

The Investment Adviser has a RI/ESG steering committee to promote RI/ESG activities at the Investment Adviser level, but with the intention of ensuring best practice is widely adopted by the portfolio companies.

HICL's reputation for stewardship is built on a system of rigorous checks and balances. In accordance with the AIC Code of Corporate Governance (the "AIC Code"), the work and conduct of HICL's Board is regularly reviewed and evaluated.

The Board's 'Risk Committee' plays a key role in providing essential challenge mechanisms and oversight of the Board's work, as well as monitoring the wider landscape to identify risks and develop appropriate mitigation strategies.

Reporting RI/ESG Activities

The Investment Adviser seeks to ensure that each portfolio company has appropriate RI/ESG policies in place and that these are followed in the delivery of the services to clients and end users. The Investment Adviser surveys HICL's portfolio companies to monitor the RI/ESG initiatives of the Group, and each year the benchmark for what is expected is increased with greater scrutiny placed on the activities of each portfolio company.

As noted previously, the Investment Adviser was a member of the Supply Chain Guidance Working Party of the PRI in 2017. This focus beyond each portfolio company to their respective supply chain was reflected in the Investment Adviser's approach to the measurement RI/ESG. This represented a significantly more onerous expectation for both RI/ESG reporting and performance. It is harder for portfolio companies to obtain the necessary information to complete their reporting. As a result, the survey response rate for 2017 was 84%.

The survey uses 28 Key Performance Indicators that have been developed by the Investment Adviser to measure RI/ESG. These qualitative Key Performance Indicators were enhanced for 2017. Rankings are assessed on a star system ranging from one star to five stars. In 2017, 52% of the Group's investments that completed the survey were awarded four and five star ratings. The score reflects the ability of portfolio companies to encourage behaviours aligned with HICL's own principles throughout the supply chain. A key focus of the Investment Adviser and portfolio company management teams in 2018 is to improve both this score and the response rate.

Health & Safety

Health & Safety for all stakeholders is of paramount importance in the operation of portfolio companies. Health & Safety performance of each investment is monitored and each year Health & Safety audits are carried out to ensure appropriate procedures and policies are in place and being adhered to. Many of these audits are supplemented by the support of external Health & Safety consultants.

Information on Health & Safety is reported to the Board (via the Risk Committee) on a quarterly basis. On a typical routine reporting basis, this takes the form of an 'RIDDOR' report, which relates to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and the duties it imposes. The Investment Adviser monitors RIDDORs for evidence of systematic issues and, where appropriate, lessons learned are shared across portfolio companies.

4.2 Review of the Year

The Board has reviewed its performance and the performance of its service providers over the last 12 months and can confirm compliance with the Company's RI/ESG policies.

On the basis of the Investment Adviser's recommendations, the Directors have considered the existing RI/ESG policies and continue to see them as good relative to industry practices.

Each individual portfolio company is responsible for developing environmental and social projects aligned with the needs of the client, the users and wider community that benefits from the infrastructure. As a result, there is a wide range of initiatives across the portfolio. Set out below are selected activities that demonstrate typical RI/ESG initiatives carried out by the portfolio.

Environmental

Environmental initiatives include those that:

- act as a catalyst to develop or promote wider environmental activities or actions within the wider community;
- promote a responsible approach to the environment through the adoption of relevant procedures and working practices;
- help to demonstrate, promote and educate the users of the facilities in relation to environmental issues; and
- support trials and proof of concept tests for environmental improvements or energy efficiency measures that would not otherwise be implemented because there is no proven value-for-money test.

In the year, the A63 Motorway in France installed a trial road surface capable of generating electricity from solar energy near to one of its toll plazas. Further detail on this is provided in the case studies on the following pages.

A number of environmental initiatives took place across the portfolio in the year, including:

- Energy efficiency remains a high priority and many projects are working with clients in a variety of ways to help reduce energy consumption. Detailed assessments for the use of Combined Heat and Power ("CHP") plants have been carried out for a number of larger and suitable sites. CHPs, when configured correctly, can provide energy savings through the onsite generation of electricity using a gas engine with the waste heat from the generating plant providing the base heating load of the building. A number of these schemes may translate into installations during 2018 and 2019.
- The conversion of light systems to run on LED lights is being widely carried out across the portfolio. Lifecycle funds are being invested into new more energy efficient plant and machinery where it is considered appropriate.
- Funding provided by the Sheffield BSF project and the practical skills of the project's facilities management subcontractor were used to create a sensory garden for the benefit of the pupils at Talbot SEN School. An environmental awareness campaign was also established aimed at making students aware of their actions on the environment.
- The environment is central to Affinity Water's business. It is formulating its proposals to Ofwat, the Department for Environment, Food and Rural Affairs and the Environment Agency as part of the 2019 Price Review, which will include improving of the resilience of its network while maintaining water quality. Further detail on Affinity Water is provided in the Operating & Financial Review in Section 3.1.

Social

Social initiatives include those that:

- ▲ enhance the social and physical environment of the infrastructure and its neighbouring community; and
- ▲ promote and enhance the lives and well-being of the client staff, users of the infrastructure and the local community.

In the year, the Investment Adviser facilitated use of a vacant retail space in The Galleries Shopping Centre in Bristol for the recruitment activities of the North Bristol NHS Trust, the client to the Southmead Hospital project. Further detail on this is provided in the case studies on the following pages.

A number of social initiatives took place across the portfolio in the year, including:

- ▲ A joint project between Salford & Wigan BSF Phase 2 and Salford Hospital was undertaken where pupils produced videos highlighting the significant negative impact that drugs and alcohol can have on students, the NHS and the wider community.
- ▲ A further cross-collaboration project was undertaken where pupils from Norwich Schools were invited to decorate the hoardings that were erected around a redevelopment site inside a Norwich shopping mall. The shopping mall is owned by a real estate fund managed by the Investment Adviser.
- ▲ The Sheffield University Student Accommodation project continues to provide accommodation bursaries for four students that meet criteria agreed with the University. Two of these bursaries are for students with exceptional sporting capability.
- ▲ The Allenby & Connaught project company worked with a local junior school to create a new exercise path to promote the health and well-being of pupils. The school has subsequently formed a running club based on the interest generated by the new path.

Governance

At a Company level, the Board recognises the importance of a culture of corporate governance that meets the requirements of the UK Listing Authority as well as other regulatory bodies. Additionally, a sense of corporate social responsibility is also reflected across the Company's whole operational structure including within the portfolio companies. The Investment Adviser endeavours to promote an ethos of stewardship, responsibility and accountability.

Responsible governance is an integral part of the Company's investment cycle. A bid-buy ESG checklist continues to be used by the Investment Adviser, through which the Investment Adviser considers the ESG practices of potential investment opportunities as part of the appraisal process.

As noted the in Corporate Governance Statement in Section 5.4, the Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with the mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard. Similar principles are important within the portfolio companies and, shortly after the year end, High Speed 1's management board was recognised with the 2018 Women in Rail Highest Gender Balanced and Diverse Workforce Award.

A key event in the year was the liquidation of Carillion. The Investment Adviser is working closely with all stakeholders and maintaining good service provision, which exemplifies HICL's approach to responsible governance. Further detail is provided in the Investment Adviser's Report in Section 2.5.

In the year, the Company continued its roll out of cyber security policies across the portfolio companies. The Investment Adviser has utilised its in-house information technology expertise to undertake a review of the computer systems of the Northwest Parkway and has facilitated the sharing of best practice across the Atlantic between the Group's two toll roads: the A63 Motorway and the Northwest Parkway. Further detail on this is provided in the case studies on the following pages.

4.3 Case Study Environment: A63 Motorway

The A63 Motorway project is dedicated to promoting awareness of environmental issues. The project's management team completed the installation in October 2017 of a trial road surface technology that generates electricity from solar energy, known as 'Wattway'.

