HICL Infrastructure PLC

22 May 2019

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

HICL Infrastructure Company Limited ("HICL Guernsey") announced on 21 November 2018 that, following consultation with investors, the Board was of the view that it would be in the best interests of shareholders as a whole to move the domicile of the investment business from Guernsey to the United Kingdom. This and related proposals were put to shareholders at an Extraordinary General Meeting ("EGM") of HICL Guernsey. The change of domicile was approved by shareholders and subsequently effected by way of a scheme of reconstruction ("the Scheme") on 1 April 2019. As a result of the Scheme, HICL Guernsey transferred its assets to HICL Infrastructure PLC ("HICL UK"). HICL UK will continue the investment activities of HICL Guernsey, as it has an identical investment policy to that of HICL Guernsey. HICL Guernsey has subsequently entered voluntary liquidation. Given that HICL UK now owns the portfolio previously owned by HICL Guernsey, the Board of HICL view the Annual Results of HICL Guernsey as material information for HICL UK. "HICL" means HICL Infrastructure Company Limited prior to 31 March 2019 and HICL Infrastructure PLC from 1 April 2019.

The Board of HICL UK announces preliminary Annual Results for HICL Guernsey for the year ended 31 March 2019 and preliminary Results of HICL UK for the period from Incorporation on 21 December 2018 to 31 March 2019.

Highlights

For the year ended 31 March 2019

- HICL Guernsey delivered a strong performance for the year.
- NAV per share increased by 5% to 157.5p as at 31 March 2019 (2018: 149.6p).
- NAV total return[1] was ahead of expectations at 10.8% for the year (2018: 5.7%).
- The Board expects to announce the target fourth quarterly interim dividend (the "Q4 Dividend") of 2.02p per share, once the Initial Results of HICL UK are lodged at Companies House later in May 2019[2]; this would mean aggregate dividend of 8.05p per share for the year to 31 March 2019 will have been paid, in line with previously communicated guidance.
- The Board re-affirms the 8.25p target for the next financial year ending 31 March 2020, and 8.45p per share for the financial year ending 31 March 2021, reflecting the Board's confidence in the resilience of the long-term forecast cash flows from HICL's portfolio.
- The Directors' valuation[3] of the portfolio on an Investment Basis at 31 March 2019 increased by 6% to £2,998.9m (2018: £2,836.5m).
- Successful execution of the ongoing portfolio optimisation strategy, originally outlined in May 2018; five value-accretive investments (three new and two incremental), partially funded by taking advantage of favourable market conditions to make two disposals.
- £29m of value enhancements delivered in the year, including reaching construction milestones on the A9 Road and Breda Court (both the Netherlands), and Irish Primary Care Centres (Republic of Ireland).
- Shareholder approval and successful execution of domicile move from Guernsey to the UK.
- HICL is well-positioned to withstand the potential economic impact of Brexit with an increasingly diversified portfolio, good inflation correlation and relative insensitivity to changes in the UK GDP growth rate.
- Healthy, diverse acquisition pipeline in place; HICL preferred bidder on three OFTOs (regulated assets) and the Investment Manager is actively pursuing a number of opportunities across HICL's

target markets, including operational and greenfield PPP projects in Europe and North America, which would provide further geographic diversification in the portfolio.

- The Board and Investment Manager are confident in the outlook for HICL and continue to focus on a balanced approach to portfolio construction, whilst preserving and enhancing value from existing assets.

[1] NAV per share appreciation plus dividends paid
[2] Q4 Dividend due to be paid in June 2019
[3] As supported by a third-party valuation expert engaged by the Board

Summary Financial Results
(on an Investment Basis)

for the year to	31 March 2019	31 March 2018
Income	£324.1m	£161.7m
Profit before tax	£285.7m	£122.1m
Earnings per share	15.9p	6.9p
Target dividend per share for the year	8.05p*	7.85p

Net Asset Values	31 March 2019	31 March 2018
Net Asset Value ("NAV") per share	157.5p	149.6p
Q4 Dividend	-	1.97p
Target Q4 Dividend	2.02p*	-
NAV per share after deducting Q4 dividend	155.5p	147.6p

* Q4 Dividend for the year ended 31 March 2019 will be declared on 29 May 2019

Ian Russell, Chairman of the Board, said:

"This is an excellent set of results for the year. HICL delivered a strong NAV uplift of 7.9p versus the prior year, total return[4] ahead of expectations at 10.8% and dividend growth of 2.5%. Value enhancement is fundamental to our business model; cost savings, efficiency initiatives, and the partial write-back of the valuation impact of the Carillion liquidation, produced 3.0p of the NAV growth. The Board aims to announce shortly the Q4 Dividend in line with target, and therefore expects that HICL will deliver this year's aggregate target dividend of 8.05p per share. Furthermore, I'm pleased to reiterate the dividend targets of 8.25p per share and 8.45p per share for the next two financial years.

"A significant milestone in HICL's evolution has been the move of the corporate and tax domicile from Guernsey to the UK. HICL has enjoyed a rich heritage as a Guernsey-based investment company, and this move now positions HICL well for the future.

"The Board is committed in its belief that strong corporate governance supports strategic thinking, which in turn builds and protects value for all HICL's stakeholders. We believe that HICL has a differentiated approach to governance; with multiple independent controls in place, transparency of communications and fees; and a strong commitment to improving Board diversity through careful succession planning.

"The Board and InfraRed regularly assess the investment pipeline and market conditions. While demand for assets, and therefore market pricing, remains high, InfraRed continues to source attractive opportunities in each of HICL's key market segments. The Directors are confident that the strategic, long-term approach taken by the Board and InfraRed will continue to deliver value for shareholders for the long term."