This follows the successful communication campaign launched in April 2017 to reduce the incidence of forest fires caused by users of the road discarding their used cigarette butts along the side of the road.

The solar road surface trial is one of several local initiatives promoting use of renewable electricity. It has therefore received a lot of support from key political stakeholders and positive media coverage.

This is the first time that this technology has been used on a motorway and the design life of the panels is 10 years. The peak power output of the installed panels is 7kW. The energy generated will be sufficient to supply most of the northern toll plaza's needs; thereby reducing the potential impact should there be an interruption in the external electricity supply.

Plans are being developed by the technology's developer to roll out the trial of the technology across more than 30 sites, with more than half outside of France.

A63 Motorway, France

4.3 Case Study
Social: Southmead Hospital

The Southmead Hospital project is active in its development of ESG initiatives. Initiatives, once developed, are tabled at the project's Liaison Committee where they are finalised in conjunction with the project's client: North Bristol NHS Trust.

The project facilitated access for the North Bristol NHS Trust to a pop-up space in The Galleries Shopping Centre, approximately three miles from the hospital, to promote the Trusts recruitment and charitable activities. The pop-up space was utilised for no charge throughout the busy Christmas and New Year sales shopping period from 16 November 2017 to 22 January 2018.

The Galleries Shopping Centre is owned by a real estate fund managed by the Investment Adviser. The Investment Adviser enabled an introduction of the North Bristol NHS Trust, who is the Southmead Hospital project's client, to the management team of The Galleries Shopping Centre.

This approach to recruitment led to more than 20 vacant roles being filled, including IT engineers, admin staff, healthcare assistants and operating theatre staff.

The Trust's Southmead Hospital Charity (www.southmeadhospitalcharity.org.uk), which raises money to fund equipment, research and improve the hospital's environment, used the pop-up space to raise awareness of its activities. It subsequently raised almost £1,000 in The Galleries Shopping Centre towards its Christmas appeal.

Southmead Hospital, UK

4.3 Case Study Governance: Cyber security

The Investment Adviser is committed to working with all of its portfolio company management teams to identify and adopt appropriate cyber security practices and procedures. This continues to be an important area of focus, particularly following the WannaCry ransomware attack on NHS systems in May 2017.

Whilst some of the clients of HICL's portfolio companies were affected, there was no direct impact of this incident on the portfolio companies' own IT systems at the hospitals within the HICL portfolio.

During the year, the Investment Adviser provided a cyber security review tool to each portfolio company. The review tool was designed, with input from a third party specialist adviser, to identify potential cyber security risks within each portfolio company, including through engagement with facilities management providers and other subcontractors. The review tool is used by each portfolio company's board, who employ the services of cyber security specialists if required.

The Investment Adviser seeks to use its internal technical expertise for the betterment of the Group's investments. An example of this is at the Northwest Parkway project. A detailed review of the tolling and IT systems was conducted over a three-day period by Investment Adviser's in-house IT team. Observations made were welcomed by the company's management team who are implementing a number of recommendations during the course of 2018.

The Investment Adviser seeks to share best practice between portfolio companies. During the year, the Investment Adviser facilitated an introduction between the management teams of the A63 Motorway and the Northwest Parkway projects, the Group's two toll roads, to share learnings including in relation to cyber security policies and the implementation of cyber security testing, which was possible by virtue of both projects being part of the HICL portfolio. These discussions have since broadened to include the sharing of operations and maintenance practices.

Northwest Parkway, USA

Exeter Crown & County Court, UK

05
Board & Governance

Delivering Real Value.

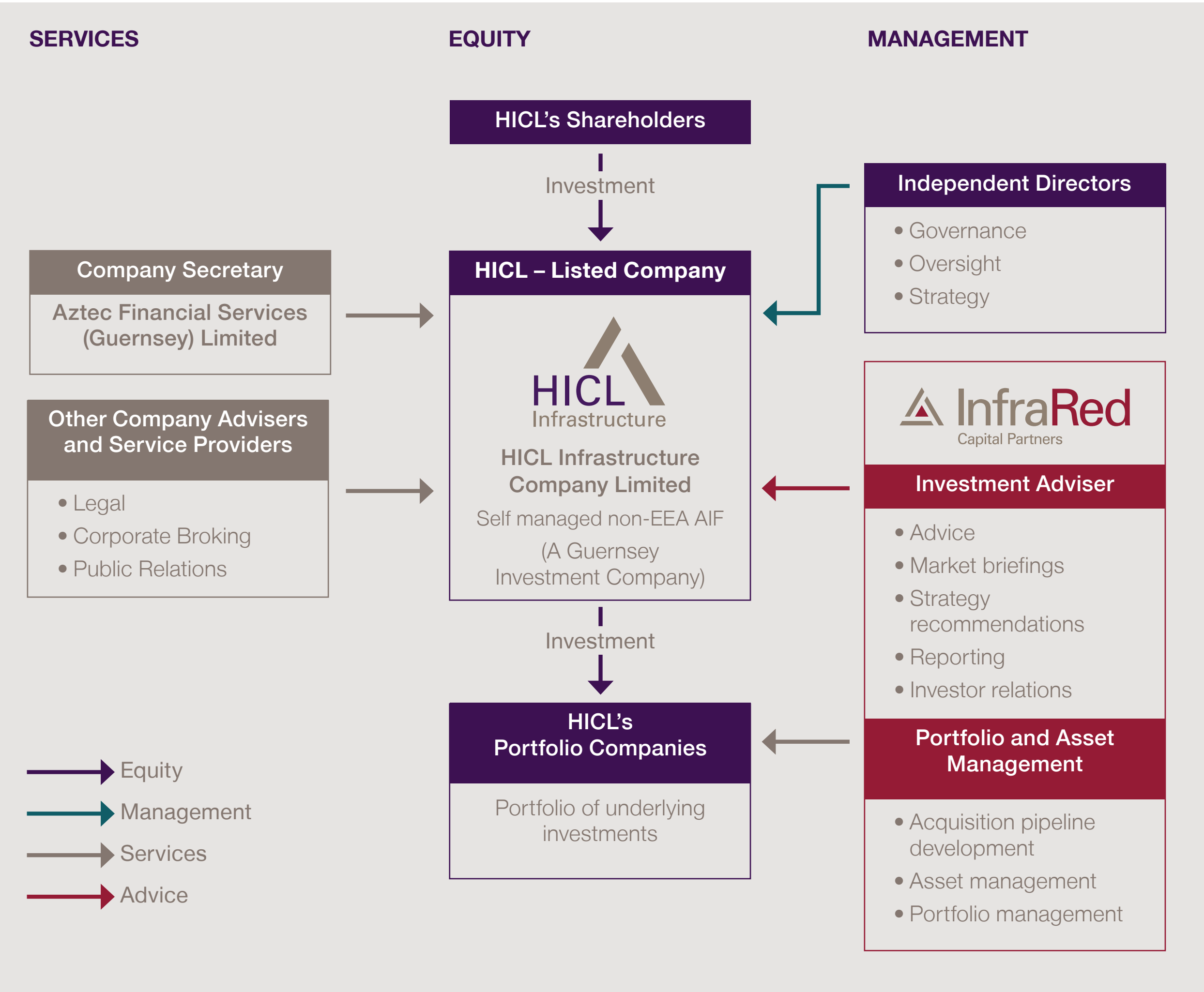
5.1 Operational Structure

The Company is a Guernsey-registered investment company with an independent Board of Directors.

Its shares are listed on the London Stock Exchange. The Company is a self-managed non-EEA Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD").