Harry Seekings, Co-Head of Infrastructure at InfraRed Capital Partners Limited, HICL's Investment Manager added:

"We are pleased with the outperformance delivered by the portfolio over the year. Completion of major construction milestones has delivered additional value, and InfraRed has further diversified HICL's PPP portfolio with greenfield investments in the Paris-Sud University PPP (France) and the Blankenburg Connection (the Netherlands). The work we have undertaken to deal with the implications of the liquidation of Carillion has been successful; InfraRed's asset managers led negotiations with public sector clients, lenders and replacement contractors to deliver new, long-term and stable arrangements that restore PPP risk transfer to the supply chain – at no additional cost to HICL's public sector clients under the contracts.

"Consistent with the portfolio optimisation strategy outlined in May 2018, the strategic disposals of the Highland Schools PPP (UK) and the AquaSure Desalination PPP (Australia) achieved greater value for shareholders than could have been delivered by holding the investments for the longer term; the proceeds were re-deployed into an incremental stake in the A63 Motorway (France) and into partially paying down the RCF[5].

"The political landscape in the UK remains uncertain, and political risk remains a key risk faced by HICL. Leveraging our experience and track record in the UK infrastructure market, InfraRed is contributing to consultations launched by independent bodies and the current government on the future of funding UK infrastructure, including the Infrastructure Finance Review Consultation, a joint project between HM Treasury and the Infrastructure and Projects Authority. We remain focused on delivering assets that benefit all of HICL's stakeholders, particularly the communities in which they are located.

"InfraRed continues to successfully source value-accretive acquisitions across HICL's target markets, using our local presence in key markets and strong relationships to access high-quality investment opportunities. The Board and InfraRed continue to regularly assess both market conditions and the pipeline to manage any funding activities, which may include capital raising when markets are receptive."

[4] NAV per share appreciation plus dividends paid
[5] £400m Revolving Credit Facility

This announcement contains Inside Information.

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Copies of this announcement can be found on HICL's website www.hicl.com.

The Annual Report for HICL Guernsey for the year ended 31 March 2019 and for HICL UK for the period from Incorporation on 21 December 2018 to 31 March 2019 will be published in June 2019 and electronic versions will be available from HICL's website at that time.

HICL INFRASTRUCTURE COMPANY LIMITED
Preliminary Annual Results for the year ended 31 March 2019

Chairman's Statement

HICL Infrastructure Company Limited ("HICL Guernsey") has enjoyed a successful heritage as a Guernsey-based investment company since its launch in 2006. However, shareholders recently approved proposals for HICL's[6] investment business to be moved from Guernsey to the UK, meaning that this represents the final set of accounts to be produced under the name of HICL Infrastructure Company Limited. Following the financial year end, the investment business of HICL Guernsey has transferred to HICL Infrastructure PLC ("HICL UK"). Due to the subsequent voluntary liquidation of HICL Guernsey, these accounts are presented on a non-going concern basis, nevertheless the investment business itself continues as a going concern in HICL UK.

I am pleased to announce that HICL delivered another excellent set of results over the twelve months to 31 March 2019, achieving an uplift in NAV of 7.9 pence per Ordinary Share, and a total return[7] of 10.8%, demonstrating outperformance from the portfolio (see Operating and Financial Review for details).

Responsible Investment Proposition

HICL seeks to deliver long-term, stable income from a well-diversified portfolio of infrastructure investments. HICL invests in projects and companies that provide physical assets, often supporting essential public services in the communities in which they are located. Acknowledging the importance of this infrastructure, HICL is committed to a sustainable and proactive approach to asset management and stakeholder relationships, which the Board believes is fundamental to the fulfilment of the investment proposition for shareholders. HICL's commitment to balancing the needs of all key stakeholders is exemplified by its proactive management of the impact of the liquidation of Carillion PLC, where we deliberately placed our priorities towards achieving the successful maintenance of full and uninterrupted services to our public sector partners and to the end users of our facilities.

Demonstrating financial discipline, HICL Guernsey pursued a portfolio optimisation strategy over the course of the financial year, making both selective acquisitions and strategic disposals which were accretive to the portfolio. Shareholder value was enhanced by both taking advantage of favourable market conditions and improving the portfolio composition. During the year, HICL Guernsey invested £167m in six assets[8], and made two strategic disposals totalling £148m.

The Board and the Investment Adviser, InfraRed Capital Partners Limited ("InfraRed"), are united in taking a long-term perspective of HICL's strategy, governance and the management of the portfolio, which is aligned to the life of the investments themselves, and underpins the long-term cash flows that deliver the annual dividends.

Corporate Governance

The Directors believe that strong governance supports strategic thinking, which in turn builds and protects value for all HICL's stakeholders. Clients and communities benefit from well-run and well-maintained infrastructure, while shareholder value is protected and enhanced by prioritising long-term decision-making.

<u>Differentiated governance approach</u>

Good governance encourages strong, proactive management which produces tangible results and provides reassurance to HICL shareholders. HICL has a diversified portfolio, and gives careful consideration to single asset exposure. The Board is fully independent of the Investment Adviser. The dedicated Risk Committee is separate from the Audit Committee, meeting at least four times a year to consider known and emerging risks and associated mitigation strategies. An independent valuation expert provides the Board with an external view on valuation of the portfolio twice a year, to benchmark the valuation undertaken by

InfraRed. HICL has a relatively low Ongoing Charges Ratio[9]; adopts a transparent management fee taper which has been periodically revisited and further reduced to reflect economies of scale; and, since 1 April 2019, pays no acquisition fee on new investments[10].

Communication

The Board and Investment Adviser are committed to transparency in HICL's communications with shareholders. Both InfraRed and members of the Board regularly meet with shareholders. Annual and Interim Reports are supplemented with case studies to provide additional colour. Importantly, where external events might have a negative impact on HICL, the Board acknowledges this and communicates to shareholders the potential consequences for cashflows and valuation. This applies not only for significant events such as the liquidation of Carillion, but also in the case of less material but similar circumstances, such as the administration of Interserve PLC, where it is important to provide the requisite reassurance and clarity to investors and other stakeholders.