At the year end, the Company owned indirectly a portfolio of 116 infrastructure investments. It is seeking to protect and enhance the value of the existing portfolio and to source appropriately-priced new investments using the expertise of its Investment Adviser, InfraRed Capital Partners Limited. The Company has a 31 March year end and announces its full year results in May and interim results in November. It also publishes two Interim Update Statements each year, normally in February and July.

Organisational Structure



Group Structure

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

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

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

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

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

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

Each of the underlying investments is made by a portfolio company (not shown in the structure diagram), which through its contractual structure ensures no cross-collateralisation of the liabilities (being, principally, the debt repayment obligations).

The Company's Board and the Committees

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

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

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

5.2 Board of Directors

Mr Ian Russell
Chairman of the Board
Chairman of Nomination Committee

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

Date of appointment
Appointed to the Board on 1 May 2013.

Other public company directorships (listed in London unless noted otherwise)*:
Aberdeen Diversified Income and Growth Trust
The Mercantile Investment Trust plc

Mr Frank Nelson
Senior Independent Director
Chair of Management Engagement Committee

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

Date of appointment
Appointed to the Board 1 June 2014.

Other public company directorships (listed in London unless noted otherwise)*:
McCarthy & Stone plc
Eurocell plc
Telford Homes plc (AIM listed)

Mrs Sally-Ann Farnon
Chair of the Audit Committee

Background and experience
Sally-Ann Farnon (known as Susie) (British), resident in Guernsey, is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as an accountant in 1983. She is a non-executive director of a number of property and investment companies. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and Vice-Chairman of the GFSC. Susie was appointed as a non-executive director of the Association of Investment Companies, the UK Investment Companies' trade body, on 1 April 2018.

Date of appointment
Appointed to the Board on 1 May 2013.

Other public company directorships (listed in London unless noted otherwise)*:
Apax Global Alpha Limited
BH Global Limited
Breedon Group plc (listed on AIM)
Ravenscroft Holdings Limited (listed on TISE)
Real Estate Credit Investments Limited
Standard Life Investments Property and Income Trust Limited

Mr Simon Holden
Chair of the Risk Committee

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

Date of appointment
Appointed to the Board 1 July 2016.

Other public company directorships
None.

Mr Kenneth D Reid

Background and experience

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

Date of appointment

Appointed to the Board 1 September 2016.

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

None.

Mr Chris Russell

Chair of Remuneration Committee

Background and experience

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

Date of appointment

Appointed to the Board on 1 June 2010.

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

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

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

5.3 The Investment Adviser

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

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

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

The InfraRed Group currently manages six infrastructure funds (including the Group) and five real estate funds. The InfraRed Group currently has a staff of around 140 employees and partners, based mainly in offices in London and with smaller offices in Hong Kong, New York, Seoul and Sydney. Its infrastructure team comprises over 70 professional staff who have, on average, over 11 years of relevant industry experience.

Within the infrastructure team, there are:

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

Seven senior members of the InfraRed team make up InfraRed's investment committee on behalf of the Company. The Investment Committee has combined experience of over 150 years in making infrastructure investments and managing investments and projects.

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

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

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

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

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

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

(iv) 0.8 per cent. of the proportion of the Adjusted Gross Asset Value of the Group's investments not accounted for under (i), (ii) or (iii) above which, together with investments under (i), (ii) and (iii) above have an Adjusted Gross Asset Value of up to (and including) £3.0bn; and

(v) 0.65 per cent. of the proportion of the Adjusted Gross Asset Value of the Group that is not accounted for under (i), (ii), (iii) and (iv) above.

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

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

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

5.4 Corporate Governance Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.4 Corporate Governance Statement

(continued)

Principle 2. A majority of the board should be independent of the manager.
At 31 March 2018, the Board consisted of six non-executive Directors, all of whom are independent of the Investment Adviser. None of the Directors sit on Boards of other entities managed by the Investment Adviser.

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

Principle 3. Directors should offer themselves for re-election at regular intervals.
Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.

The Directors are not subject to automatic re-appointment.

As a general policy, all Directors retire, and, if appropriate and willing to act, offer themselves for re-election by shareholders at each AGM.

The six Directors will retire and offer themselves for re-election at the forthcoming AGM on 17 July 2018. The Board is supportive of the re-election of each of the Directors for the new financial year.

Principle 4. The board should have a policy on tenure, which is disclosed in the annual report.
Other than in exceptional circumstances, it is the policy of the Board that Directors will not serve more than nine years on the Board. As a general rule, a Director who has served more than nine years will not be considered independent.

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

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

The Board meets at least five times a year (including for the annual strategy review referred to below). During the year, a further 12 ad hoc Board/Committee meetings were held to deal with other matters, principally of an administrative nature, and these were attended by those Directors available. Between meetings there is regular contact with the Investment Adviser, the Secretary and the Company's Broker, as necessary.

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

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

The Chairman and members of each committee as at 31 March 2018 were as follows:

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

The attendance record of Directors for the year to 31 March 2018 is set out below:

	Formal Board Meetings	Audit Committee	Management Engagement Committee	Market Disclosure Committee	Nomination Committee	Remuneration Committee	Risk Committee
Mr I Russell	5	4	1	1	4	2	4
Mr F Nelson	5	4	1	1	4	2	4
Mrs S Farnon	5	4	1	1	4	2	4
Mr S Holden	5	4	1	1	4	2	4
Mr C Russell	5	4	1	1	4	2	4
Mr K Reid	5	4	1	1	4	2	4

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

The respective reports of the Remuneration Committee, the Risk Committee and the Audit Committee are set out in Sections 5.6, 3.6 and 5.5, respectively, of this Annual Report.

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

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

Principle 6. The board should aim to have a balance of skills, experience, length of service and knowledge of the company.
The Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with the mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard. There is a good spread of skills on the Board and a good level of knowledge of Guernsey regulatory requirements and regulations, generally, as well as a number of Directors with accounting qualifications and a good understanding of investment companies.

Since the year end, the balance of skills and experience has been further enhanced with the appointment of Mr M Bane to the Board, who will be proposed for election at the July 2018 Annual General Meeting, and has a wealth of audit and advisory experience in the asset management industry including in relation to infrastructure investment companies.

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

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

While an internal evaluation is conducted most years, in the year to 31 March 2018, an external review was commissioned through Trust Associates as part of the triannual independent review. The Trust Associates Board Evaluation Report found that the Board as a whole, and its committees, continue to be of a very high calibre both in terms of its Directors and in the execution of their responsibilities and assessed the Board's approach to governance as strong. The report noted that the rotation of Directors has been well handled and there is a good spread of tenure, age and skills on the Board, that Board meetings work well and communication between meetings is good. The report also remarked that the fact that each committee is chaired by a different Director was good practice, as it allows each chair to focus on their designated area.

In the period between external performance evaluations, the Board conducts its own internal evaluation, considering the performance, tenure and independence of each Director. The annual self-evaluation is completed by the Chairman and takes the form of one to-one interviews with each Director holding office in the year. The Chairman then presents a summary of the conclusions to the Board. Comments on the Chairman are collated by the Senior Independent Director who then provides feedback to the Chairman.

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

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

It is composed of all six Board Directors and at 31 March 2018 it was chaired by Mr I Russell who is also the Chairman of the Board.

The Nomination Committee had four meetings in the year to 31 March 2018, including in relation to the successful recruitment of Mr M Bane to the Board, using a third party adviser, Fletcher Jones (not connected to the Company).

5.4 Corporate Governance Statement

(continued)

Principle 10. Directors should be offered relevant training and induction.

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

Principle 11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.

As the Company was listed in March 2006, the Board does not believe that it is necessary to comment on this principle.

Board Meetings and the Relationship with the Manager

Principle 12. Boards and managers should operate in a supportive, co-operative and open environment.

The Board has delegated the following areas of responsibility, within clearly defined frameworks.

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

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

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

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

Principle 13. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.

In addition to the statutory matters discussed at each quarterly Board meeting the principal focus is on the reports provided by the Investment Adviser, as well as those put forward by the Company's Broker and Financial Public Relations Agent. These are all standing agenda items.

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

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

Matters relating to Company's risk management and internal control systems (including associated stress tests), are considered by the Risk Committee (which, in turn, reports any significant matters/findings to the Board) and are set out in more detail in Section 3.6 Risk Committee Report.

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

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

Principle 14. Boards should give sufficient attention to overall strategy.

The Board considers formal strategy reports prepared by the Investment Adviser at a separate meeting at least once a year. In the year ended 31 March 2018, a two-day Board meeting was held in October 2017, which was dedicated to reviewing and determining the overall strategy of the Group; in particular the Acquisition Strategy, funding and capital strategy. The exercise involved a fundamental analysis of certain market segments to ensure they are complementary or additive to the existing portfolio. The Acquisition Strategy was reaffirmed. See Section 2.3 Business Model & Strategy for details.

In addition to the strategy days, adherence to the Acquisition Strategy and the Company's overall risk appetite is discussed regularly at Board and Risk Committee meetings. As well as considering acquisitions, the Board also considers disposals, portfolio performance, levels of gearing and likely achievable dividend growth.

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

The MEC met once in the year to 31 March 2018 to review the performance of the key service providers including the Investment Adviser. No material weaknesses were identified, the recommendation to the Board was that the current arrangements are appropriate and that the Investment Adviser provides good quality services and advice to the Company and the Group.

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

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

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

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

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

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

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

Principle 17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.
Through quarterly reports the Board monitors the Company's share price, share register and discount/premium to NAV per share. From April 2009 to the December 2017, the share price consistently traded at a premium to NAV per share due to strong and sustained demand from the investment community. Although initially funded by borrowings under the Group's revolving debt facility, new investments are typically refinanced within a matter of months by way of new equity issuance. The issuance of new shares is the principal tool available to the Board to manage the premium. However, as the Board is wary of the drag on returns that results from holding un-invested cash, new equity is only raised following an investment or when an investment is imminent.

Since January 2018, the Company's shares have been trading at a discount to NAV per share. The Board is conscious that prolonged trading at a discount to NAV per share is undesirable and reviews options to mitigate the impact of this.

The Board's authority to purchase shares for cancellation was renewed at the AGM on 17 July 2017. The Directors are proposing that it is tabled for renewal when it otherwise expires at the forthcoming AGM on 17 July 2018.

Principle 18. The board should monitor and evaluate other service providers.

As outlined in Principle 15, the Management Engagement Committee (MEC) of the Board is responsible for reviewing all major service providers to the Group at least once a year.

The MEC meeting for the financial year occurred in February 2018, when a review of key service providers was undertaken. Overall, the feedback on performance throughout the year was that key services had been delivered to a very high standard and the Committee resolved that the continued appointment of all providers be recommended to the Board for approval, which was duly granted.

Shareholder Communications

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

Ahead of each quarterly Board meeting the Board commissions a specialist report which analyses the shareholdings, collating them into holdings by investment group to determine the largest shareholders on the register

5.4 Corporate Governance Statement

(continued)

as well as by trading activity to identify the largest buyers or sellers in the previous quarter.

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

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

During the year to 31 March 2018, the Board commissioned a perception survey of institutional investors through a third party (not connected to the Company), covering 34%[1] of the shareholder register by shares held.

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

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

A Capital Markets Seminar was held in February 2018 for institutional shareholders and equity analysts, with presentations from the Investment Adviser and senior management of both Affinity Water and High Speed 1, which was attended by all Board members.

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

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

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

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

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

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

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

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

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

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

Section 3.5 Risk & Risk Management sets out the key risks, the mitigations in place and how these have been quantified using stress scenarios run on the current portfolio. This work is reviewed quarterly by the Risk Committee and the Risk Committee Report setting out its work is at Section 3.6.

Case studies and other materials, along with constitutional documents, the Company's Key Information Document and Committee terms of reference, are all available on the Company's website.

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

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

[1] As at 30 September 2017

5.5 Audit Committee Report

The following pages set out the Audit Committee's report on its activities in respect of the year ended 31 March 2018. The Audit Committee has been in operation throughout the year and operates within clearly defined terms of reference, which are available to view on the Company's website (in the Investor Relations section). The Committee, which comprises all the Directors except for Mr Ian Russell, met formally four times in the year to 31 March 2018.

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

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

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

Susie Farnon
Audit Committee Chairman
22 May 2018

The main duties of the Audit Committee are:

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

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

Significant Issues Considered

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

The Audit Committee spent additional time considering the valuation of Affinity Water, the first investment by the Company in the regulated asset market segment. It was recognised that the valuation drivers and metrics for regulated assets are different in certain aspects from the Company's other market segments and should be considered in the valuation of this particular investment. A separate valuation paper was provided by the Investment Adviser on this asset

5.5 Audit Committee Report
(continued)

which was considered by the Audit Committee in conjunction with feedback from the Board's third party expert valuers' regulated utility specialists. The external auditor addressed this aspect of the valuation through utilising their own regulated utility specialists.

The Audit Committee also considered at length the liquidation of Carillion in January 2018 and the resulting impact on the Company's investment portfolio, and in particular the significant judgements applicable to both cash flows and discount rates for the affected projects. Following discussions with the Investment Adviser, the Audit Committee recommended to the Board that a negative valuation adjustment of £59.3m be reflected in the 31 March 2018 portfolio valuation.

Valuation of Investments

As outlined in Note 13 to the financial statements, the total carrying value of Investments at fair value through profit or loss at 31 March 2018 was £2,677.2m.

Market quotations are not available for the Company's investments such that their valuation is undertaken using a discounted cash flow methodology, other than the A13 Senior Secured Bonds which are listed and the Company's investment is valued based on the quoted market price. The discounted cash flow methodology requires a series of material judgements to be made as further explained in Notes 3 and 4 to the financial statements.

The Audit Committee discussed the valuation process and methodology with the Investment Adviser in July 2017 and November 2017 as part of the review of the September 2017 Interim Report, and again in February 2018 and May 2018 as part of the review of the March 2018 Annual Report. The Investment Adviser carries out valuations semi-annually and provides detailed valuation reports to the Company. The Audit Committee also receives a report and opinion on the half-year and year end valuation from a third party valuation expert.

The Audit Committee met with KPMG in February 2018 when it reviewed and agreed the external auditor's audit plan, and again in May 2018 at the conclusion of the audit, discussing in particular the audit approach to the valuation.

Key forecast assumptions

The Audit Committee considered in detail those economic assumptions that are subject to judgement and that may have a material impact on the valuation. The key assumptions are considered to be future inflation rates, interest rates, rates of gross domestic product and tax rates. These assumptions are explained in further detail in Section 3.2 Valuation of the Portfolio and Note 4 of the financial statements.

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

The Audit Committee also considered in detail the valuation adjustments following Carillion's compulsory liquidation in January 2018, alongside a supporting paper prepared by the Investment Adviser at the time of Carillion's liquidation as well as subsequent update papers. The Audit Committee challenged the Investment Adviser on their cost, discount rate and progress assumptions.

The Investment Adviser provided sensitivities showing the impact of changing these assumptions, which have been considered by the Audit Committee and the external auditor. The external auditor challenged, with support of their internal valuation specialist, the Company's discount rates and macro-economic assumptions applied in the valuation by benchmarking these to independent market data, including recent market transactions, and using their specialist's experience in valuing similar investments. They further assessed the reasonableness of the Company's assumptions by comparing these to the assumptions used by comparator companies.

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

Discount rates

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

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

The external auditor explained the results of their audit and the results of KPMG's audit testing were satisfactory.