Board composition

Chris Russell has reached the end of his nine-year tenure on the Board, and therefore stepped down on 31 March 2019. Chris brought invaluable insight and experience to the HICL Board, and I would like to express the thanks of the Directors for his significant contribution.

The Board takes diversity and succession planning very seriously. We are conscious that investors benefit from all forms of diversity: of gender, and also of background, experience and skills; and this makes for a stronger Board and a better decision-making process. I am therefore delighted that Frances Davies has joined HICL UK as a non-executive Director. Frances has more than 30 years of experience across various roles within the banking and asset management industries.

We acknowledge the combined efforts of the Investment Association and the Hampton-Alexander Review (the "Review") team to improve gender diversity. The Board of HICL UK comprises two women and five men, which represents tangible progress towards achieving the aims of the Review.

EGM and move of corporate domicile

As announced on 21 November 2018, the Board believed that it would be in the best interests of both HICL and its shareholders as a whole to move the corporate domicile and tax residency of HICL's investment business to the UK.

At an Extraordinary General Meeting ("EGM") on 26 March 2019, HICL Guernsey's shareholders approved this proposal. This is an important milestone in HICL's evolution, aligning HICL's corporate domicile and tax residency with the location of the majority of both its shareholders and its investments, putting HICL on a stronger footing with regards to future cross border taxation changes and foregoing the high degree of scrutiny to which offshore funds are increasingly subject.

In line with HICL's commitment to good corporate governance, the Directors also put a resolution to shareholders at the EGM relating to a change in notice period for InfraRed. Despite a substantial majority voting in favour of the proposal as it stood, both the Board and InfraRed were keen to demonstrate a tangible commitment to heeding shareholder feedback and so, following the result, the two parties agreed to further adjust the management arrangements by removing the 1% Acquisition Fee altogether.

Dividends and Guidance

Although cash flow from the portfolio was impacted by the Carillion liquidation, HICL Guernsey's target dividend guidance remained unchanged, and was extended to March 2021 at the time of the Interim Results in November 2018. This consistency of income is testament to the quality of the underlying portfolio construction, its diversification and its ability to withstand external shocks and maintain a cash covered dividend.

As usual, the Directors have carefully considered the forecast future cash flows and I am pleased to report that the Board of HICL UK has adopted the previous target dividend guidance of 8.25 pence per Ordinary Share to 31 March 2020 and 8.45 per Ordinary Share to 31 March 2021.

Key Risks

Politics and Regulation

The political landscape in the UK continues to evolve. Particularly pertinent for HICL is the development of thinking on infrastructure financing: on the one hand, the Treasury is looking at new ways to fund essential investment in national infrastructure; and on the other hand, the Labour Party has raised the prospect of nationalisation of certain infrastructure. Addressing both themes, the Investment Adviser will provide input to HM Treasury and the Infrastructure and Projects Authority's joint Infrastructure Finance Review Consultation and is engaged in constructive discussions with policy-makers who are interested in forming a balanced perspective of the private sector's involvement in infrastructure delivery. HICL is thus represented in the UK national dialogue around the future of infrastructure investment.

Setting aside the practical barriers to nationalisation, such as the necessary compensation that would be payable to infrastructure owners including UK pensioners and savers, the narrative around nationalisation ignores the many benefits of private capital invested in the infrastructure that facilitates the delivery of public services. For example, since 1990, service indicators across the water sector in England and Wales have outperformed those in France, Ireland, Italy and Spain[11]. The water sector in England and Wales is also the top performer for customer service and compares well for bill levels[12]. It is also estimated that a greater increase in productivity rates in the private sector compared to the public sector is worth at least £3.2 billion in cost savings, which is reflected in customer bills.[13] As these statistics illustrate, the true picture of private sector participation in the management of public infrastructure does not fit easily into a headline.

Research by the Global Infrastructure Investor Association has found that in the UK 8.7m individual pensions, of which 59% belong to serving or former public sector employees, across 118 UK pension funds are invested in UK infrastructure[14]. This does not take into account individual UK savers who have invested in infrastructure funds, including c. 50% of HICL's shareholders, through their private pensions, savings products and direct shareholdings. Future discussions on the merits and consequences of nationalisation must recognise and address the impact on end investors in infrastructure.

HICL is a long-term owner and custodian of public infrastructure and takes seriously its responsibilities to all stakeholders, including end users. The Board and InfraRed will continue to engage constructively with the UK government, policy-makers and politicians across the spectrum in relation to the private sector's role in infrastructure investment.

<u>Counterparties</u>

InfraRed's work to deal with the implications for HICL of the liquidation of Carillion has delivered seamless service continuity for HICL's public sector clients and successfully mitigated the financial impact on shareholders (see further detail in the Investment Adviser's Report). However, over the course of the year, the market has witnessed weakness on the part of a number of other UK contractors and facilities management companies. The Board and InfraRed closely monitor counterparty risk and take precautionary action if the credit quality of a specific counterparty deteriorates. This vigilance has been successful; the PPP procurement model has ensured public sector clients have not been impacted by counterparty failures.

Outlook

The Board and InfraRed regularly assess the pipeline and market conditions: asset pricing continues to be elevated due to the strong demand for assets, the limited supply of core infrastructure investments and the low interest rate environment. Nonetheless, the Investment Adviser continues to source attractive opportunities in each of HICL's key market segments, albeit discipline around asset pricing remains critical to delivering accretive investments to shareholders.

While the UK infrastructure market remains subject to elevated political and regulatory uncertainty, the Board believes in HICL's business model, and the Directors are confident that the strategic, long-term approach taken by HICL and InfraRed will continue to deliver value for shareholders.