Assessment of the Auditor

The Audit Committee is responsible for reviewing KPMG's independence and performance. It establishes policies for the provision of non-audit services by the external auditor and reviews the terms under which the external auditor may be appointed to perform non-audit services, and the scope and results of the audit, including KPMG's effectiveness. In order to safeguard the independence and objectivity of the external auditor, the Audit Committee ensures that any advisory and/or consulting services provided by the external auditor do not conflict with their statutory audit responsibilities.

During the year, HICL opted to voluntarily comply with the FRC Revised Ethical Standard 2016 regarding non-audit services and audit related services, and as such, the Audit Committee's Terms of Reference, including the Non-Audit Services policy, were amended in February 2018.

In accordance with the Non-Audit Services policy, 'Permitted audit and audit related services' include the statutory audit of HICL and of its subsidiaries, HICL's interim review and other permitted audit related services. Where the fee for these services is less than £20,000, Audit Committee has pre-approved these services and they will be reported after the event to the Audit Committee.

For all other audit related and non-audit services engagements, such as tax compliance and reporting accountant engagements in relation to capital raising, Audit Committee approval must be obtained on a case by case basis, prior to engaging the external auditor.

When reviewing requests for non-audit services that are not in the 'Prohibited non-audit services' list, the Audit Committee will assess:

- Whether the provision of such services impairs the external auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- The nature of the non-audit services;
- Whether the skills and experience make the external auditor the most suitable supplier of the non-audit service;
- The fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the total audit fee; and
- The criteria which govern the compensation of the individuals performing the audit.

The Audit Committee considered the tax compliance work undertaken by other KPMG network firms and was of the view that this work was permissible within the FRC guidelines on the basis that it is expected to have no direct or an inconsequential effect on the financial statements of the Company in the view of an objective, reasonable and informed third party.

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

	March 2018 £'m	March 2017 £'m
Audit of the Company and intermediate holding entities	0.3	0.3
Audit of the Company's project subsidiaries	0.3	0.3
Non-audit services	0.2	0.2
Total	0.8	0.8

Non-audit services consisted of audit related assurance services for the Company's Interim Report, tax compliance and advisory services and also in 2017, reporting accountant services in relation to the issuing of a prospectus by the Company. In total, it represented 33% (2017: 33%) of total audit fees.

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

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

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

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

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

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

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

5.6 Directors' Remuneration Report

I chair the Remuneration Committee, which operates within clearly defined terms of reference and comprises all the Directors including the Chairman of the Board, all of whom are independent and non-executive. It met two times in the year to 31 March 2018.

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

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

Chris Russell
Remuneration Committee Chairman
22 May 2018

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

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

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

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

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

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

In February 2017, an external review of the Directors' remuneration was undertaken. An independent professional consultant, Trust Associates, was appointed. Their recommendations for the Directors' remuneration included an assessment for the financial year to 31 March 2019. These were debated by the Remuneration Committee in February 2018 and recommended to the Board which adopted them. They will be put to shareholders for approval at the forthcoming AGM on 17 July 2018.

Trust Associates noted that the workload and time involved had increased since the last review (driven by the increasing size and complexity of the Company and its operations, and in line with inflation). For routine business, Trust Associates' recommendations were for the financial year to 31 March 2019:

- Directors' fees to be increased to £45,000 p.a.
- The Chairman of the Audit Committee's fee to increase to £56,500 p.a.
- The Chairman of the Risk Committee's fee to increase to £52,500 p.a.
- The Senior Independent Director's fee to increase to £57,500 p.a.
- The Chairman of the Board's fee to rise to increase to £75,000 p.a.

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

In addition, a fee is paid to the Director who also acts as director of the two Luxembourg subsidiary company boards. This is unchanged at an additional £6,000 annually.

For comparative purposes the table below sets out the Directors' regular (i.e. excluding any approved one-off payments) remuneration approved and paid for the year to 31 March 2018 as well as proposed for the year ending 31 March 2019.

Role (YE 2019)	Total Fees Proposed (YE 2019)	Fees Approved* (YE 2018)
Chairman	£75,000	£72,000
Senior Independent Director	£57,500	£55,000
Audit Committee Chair	£56,500	£54,000
Risk Committee Chair	£52,500	£50,000
Senior Independent Director	£57,500	£55,000
Director (including Luxembourg subsidiary companies)	£51,000	£49,000
Director	£45,000	£43,000
Subtotal	**£337,500**	**£323,000**
Director	£45,000	–
Total	**£382,500**	**£323,000**

* Approved at the AGM on 17 July 2017.

As last year the fees approved/proposed relate to the roles performed, and not to individuals per se.

The total remuneration paid/due for the year was in line with the fees approved at the AGM in July 2017:

Director	Total Remuneration paid/due for year ended 31 March 2018
Mr I Russell	£72,000
Mr F Nelson	£55,000
Mrs S Farnon	£54,000
Mr S Holden	£50,000
Mr C Russell	£49,000
Mr K Reid	£43,000
Total	**£323,000**

The total fees paid to Directors in the year were within the annual fee cap of £450,000, which was approved by shareholders at the AGM on 16 July 2016.

The Board, following a recommendation from the Remuneration Committee, will seek shareholder approval, by way of special resolution, for an increase in the Directors' aggregate remuneration cap to £500,000 p.a., to allow for the continued implementation of Trust Associates' recommendations, to provide for moderate adjustments that may be necessary in subsequent years, including the recruitment of future Directors, and to provide contingency for any additional fees associated with non-routine business.

5.6 Directors' Remuneration Report

(continued)

Statement of Implementation of Remuneration Policy in the Current Financial Year

The Board has approved the proposed increase to the fees as recommended by the Remuneration Committee and is seeking shareholder approval for the Directors' Remuneration Policy at the AGM on 17 July 2018 with a view to implementing it back-dated to 1 April 2018.

Other Disclosures

The Directors of the Company on 31 March 2018, and their interests in the shares of the Company, are shown in the table below.

	31 March 2018 Ordinary	31 March 2017 Ordinary
Mr I Russell	95,979	69,353
Mr F Nelson	51,568	35,307
Mrs S Farnon	59,931	21,935
Mr S Holden	3,093	2,979
Mr C Russell*	113,895	93,895
Mr K Reid	0	0
Total	**324,466**	**223,469**

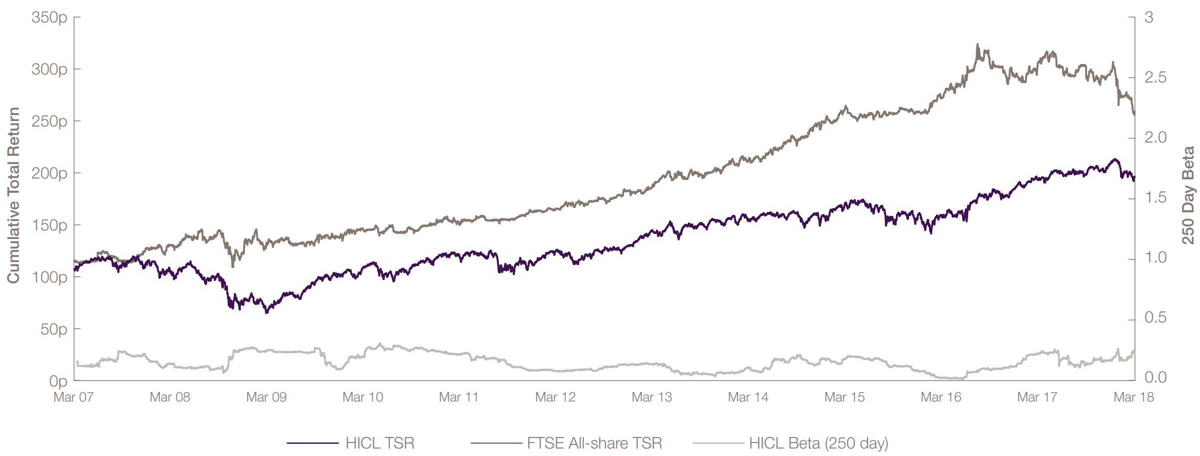
* Of which 10,000 were held by his family.

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

At the last AGM held on 17 July 2017, the resolutions relating to the Directors' remuneration for the year ended 31 March 2018 and the Directors' Aggregate Annual Remuneration Cap were approved.

Performance Graph

In setting the Directors' remuneration, consideration is given to the size and performance of the Company. The graph below highlights the comparative total shareholder return (share price and dividends) ("TSR") for an investment in the Company for the 12 year period from inception at the end of March 2006 until 31 March 2018 compared with an investment in the FTSE All-share Index over the same period. During that period the TSR for the Company was 8.2% p.a. compared with the FTSE All-share Index which was 5.8% p.a.



5.7 Report of the Directors

The Directors present their Annual Report and Financial Statements of the Company for the year to 31 March 2018.

Principal Activity

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

Results

The results for the year are summarised in Section 3.1 Operating & Financial Review and are set out in detail in the Financial Statements.

Distributions and Share Capital

The Company declared four quarterly interim dividends, totalling 7.85p per share, for the year ended 31 March 2018 as follows:

Amount	Declared	Record date	Paid/to be paid
1.96p	18 July 2017	25 August 2017	29 September 2017
1.96p	16 November 2017	24 November 2017	29 December 2017
1.96p	21 February 2018	2 March 2018	29 March 2018
1.97p	16 May 2018	25 May 2018	29 June 2018

The Company has one class of share capital, Ordinary Shares, of which there were 1,623,260,735 in issue as at 31 March 2017. This number increased to 1,789,556,677 as at 31 March 2018 as a result of tap issuance and scrip dividends during the year.

The Company usually offers a scrip dividend alternative in respect of the quarterly interim dividends for the year. In the year ended 31 March 2018, a scrip dividend alternative was offered in the first three quarters. However, since late January 2018, the Company's shares have been trading at a price lower than the prevailing published NAV, of 151.6 pence per share at 30 September 2017. As per 2(b) of the Appendix to the Company's Scrip Dividend Circular 2017-18, the Directors may revoke their decision to offer Scrip Shares instead of the full cash dividend in the event of a change in market conditions or a significant fall in the price of the Ordinary Shares, such that the Directors consider that the Scrip Dividend Alternative would be substantially less beneficial to Shareholders accepting the offer. The reference price of the Scrip Shares in respect of the Q4 Dividend is due to be calculated and published on or around 1 June 2018. If the Company's shares are trading at a price below prevailing NAV per share on the days preceding the Scrip Share Reference Price calculation day (1 June 2018), such that the Scrip Share Reference Price would be at a discount to the prevailing NAV per share, the Directors may suspend the Scrip Dividend Alternative for the Q4 Dividend. In this case, all shareholders entitled to receive a dividend of 1.97 pence per share on the record date (25 May 2018) would receive their dividend in cash.

The Board is proposing to seek shareholder approval for renewal of the scrip authority at the AGM on 17 July 2018.

Directors

The Directors who held office during the year to 31 March 2018 were:

Director	Date of Appointment	Years of Service
Mr I Russell	1 May 2013	4 years 11 months
Mr F Nelson	1 June 2014	3 years 10 months
Mrs S Farnon	1 May 2013	4 years 11 months
Mr S Holden	1 July 2016	1 year 9 months
Mr C Russell	1 June 2010	7 years 10 months
Mr K Reid	1 September 2016	1 year 7 months

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

Corporate Governance

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

Investment Adviser and Operator

InfraRed Capital Partners Limited (the "Investment Adviser" or "InfraRed") acts as Investment Adviser to the Company and acts as Operator of the limited partnership which holds and manages the Group's investments. A summary of the contract between the Company, its subsidiaries and InfraRed in respect of services provided is set out in Note 17 to the Financial Statements.

5.7 Report of the Directors

(continued)

The Management Engagement Committee met in February 2018 to consider the performance of, and services provided by, InfraRed. As with previous years, this took the form of a written paper in which the Investment Adviser explained its activities in the year and summarised its performance against agreed targets. The Committee discussed the paper with the Investment Adviser, noted the internal assurance work it performs, and received feedback from other service providers, shareholders and advisers.

The fee arrangements between the Group and InfraRed are set out in Section 5.3. The Investment Advisory Agreement can be terminated with 12 months' notice.

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

Broker, Administrator and Company Secretary

The Company's sole broker during the year was Canaccord Genuity Limited. The Administrator and Company Secretary was Aztec Financial Services (Guernsey) Limited.

Substantial Interests in Share Capital

As at 31 March 2018, the Company is aware of or has received notification in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in 5% or more of the Company's shares to which voting rights are attached (at the date of notification):

	Number of Shares Held	Percentage Held
Schroders plc. on behalf of its clients	113,100,573	6.32
Investec Wealth and Investment Limited	101,504,073	5.67

Donations

The Company made no political donations during the year.

Payment of Suppliers

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2.3 Business Model & Strategy. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Section 3.1 Operating & Financial Review. In addition, Notes 1 to 4 of the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

Share Repurchases

No shares have been bought back in the year. The latest authority to purchase shares for cancellation was granted to the Directors on 17 July 2017 and expires on the date of the next AGM. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming AGM on 17 July 2018.

Treasury Shares

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

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

Website

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

Auditor

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

5.8 Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' Responsibility Statement

We confirm that to the best of our knowledge that:

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

Disclosure of Information to the Auditors

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

By order of the Board

Authorised signatory

Aztec Financial Services (Guernsey) Limited
Company Secretary
22 May 2018

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

Dutch High Speed Rail Link, Netherlands

06
Financial Statements

Delivering Real Value.

6.1 Independent Auditor's Report

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Independent auditor's report

to the members of HICL Infrastructure Company Limited only

1. Our opinion is unmodified

We have audited the financial statements ("Financial Statements") of HICL Infrastructure Company Limited (the "Company"), which comprise the balance sheet as at 31 March 2018, the statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements:

- give a true and fair view of the financial position of the Company as at 31 March 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion

Overview		
Materiality: Financial Statements as a whole	£26.75m (2017:£24m) 1% (2017: 1%) of Company gross asset value	
Risk of material misstatement		**vs 2017**
Recurring risk	Forecast based valuation	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017) in arriving at the audit opinion above, together with our key audit procedures to address that matter and our findings ("our results") from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion.

This matter was addressed and our results are based on the procedures undertaken, in the context of, and solely for the purposes of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Investment at fair value through profit or loss

£2,677.2 million; (2017: £2,419.4 million)

Refer to pages 95 - 97 of the Audit Committee Report, note 2(b) accounting policy, note 3 Critical accounting judgements, estimates and assumptions, note 4 Financial instruments and note 13 Investments at fair value through profit and loss