Ian Russell

Chairman

21 May 2019

[6] “HICL” meaning HICL Infrastructure Company Limited ("HICL Guernsey") prior to 31 March 2019 and HICL Infrastructure PLC (“HICL UK”) from 1 April 2019
[7] NAV per share appreciation plus dividends paid
[8] Including a commitment to the Blankenburg Connection, which had not completed by the year end
[9] 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
[10] Previously a 1.0% fee on acquisitions made from third parties
[11] https://www.water.org.uk/wp-content/uploads/2018/12/GWI-International-sector-performance-comparisons.pdf
[12] https://www.water.org.uk/wp-content/uploads/2018/12/GWI-International-sector-performance-comparisons.pdf
[13] https://www.ofwat.gov.uk/wp-content/uploads/2016/01/prs_inf_afford.pdf
[14] http://giia.net/millions-of-uk-pension-savers-supporting-regional-and-national-infrastructure/

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, demand-based assets and, selectively, certain types of corporate asset – which are often collectively referred to as “core infrastructure”. 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 appropriately 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.

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.

HICL's Investment Proposition

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

HICL – a diversified investment proposition

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

HICL's Business Model & Strategy

HICL's strategy to deliver the Investment Proposition is through successful execution of HICL's Business Model. The Board delegates the majority of the day-to-day activities required to deliver the business model to the Investment Adviser, InfraRed Capital Partners ("InfraRed").

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

This is achieved through:

- Providing oversight and governance of portfolio companies, usually through Board representation
- Building relationships with key portfolio company counterparties, in particular public sector clients/regulators
- Facilitating and/or driving resolution of operational issues, including disputes
- Promoting Environmental, Social and Governance ("ESG") awareness within portfolio company management teams, encouraging the pursuit of specific initiatives to comply with regulation and support sustainable, responsible business operations
- Monitoring financial performance of each investment against HICL forecasts
- Improving cash efficiency by managing cash flow from HICL investments and minimising cash drag on returns
- Managing the process and analysis required for valuations of HICL'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 HICL'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 HICL'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 HICL, seeking opportunities to reduce ongoing charges

- Considering where value can be improved, or portfolio risk profile improved, through selective disposals

Accretive Investment
HICL has a clearly defined Investment Policy, which can be found on HICL's website. This sets the over-arching framework within which HICL aims to build a portfolio that delivers the Investment Proposition and is consistent with HICL'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.

InfraRed uses a variety of channels to source accretive transactions for HICL. These include:

- soliciting off-market transactions through relationships within InfraRed's extensive network of investment partners and advisors;
- acquiring further equity interests from co-shareholders of existing portfolio companies;
- participating selectively in primary investment activity, as part of procurement processes sponsored by the public sector;
- participating in competitive auctions of investments in the secondary market; and
- making selective disposals that support HICL's overall Investment Proposition.

Responsible and Balanced Portfolio Construction

PPP projects, 71% of the portfolio by value, remain the largest market segment in HICL's portfolio. Transactions must contribute to a prudent, balanced portfolio and are assessed on this basis. In recent years, HICL has diversified its portfolio through making investments in regulated and demand-based market segments.

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

Key Performance & Quality Indicators

The Board has identified metrics against which to measure clearly HICL's performance against its strategic objectives. The results for the year ended 31 March 2019 are set out below.

KPI	Measure	Objective	Commentary	31 March 2019	31 March 2018
Dividends	Aggregate interim dividends declared per share for the year	An annual distribution of at least that achieved in the prior year	Achieved	**8.05p**	**7.85p**
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	**9.4% p.a.**	**9.3% p.a.**
Cash-covered Dividends	Operational cash flow/dividends paid to shareholders	Cash covered dividends	Achieved	**1.27x[2]**	**1.10x**
Positive Inflation correlation	Changes in the expected portfolio return for 1% p.a. inflation change	Maintain positive correlation	Achieved	**0.8%**	**0.8%**
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%**	**1.08%**

[1] Set by reference to the issue price of 100p/share, at the time of HICL's IPO in February 2006. Previously reported on a dividends declared basis.
[2] Including profits on disposals of £34.0m. Excluding this, dividend cash cover would have been 1.03x.
[3] Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs.

KQI	Measure	Objective	Commentary	31 March 2019	31 March 2018

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 HICL's Investment Policy	Within acceptable tolerances	**45%** **7%**	**45%** **8%**
Risk/Reward Characteristics	Percentage of portfolio value represented by the aggregate value of projects with construction and/or demand-based risk[2]	Compliance with HICL's Investment Policy	Achieved[5]	**24%**	**19%**
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**	**29.5 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	**0.3%** **(0.3%)**	**(0.4%)** **0.3%**
Refinancing Risk	Investments with refinancing risk[4] as a percentage of portfolio value	Manage exposure to refinancing risk	Improved	**13%**	**16%**

[1] HICL's Investment Policy stipulates that any single investment (being, for this purpose, the sum of all incremental interests acquired by HICL in the same project) must be less than 20% (by value) of the gross assets of HICL, 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 HICL'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 HICL's website. In the year ended 31 March 2019, 3% of portfolio value was in construction and 21% was demand-based assets (24% total); in the year ended 31 March 2018, 1% of portfolio value was in construction and 18% was demand-based assets (19% total)

[3] Impact of foreign exchange after hedging on NAV

[4] There are two projects with refinancing risk – 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

Investment Adviser's Report

The Investment Adviser

At 31 March 2019, InfraRed Capital Partners Limited ("InfraRed") acted as Investment Adviser to HICL and acted as Operator of HICL Guernsey's investment portfolio. Following the transfer of the investment business to HICL Infrastructure PLC ("HICL UK") on 1 April 2019, InfraRed has been appointed as the alternative investment fund manager (''AIFM'') and Investment Manager to HICL UK and has continued as Operator of the portfolio.