The risk	Our response
Basis The Company's investment in its immediate subsidiary is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets. The carrying amount is calculated by assessing the fair value of the immediate subsidiary which reflects its net asset value incorporating the fair value of the underlying infrastructure projects and holding companies. The fair value of infrastructure investments were determined using the income approach whereby the long term forecasted cash flows of each individual infrastructure asset are discounted at a rate which reflects their risk profile. In addition, inherent in these long term forecasted cash flows are key macro-economic assumptions such as inflation, tax and deposit rates. Risk The valuation risk represents both a risk of fraud and error associated with estimating the timing and amounts of long term forecasted cash flows alongside the selection and application of appropriate assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation for the infrastructure investments.	Our audit procedures included: Controls evaluation: We tested the design and implementation and operating effectiveness of the control in operation around the reconciliation of changes to underlying project cash flows. Assessing forecasted distributions: We compared the prior year forecasted distributions to the current year actual distributions to evaluate the historical accuracy of forecasting. We assessed the valuation movements on each investment focusing on changes since the previous reporting date or the date of acquisition for those assets acquired in the current year, challenging any significant variances through inspection of supporting evidence. For a risk based selection of project entities we obtained responses, directly from the underlying project entities, to our questionnaires designed to identify significant matters which could have a material impact on the project entity forecasted distributions. We held discussions with the Investment Advisor in relation to all project entities identified as having significant operational or other issues such as, but not limited to, the impact of the liquidation of Carillion Plc. We performed follow up procedures, including an inspection of supporting documentation, to assess and challenge the impact of the specific issues, if any, on the forecasted distributions. We obtained and reviewed supporting documentation for all significant acquisitions made during the year. With the support of our tax specialists, we assessed the impact of certain tax considerations on the forecasted distributions. For a risk based selection of project entities, we challenged the justification for and calculation of significant adjustments to prior year forecasted distributions. Further, we also considered the Company's assessment of the impact that the liquidation of Carillion Plc may have on forecasted distributions including a review of supporting documentation. Benchmarking valuation assumptions: We challenged, with support of our KPMG valuation specialists, the Company's discount rates and macro-economic assumptions applied in the valuation models by benchmarking these to independent market data, including recent market transactions, and using our valuation specialist's experience in valuing similar investments. We further assessed the reasonableness of the Company's assumptions by comparing these to the assumptions used by peer companies.

6.1 Independent Auditor's Report

(continued)

Evaluation of the third party valuation expert:

We assessed the objectivity, capabilities and competence of the third party valuation expert engaged by the Company to challenge the reasonableness of the Company's investment valuations. We considered the methodology applied by the valuation expert in performing their work. We obtained and assessed the valuation expert's findings, held discussions with them and considered the impact, if any, on our audit work.

Assessing disclosures:

We considered the Company's disclosures in relation to the use of estimates and judgements (note 3), the fair value of investments and the Company's investment valuation policies and fair value disclosures in notes 4 and 13 respectively.

Our results:

We found the valuation of the investment at fair value through profit and loss to be acceptable.

KPMG

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

Materiality for the Financial Statements as a whole was set at £26.75m, determined with reference to a benchmark of Gross Assets of £2,677.2m, of which it represents approximately 1% (2017: 1%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.3m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

4. We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2(a) to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in this respect.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the viability statement on page 63 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

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

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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6.1 Independent Auditor's Report

(continued)

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103, the directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Dermot Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands

22 May 2018

KPMG

Pinderfields Hospital, UK

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6.2 Financial Statements

Income Statement

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 Total £m	Year ended 31 March 2017 Total £m
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 £m	31 March 2017 £m
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

6.2 Financial Statements

(continued)

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 £m	Retained reserves £m	Total shareholders' equity £m
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 £m	Retained reserves £m	Total shareholders' equity £m
Shareholders' equity at 1 April 2016	1,376.6	597.3	1,973.9
Profit for the year	–	**176.8**	**176.8**
Distributions paid to Company shareholders in cash	–	(100.6)	(100.6)
Distributions paid to Company shareholders by scrip issue	–	(7.6)	(7.6)
Total distributions paid to Company shareholders in the year	–	(108.2)	(108.2)
Ordinary Shares issued for cash	373.3	–	373.3
Ordinary Shares issued for scrip dividend	7.6	–	7.6
Total Ordinary Shares issued in the year	380.9	–	380.9
Costs of issue of Ordinary Shares	(4.0)	–	(4.0)
Shareholders' equity at 31 March 2017	**1,753.5**	**665.9**	**2,419.4**

Cash Flow Statement

For the year ended 31 March 2018

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
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 flow 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.

6.3 Notes to the Financial Statements

1. REPORTING ENTITY

HICL Infrastructure Company Limited (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The financial statements of the Company as at and for the year ended 31 March 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 IAS 27).

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

1. It obtains funds from one or more investors for the purpose of providing these investors with professional investment management services;
2. It commits to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, Investment income or both; and
3. It measures and evaluates the performance of substantially all of its investments on a fair value basis.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2.3. The financial position of the Company, its cash flows, and liquidity position are described in Sections 3.1 and 3.2. In addition, Notes 1 to 4 of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company, through its Corporate Subsidiaries, has considerable financial resources together with long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Company. As a consequence, the Directors believe that the Company is well placed to manage its business risks.

The Directors have considered areas of financial risk, the Group's access to the Revolving Credit Facility and reviewed cash flow 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.

2. KEY ACCOUNTING POLICIES (CONTINUED)

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 overleaf.

6.3 Notes to the Financial Statements
(continued)

2. KEY ACCOUNTING POLICIES (CONTINUED)

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 Section 3.2 Valuation of the Portfolio. 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 Section 5.3 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.

6.3 Notes to the Financial Statements

(continued)

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

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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 cash flow methodology. The A13 investment in listed senior bonds is valued based on the quoted market price at the Balance Sheet date. The valuation techniques and methodologies have been applied consistently with those used in the prior year. This valuation uses key assumptions which are benchmarked from a review of recent comparable market transactions in order to arrive at a fair market value. Valuations are performed on a six monthly basis every September and March for all investments.

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 cash flow 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%	2.0% p.a.
	USA (CPI)	2.0%	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.

6.3 Notes to the Financial Statements

(continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

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% p.a. change	Investments at fair value through profit or loss	+5% 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.

6.3 Notes to the Financial Statements
(continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 cash flows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Company's cash flows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. The sensitivity of 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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

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% change	Net Asset Value	+5% 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[2] – March 2018 (March 2017)	**-0.8 pence** (-0.3 pence)	**149.6 pence** (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 subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Operator has a subcontractor counterparty monitoring procedure in place.

The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is ongoing and period end positions are reported to the Board on a quarterly basis. The 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 subcontractor 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.

6.3 Notes to the Financial Statements
(continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Trade and other payables	0.8	–	–	–
Total	**0.8**	–	–	–

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

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 £m	31 March 2017 £m
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%

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 Total £m	Year ended 31 March 2017 Total £m
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 Total £m	Year ended 31 March 2017 Total £m
Fees to Company's auditor for audit of Company	0.1	0.1
Fees to Company's auditor for audit-related assurance services	0.1	0.1
Investment Adviser fees	0.1	0.1
Directors' fees (Note 17)	0.3	0.4
Professional fees	1.7	1.1
	2.3	1.8

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

6.3 Notes to the Financial Statements

(continued)

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 £m	Year ended 31 March 2017 £m
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.

11. DIVIDENDS (CONTINUED)

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 £m	31 March 2017 £m
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 £m	31 March 2017 £m
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.

6.3 Notes to the Financial Statements
(continued)

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

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 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 cash flow methodology. The A13 investment in listed senior bonds is valued based on quoted market price at the Balance Sheet date. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied range from 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 £m	31 March 2017 £m
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.

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

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

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6.3 Notes to the Financial Statements

(continued)

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

	31 March 2018			31 March 2017		
Project name	Equity	Subordinated Debt	Mezzanine Debt	Equity	Subordinated Debt	Mezzanine Debt
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%	
Rhondda Cynon Taf Schools	100.00%	100.00%		100.00%	100.00%	

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

Project name	31 March 2018 Equity	31 March 2018 Subordinated Debt	31 March 2018 Mezzanine Debt	31 March 2017 Equity	31 March 2017 Subordinated Debt	31 March 2017 Mezzanine Debt
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.

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6.3 Notes to the Financial Statements

(continued)

14. INVESTMENTS – ACQUISITIONS AND DISPOSALS

The Company, via its Corporate Subsidiaries, made the following acquisitions for the year ended 31 March 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 a total consideration of £12.3 million, which took the Company's stake to 66.6%.