- An independent investment management firm;
- Headquartered in London with offices in New York, Hong Kong, Mexico City, Seoul and Sydney;
- 20-year track record of successful investment in infrastructure;
- 80+ infrastructure professionals with in-depth technical, operational and investment knowledge; and
- Authorised and regulated by the Financial Conduct Authority.

InfraRed has day-to-day responsibility for HICL and interfaces with HICL's key stakeholders.

InfraRed's activities include:

- The development of HICL's strategy;
- Investment due diligence and execution; and
- Capital raising, investor relations and preparation of key external communications.

As Operator of HICL's portfolio, InfraRed's Asset Management and Portfolio Management teams are responsible for preserving and, where possible, enhancing value for stakeholders and shareholders, with a heavy focus on client engagement. Following the transfer of HICL Guernsey's portfolio to HICL UK on 1 April 2019, InfraRed has continued in the role of Operator.

InfraRed takes its responsibilities to all stakeholders in public infrastructure seriously. It acknowledges its role in demonstrating responsible management 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 tax payers and other stakeholders. InfraRed has been, since 2011, a signatory to the Principles for Responsible Investment ("PRI"), an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact. The infrastructure business line achieved an A+ rating, the highest attainable, for the fourth successive year in its 2018 PRI assessment.

HICL – a diversified investment proposition

- Relatively low single asset concentration risk
- Strong inflation correlation
- Good cash flow longevity

Operational Highlights

<u>PPP projects</u>

Public-private partnerships ("PPPs"), where project companies maintain infrastructure to support the delivery of public services, remain at the heart of HICL's investment portfolio, representing 71% of the portfolio by value.

During the year, HICL invested £29m in three PPP investments, and entered into an agreement to acquire certain rights to make an investment in the Blankenburg Connection, a greenfield PPP project. The acquisitions are consistent with the strategy set out by HICL, with a focus on greenfield and operational PPPs in North America and Europe. The Blankenburg Connection represents the second investment sourced from a strategic partnership in the Netherlands focused on greenfield PPPs.

Carillion plc ("Carillion")

The work to deal with the implications for HICL of the liquidation of Carillion has been successful and has progressed in line with expectations built into the portfolio valuation at 31 March 2018.

InfraRed's Asset Management team has led discussions with multiple stakeholders to deliver new long-term arrangements for the affected projects, while co-ordinating with high-quality replacement contractors to ensure that services continued to be delivered. We are pleased that the critical infrastructure delivered by the projects has remained available at all times for safe use by HICL's public sector clients and end-users.

As part of the valuation of the portfolio at 31 March 2019, we have made a final estimate of the cost to HICL of Carillion's liquidation. The valuation of affected projects has been written back by £27m compared to the original impact communicated to the market in January 2018, leaving a net cost to HICL of £33m. These costs primarily relate to post-completion external works and remediating construction defects that were previously the responsibility of Carillion. They are being entirely funded from each affected project company's cash flows, without the need for additional capital from HICL.

Importantly, there have been no additional costs to HICL's public sector clients under the PPP contracts. A key difference between a PPP and a more typical outsourcing contract is the degree of risk transfer and responsibility to the private sector. In this case, PPP contracts have worked as intended and the outcome, while not welcome for HICL, is a direct example of how public-private partnerships benefit taxpayers – a narrative that has been missed in many of the headlines surrounding the fall-out from Carillion's collapse.

Demand-based Assets

HICL's investments in assets where returns depend on underlying usage (or demand) performed well over the year, despite a small number of challenges caused by external factors. The operational performance of the A63 Motorway (France) was impacted by the 'gilets jaunes' protests, particularly in November and December 2018. Traffic for the year was consistent with the previous financial year and performance overall was in line with expectations. In June 2018, a €62 million incremental stake was purchased in the concessionaire, bringing HICL's ownership to 21%. The investment was accretive across key measures (total return, asset life and inflation-correlated returns). This demonstrates the value that can be found by increasing ownership stakes in existing assets, which can often be achieved through bi-lateral transactions with well-known counterparties, facilitated by InfraRed's strong network of industry relationships.

On Northwest Parkway traffic has been 5.3% higher over the financial year than had been assumed in the valuation of the investment as at 31 March 2018.

On High Speed 1, demand for train paths has been lower than expected. While this meant that train path revenues were less than expected for the financial year, this has been offset by outperformance of revenue from retail and station-related services.

Regulated Assets

We have continued to grow HICL's investments in the regulated asset market segment during the year, with three further preferred bidder positions on OFTOs[15] in the UK. Our partnership with Diamond Transmission (a subsidiary of Mitsubishi Corporation) has been highly successful, with approximately £75m of capital expected to be invested across four separate projects in Tender Rounds 4 & 5. Within the electricity transmission sector, OFTOs are attractive due to their availability payment regimes, which produce stable cashflows and hence income to HICL. The latest successes will take the number of regulated asset investments in the HICL portfolio to five.

Affinity Water

In January 2019, Affinity Water ("Affinity") received initial feedback from the UK water regulator, Ofwat, on its business plan for Asset Management Period 7 ("AMP7"). After a period of constructive discussions with Ofwat, and detailed review and refinement of the plan, a revised submission was made on 1 April 2019. Affinity expects to receive further feedback from Ofwat in July 2019. The final AMP7 determination for the sector as a whole will be announced in December 2019, confirming Affinity's expenditure allowances and also sector-wide metrics, such as cost of capital.

We believe that Affinity's revised business plan addresses the regulator's objectives: balancing investment in treatment facilities and the network with the delivery of value for money for households. Implicit in the business plan is an expectation that Affinity's regulated asset base will grow significantly over AMP7, which is encouraging for the long-term value of HICL's investment.

Value Enhancement

As in every year, there has been a focus on enhancing portfolio value during the financial year. Approximately £29m of value (1.6p) has been delivered through enhancement actions on PPP assets in the year to 31 March 2019.

Consistent with the optimisation strategy outlined in May 2018, this included the strategic disposals of the Highland Schools PPP (UK) and the AquaSure Desalination PPP (Australia), with disposal proceeds in excess of their book value - HICL's investment IRRs were 14.3% and 9.4% respectively. Other activities included achieving significant construction milestones on greenfield projects and delivering lifecycle efficiencies.

Value enhancements, where portfolio performance has exceeded expectations, have underpinned the good financial performance for the year. Operational challenges elsewhere in the portfolio have been more than offset by the partial write-back of the valuation impact of the Carillion liquidation on certain projects combined with operational outperformance across various cost saving and efficiency initiatives.

Construction completion

InfraRed has a strong track record in enhancing the value to HICL's portfolio from greenfield PPP projects by successfully de-risking projects through their construction phase. In the first half of the financial year, HICL made an investment of €21m in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP Project which is expected to be in construction for approximately four years. During the year, the completion of major construction milestones delivered additional value from the A9 Road and Breda Court PPP projects, both in the Netherlands, and from the Irish Primary Care Project in the Republic of Ireland.

Further detail on Value Enhancement work can be found in the Operating & Financial Review.

Domicile Change

Moving the domicile of the investment business of HICL to the UK was a significant milestone in HICL's history, positioning the business for the future and helping to mitigate potential taxation and political risks.

This has been a unique endeavour for an infrastructure investment company. Significant expertise and resource from InfraRed and HICL's other advisers has been deployed on behalf of HICL and its shareholders, from early research and planning work, through project management and shareholder communication, ahead of the final decision-making.

Following the change, InfraRed has been appointed as the Investment Manager of HICL Infrastructure UK.

Financial Highlights

Overall, Net Asset Value ("NAV") per share has increased by 7.9p to 157.5p at 31 March 2019 (2018: 149.6p). HICL's annualised Total Shareholder Return ("TSR"), based on growth in NAV per share plus dividends paid, was 10.8% for the year (2018: 5.7%). Excluding the impact of the reduction in discount rates due to market conditions, the TSR was 8.5%.

Cash flow receipts on an Investment Basis were £212.8m (2018: £179.1m). After finance and operating costs, net operating cash flows on an Investment Basis were £178.9m (2018: £142.9m), which covered the dividends paid in the year 1.27 times[16] (2018: 1.10 times), or 1.03 times excluding the impact of disposals.

Profit before tax was £285.4m for the year to 31 March 2019 (2018: £121.8m). This was principally due to the partial write-back of forecast costs in relation to the liquidation of Carillion, a reduction in discount rates and more favourable foreign exchange movements than in the prior year.

HICL uses the Association of Investment Companies' methodology to assess the ongoing charges percentage, which for the financial year to 31 March 2019 was 1.08% (2018: 1.08%), which compares well with other investment companies in the London-listed infrastructure sector.

Funding and Capital

HICL's traditional model of funding investments is by drawing on its Revolving Credit Facility ("RCF") and then repaying this through subsequent capital raising. However, taking advantage of favourable market conditions, during the year InfraRed has actively managed HICL's funding position through a strategy of portfolio optimisation, specifically disposing of assets where the value on offer exceeded that which HICL could deliver by continuing to own the investments. The proceeds were used to make selective acquisitions in HICL's core market segments and also to keep drawings on HICL's RCF at a moderate level.

This strategy was exemplified in the strategic disposals of the Highland Schools PPP (UK) and the AquaSure Desalination PPP (Australia) where the proceeds were re-deployed into the incremental stake in the A63 Motorway (France) and into partially paying down the RCF respectively. Both these transactions achieved greater value for shareholders than could have been delivered by holding the investments for the longer term.

As at 31 March 2019, HICL had cash drawings under the RCF of £90m. The Board and Investment Adviser continue to assess market conditions when considering the timing of activities to manage HICL's funding position, which could include additional strategic disposals and / or capital raising.

Key Risks

Politics and Regulation

The political landscape in the UK remains uncertain, and political risk remains a key risk faced by HICL.

Cross border taxation is always on the political agenda, and while no changes have yet been announced which would directly impact HICL's business, the possibility of tightening of cross border taxation regulations remains. The transfer of the domicile of the investment business of HICL from Guernsey to the UK, assists in mitigating this risk.

At the date of writing, the final outcome of the process of the UK leaving the EU ("Brexit") is unknown and thus continues to create unhelpful political uncertainty. This uncertainty contributes to the perception of an increased likelihood of an early UK general election and a potential change of government. The Labour Party continues to table policies regarding nationalisation of public infrastructure. While we believe a wholesale nationalisation programme faces considerable hurdles to implementation, the perception of this risk and the adverse impact of it on investor and stakeholder sentiment is understandable.

We are contributing to consultations launched by the current government on the future of funding UK infrastructure. As such we will be responding to the Infrastructure Finance Review Consultation, which is a joint project between HM Treasury and the Infrastructure and Projects Authority.

Counterparties

This year has seen continuing weakness of UK-based facilities management counterparties, including the administration of Interserve PLC, a sub-contractor to which HICL had a small exposure. The experience of the liquidation of Carillion meant that when required, we were able to activate primed contingency plans at affected projects to ensure smooth and continuous service provision for clients and the community.

HICL's facilities management counterparty exposure is well-diversified, and therefore resilient enough to withstand default of a subcontractor and maintain service levels.

Market

We continue to see reasonable deal flow across all three of HICL's target market segments, although it is concentrated in specific countries, rather than being consistent across all geographies. In the PPP market segment, the year saw opportunities in Europe (notably greenfield projects in the Netherlands and Germany) and North America (greenfield activity in the US and secondary market activity in Canada). The UK and Australian markets have seen limited deal flow in the period. There has been acquisition activity in UK regulated assets, ranging from large utility-scale networks to OFTOs and smaller, 'last mile' independent networks. A number of fibre-related initiatives are being pursued by governments in European markets (including the UK), although we note that these often rely on roll-out assumptions to deliver scale and/or returns.