- In March 2018, the Company acquired an incremental 45% equity interest in the Priority Schools Building Programme North East Batch Project for a 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:

Floating rate:	2018 £m	2017 £m
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 £m	31 March 2017 £m
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 £m	31 March 2017 £m
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 ended 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 ended 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 ended 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 ended 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 ended 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 ended 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.

6.3 Notes to the Financial Statements

(continued)

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 in Section 5.6.

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 environnement
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

6.3 Notes to the Financial Statements
(continued)

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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	Fluor Royal BAM Siemens
Ealing Care Homes	Design, construct, finance, operate and maintain four care homes for the elderly in the London Borough of Ealing for the London Borough of Ealing	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

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Exeter Crown & County Court	Build and service a new crown and county court building in Exeter	2034	32	£20m	Sodexo
Falkirk NPD Schools	Design, construct, finance and operate four secondary schools in the Falkirk area of Scotland	2039	32	£120m	FES
Fife Schools 2	Design, construct, finance and maintain nine primary schools and one special education facility in Fife, Scotland	2032	27	£64m	FES
Glasgow Hospital	Design, construct, finance, operate and maintain two new ambulatory care and diagnostic hospitals in Glasgow for the Greater Glasgow and Clyde Health Board	2039	33	£178m	Engie
Gloucestershire Fire & Rescue	Construct and operate four 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 & Safety Executive (HSE) Merseyside Headquarters	Finance, construct, operate and maintain a new four-storey office building for the Health & 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	127m	Emcon	£58m	Bouygues
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

6.3 Notes to the Financial Statements
(continued)

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 six new primary and six new secondary schools in various UK locations.	2041	26	£103m	Galliford Try
Perth and Kinross Schools	Design, construct, financing and operation of four secondary schools and five primary schools for the Perth and Kinross Council	2041	34	£136m	Mitie
Pinderfields and Pontefract Hospitals	Design, construct, manage, finance and operate a new 708 bed acute hospital in Pinderfields, West 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]

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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

6.3 Notes to the Financial Statements

(continued)

20. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 three new buildings on the Bourgogne university campus in France and the refurbishment of an existing one	2040	27	€20m	Bouygues
University of Sheffield Accommodation	Construct and manage a new student village at the University of Sheffield	2046	40	£160m	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.

Glossary

Item	Definition
Acquisition Strategy	This identifies the scope for current acquisitions, further details can be found in Section 2.3 Business Model & Strategy
ADPs	Approved delegated parameters
AIF	Alternative investment fund
AIFM	Alternative investment fund manager
AIFMD	The Alternative Investment Fund Managers Directive seeks to regulate alternative investment fund managers ("AIFM") and imposes obligations on managers who manage alternative investment funds ("AIF") in the EU or who market shares in such funds to EU investors
AIC	The Association of Investment Companies is a United Kingdom trade association for the closed-ended investment company industry
AIC Code	The AIC Code of Corporate Governance
AMP7	The UK water industry regulatory period from 2020 to 2025
Corporate assets	These are assets that provide services or access to essential assets for corporate counterparties. The relationship between the infrastructure asset owner and the corporate counterparty is usually contractual, with prices set through a commercial negotiation or a market-clearing price. See Section 2.1 The Infrastructure Market
Corporate Group	Refers to the Company and its Corporate Subsidiaries
Corporate Subsidiaries	The two Luxembourg subsidiaries and the English Limited Partnership, being HICL Infrastructure 1 S.a.r.l, HICL Infrastructure 2 S.a.r.l and Infrastructure Investments Limited Partnership
Demand-based assets	Infrastructure assets with revenues linked to the usage of the underlying assets. See Section 2.1 The Infrastructure Market
Directors' Valuation	Fair market valuation of the Group's investments, further details can be found in Section 3.2 Valuation of the Portfolio
ESG	Environmental, Social and Governance
EPS	Earnings per share
FATCA	The Foreign Account Tax Compliance Act provisions of the US Hiring Incentives to Restore Employment Act
FCA	UK Financial Conduct Authority
IFRS Basis	Basis on which the Company prepares its IFRS financial statements. The Company applies IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) and therefore does not consolidate any of its subsidiaries, including those that are themselves investment entities
InfraRed	Means InfraRed Capital Partners and its Group, more details of which can be found at www.ircp.com
Investment Adviser	InfraRed Capital Partners Limited acting in its capacity as Investment Adviser to the Company pursuant to the Investment Advisory Agreement
Investment Basis	Pro-forma financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries
Investment Policy	The Company's Investment Policy has not materially changed since IPO and can be found on the website at www.hicl.com/about-hicl/strategy-and-investment-policy

Item	Definition
IPO	Initial Public Offering, the act of offering the stock of a company on a public stock exchange for the first time. HICL completed its IPO in March 2006
Lifecycle	Concerns the replacement of material parts of an asset to maintain it over its concession life
Market capitalisation	A measure of the size of a company calculated by multiplying the number of shares in issue by the price of the shares
NAV	Net Asset Value, being the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium
OFWAT	The Water Services Regulation Authority
Ongoing charges	A measure of the regular, recurring costs of running an investment company, expressed as a percentage of NAV
Operating company	A company that owns and operates infrastructure assets
Portfolio company	Project Companies and Operating Companies to the Group that own or operate infrastructure assets, in which the Group has an investment
PPP project	Public-Private Partnership projects involving long-term contracts between a public sector client and a private company for the delivery of a service or facility for the use by the general public, public bodies, authorities or agencies usually in return for an availability payment. See Section 2.1 (The Infrastructure Market)
PR19	Ofwat's final methodology for the 2019 Price Review, covering the regulatory period from 2020 to 2025 ("AMP7")
PRI	Principles for Responsible Investment
Project company	An infrastructure project or concession with a defined expiry date, including a special purpose company (or other entity) formed with the specific purpose of undertaking an infrastructure project
Regulated assets	Infrastructure assets with monopolistic characteristics and which are subject to regulatory price controls. See Section 2.1 (The Infrastructure Market)
Revolving credit facility	An acquisition facility provided by lenders, in the case of HICL, expiring in May 2019. See Section 3.1 Operating & Financial Review
Scrip dividend	An interim dividend received by investors in the form of new Ordinary Shares in lieu of a cash dividend
The Company	HICL Infrastructure Company Limited
The Group	HICL Infrastructure Company together with its subsidiaries

Directors & Advisers

Directors
Ian Russell, CBE (Chairman)
Susie Farnon
Frank Nelson
Chris Russell
Simon Holden
Kenneth D. Reid

Registrar
Link Asset Services (Guernsey) Limited
Mont Crevelt House
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St. Sampson
Guernsey GY2 4LH

Administrator To Company, Company Secretary And Registered Office
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Investment Adviser And Operator
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Auditor
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Glategny Court, Glategny Esplanade
St Peter Port
Guernsey, GY1 1WR

Broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

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

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

Company Secretary and Administrator
Aztec Financial Services (Guernsey) Limited

Shareholders' funds
£2.7bn as at 31 March 2018

Market capitalisation
£2.4bn as at 31 March 2018

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

1.0% from £750m up to £1.5bn

0.9% from £1.5bn up to £2.25bn

0.8% from £2.25bn to £3.0bn

0.65% above £3.0bn

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

plus £0.1m per annum investment advisory fee

No performance fee

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

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

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

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

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

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

Investment policy
The Company's investment policy is summarised in Section 2.2 Investment Proposition and can be found in full on the Company's website.

ISIN and SEDOL
ISIN: GB00B0T4LH64

SEDOL: B0T4LH6

Website
www.hicl.com

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

HICL Infrastructure

Delivering Real Value.

Registered Address
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(Registered number: 44185)

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