For high-quality assets there continues to be evidence of elevated pricing, driven by strong demand from unlisted investors – something we have witnessed in all geographies for several years. For example, recent deal activity around rolling stock for railway networks has seen relatively high prices paid for assets that are subject to a period of contracted revenues, but with a significant proportion of returns derived from residual value (cash flow assumed after contracted periods expire). In most cases this blend of risk and return has not been suitable for HICL. This theme (returns appropriately compensating for underlying risks) also underlies HICL's decision to step back from OFTO Tender Round 6, although in this particular sector we will continue to monitor the progress of the auctions closely and retain appetite to participate if the situation evolves.

In summary, the core infrastructure markets in which InfraRed seeks opportunities for HICL have continued to see investors prepared to pay full prices as they seek yield in the continuing low interest rate environment. Against this backdrop we have proceeded cautiously with acquisition activity.

Outlook

The Board and InfraRed continue to focus HICL's acquisition strategy on core infrastructure market segments: PPP projects, demand-based assets and regulated assets. Our balanced approach to portfolio construction requires a continued focus on diversification, by both market segment and geography. Acquiring assets which in combination meet HICL's accretion tests, while investing in sufficient size so as to make a material contribution to improving portfolio diversification, remains challenging.

In the financial year to 31 March 2019, InfraRed reviewed over 65 opportunities on behalf of HICL. These were from across HICL's target geographies (UK, Europe, North America and Australia/New Zealand) and across all HICL's target market segments. Detailed due diligence was conducted on 11 of these. HICL Guernsey ultimately made five investments in the year, of which three were the product of bilateral discussions with vendors, with a further four projects where rights to invest have been agreed or the projects are at preferred bidder stage.

Within the core infrastructure market, InfraRed's Origination & Execution team is pursuing operational and greenfield PPP projects, particularly in Europe and North America. Pricing discipline remains key in this market segment due to competition from unlisted investors for high quality assets: HICL Guernsey benefited from this when disposing of investments in two PPP projects during the financial year; however, the reverse of this is that finding value is challenging. We are also tracking several opportunities in the regulated asset market segment and see this as an area with real potential for HICL to achieve greater diversification.

If portfolio growth leads to increased capacity to invest in demand-based assets with GDP correlated returns, while staying within the 20% limit previously communicated to shareholders, we will consider, very selectively, further investments in this market segment.

While there can be no certainty that this activity will convert into deployed capital, at the time of writing, deal flow in HICL's target markets remains reasonable and the pipeline is healthy.

[15] Offshore Transmission Owner
[16] Including profits on disposal of £34.0m

Operating & Financial Review

Operating Review

Portfolio statistics

During the financial year to 31 March 2019, the number of investments in the portfolio increased from 116 to 118[17]:

- three new investments in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP (France), Belfast Metropolitan College PPP, and the Burbo Bank Extension Offshore Transmission Owner ("OFTO");
- two incremental investments in the A63 Motorway and the N17 / 18 Road PPP; and
- the sale of HICL Guernsey's 100% interest in Highlands Schools PPP, 9.7% interest in the AquaSure Desalination PPP and a partial sale of a 15% interest in Oldham Library PPP.

HICL agreed to acquire certain rights to make an investment in the Blankenburg Connection PPP (the Netherlands) in the year. This transaction had not completed by the year end.

HICL was also announced as preferred bidder for the Race Bank OFTO, Galloper OFTO and the Walney Extension OFTO, all of which are expected to reach financial close over the next twelve months.

Overall, investment activity has reduced HICL's exposure to PPP projects; although at 71% of portfolio value at 31 March 2019 (74% at 31 March 2018), PPP projects remains HICL's largest market segment.

At 31 March 2019, six assets were exposed to demand risk, representing 21% of portfolio value (2018: six investments, 18% of portfolio value). Four of the six demand-based assets generate returns that are correlated to the rate of economic growth, representing 20% of portfolio value (2018: four investments, 17% of portfolio value).

HICL's two regulated assets represented 8% of portfolio value at 31 March 2019 (31 March 2018: one investment; 8%).

The proportion of the portfolio invested in the UK decreased from 80% at 31 March 2018 to 77% at 31 March 2019. The Investment Adviser continues to expect a long-term trend towards an increase in exposure to investments located outside the UK.

Business model

HICL's Business Model comprises three key pillars:

- Value Preservation through active management of the underlying investments;
- Value Enhancement by outperforming the base case for the benefit of all stakeholders; and
- Accretive Investment in assets that enhance the delivery of the investment proposition.

HICL delegates the majority of the day-to-day activities required to deliver the business model to InfraRed.

Commentary on Value Preservation and Value Enhancement is provided to give additional texture on activities at asset, portfolio and fund level. Whilst individual initiatives are not material on their own, collectively over the course of the 12 months, value enhancements from the PPP segment of the portfolio contributed approximately £29m (12%) of the £227m portfolio return[18].

Value Preservation

InfraRed's Asset Management and Portfolio Management teams work closely together, in partnership with the management teams in HICL's portfolio companies, to deliver HICL's investment proposition by preserving the value of HICL'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.

Counterparties

Counterparty risk is a focus of HICL. In relation to the liquidation of Carillion, ten projects where Carillion was the primary facilities management contractor were affected, plus a further five projects where Carillion was the original construction contractor. Ensuring continuity of infrastructure availability for public sector clients has been a primary focus of the InfraRed Asset Management team this year.

Where Carillion was the facilities management contractor, the Investment Adviser worked to initially stabilise services and subsequently secure new long-term arrangements for all stakeholders, especially staff. In doing so, communication has been vitally important and the Investment Adviser has ensured that clients, staff and government departments have been kept informed of progress and plans.

Bouygues, Engie, Integral and Skanska were sourced by the Investment Adviser to enter new long-term facilities management arrangements for nine projects. Each transfer marked a significant milestone for the relevant project, restored the transfer of risk to the supply chain, and as such the discount rate adjustments made in the days following Carillion's liquidation have been reduced. The final project is expected to transfer to a new long-term arrangement in the six months to 30 September 2019.

Post-completion works at Southmead Hospital, relating to demolition and residual road construction, for which Carillion would have been responsible as the original construction contractor, have been procured by the project company and are largely completed, contracting directly with local contractors.

Four of the five projects where Carillion was the original contractor are out of the distribution lock-up (where lenders can prevent distributions to equity until issues are resolved) arising from Carillion's liquidation. The final project is expected to distribute again during the financial year to 31 March 2020.

The transitions of projects where Carillion was the primary facilities management contractor or the original construction contractor have been delivered within the initially envisaged £40m value adjustment[19]. This includes additional cost elements associated with construction defects remediation work discussed in more detail below.

The valuation of the affected projects has been increased by £27m at 31 March 2019, when compared to 31 March 2018, of which £19m relates to reversing discount rate adjustments made at 31 March 2018 and the remaining £8m relates to savings against the value adjustment.

During the year, Interserve was placed into administration, with the group continuing to trade. As previously reported, Interserve PLC provided facilities management services to four of HICL's operational PPP project companies. As with the collapse of Carillion, the priority is to protect the delivery of the services that ensure the availability of infrastructure to stakeholders, including public sector clients and the users of the facilities. The valuation of the affected assets has been reduced by less than £1m, in line with HICL's announcement on 15 March 2019, including adjustments to their discount rates.

Construction defects

Construction defects are in most cases revealed through the regular programme of operations and maintenance activities or as a result of proactive asset surveys commissioned by portfolio companies. 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 is not borne by the PPP project company. Contractual claim mechanisms, or ultimately a court process, may be used where disputes arise, though the need to escalate matters in this manner has been low historically. Project cash flow forecasts are adjusted where construction subcontractors are being pursued by the Investment Adviser, to allow for, inter alia, legal costs and distribution lock-ups.

Following the expiry of the statutory limitations period or in certain other circumstances, for example if the subcontractor becomes insolvent, the risk of remediation of construction defects when detected typically falls to the PPP project company itself and becomes an equity risk. The lifecycle budget would normally be a source of cost mitigation.

The health and safety of users and people working on the infrastructure is a priority for the Board, the Investment Adviser and the project management teams.

Cladding systems

The Investment Adviser has proactively undertaken a risk-based fire-safety analysis of the portfolio that included an assessment of the materials, the design and method of construction of the cladding systems as a whole. This analysis identified where intrusive surveys were needed, which in turn revealed that the cladding systems at a small number of assets required remediation. Where appropriate, the asset management teams work closely with public sector clients and with the local fire service, who advise and approve the adequacy of fire prevention and protection measures in place whilst the defects are remedied.

One of these assets was affected by the liquidation of Carillion and the current estimate to rectify the construction defect is contained within the valuation of that asset. Costs to remedy the defects at the other assets are expected to be borne by their respective construction contractors.

Affinity Water

The price review process for Asset Management Period 7 (“AMP7”) has continued throughout the year, with the company submitting its business plan in September 2018 and receiving feedback from Ofwat in January 2019. The feedback included detail around Ofwat’s expectations for Affinity’s total expenditure for AMP7. Affinity has engaged in constructive discussions with Ofwat and has undertaken a significant amount of work, supported directly by resources from InfraRed, to address the regulator’s views in a revised plan which was submitted on 1 April 2019.

The industry is being challenged to improve efficiency on both capital and operation expenditure together with stretched targets on leakage and consumption. The valuation of HICL’s investment in Affinity draws from the revised plan, which meets these challenges, and remains unchanged from 30 September 2018.

High Speed 1

The overall performance of the High Speed 1 concessionaire (“HS1”) continues to remain in line with that forecast in the 31 March 2018 and 30 September 2018 valuations. As reported in the Investment Adviser’s Report, while Eurostar train paths have been slightly behind budget, affecting the project’s revenues, the impact on EBITDA has been offset by outperformance in retail and station related services. A short-term reduction in train path growth has been assumed reflecting the potential consequence of Brexit on international train paths and the deferral of the South East Rail franchise tender.

On 28 February 2019, following informal engagement with a number of stakeholders, HS1 published a consultation document in relation to the regulatory Control Period 3 ("CP3"), which runs from April 2020 to March 2025. The regulatory process is set out in the concession agreement and determines the level of maintenance and renewals expenditure for the company’s assets during CP3. The regulatory process seeks to balance the need to fully fund HS1’s costs, including pre-funding long term renewals, with the affordability of charges to operators. At present, the CP3 timetable is not expected to be delayed by Brexit, though some stakeholders have expressed concern about the two processes running concurrently.

HICL is one of a number of equity investors in HS1. The Investment Adviser took the lead from amongst the shareholder consortium to provide guidance to the concession’s management team and engaged in discussions with key stakeholders to deliver accountancy-related value enhancement changes.

There was no net impact of the changes set out above to the investment’s valuation.

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, in HICL’s opinion, be equal to the prevailing value of the asset in the portfolio.

Heads of terms were agreed in the first half of the year with respect to the compensation due to HICL for a school PPP project which was voluntarily terminated by the local authority client during the financial year ended 31 March 2016. This continues to take time to resolve due to the commercial nature of the negotiations and the number of parties involved. Compensation is expected to be received in line with market value.

As at 31 March 2019, the Investment Adviser estimated that the difference between HICL'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 HICL's portfolio represents approximately 3% of total portfolio value (31 March 2018: 4%). This reduced exposure is a direct consequence of transactions undertaken in the year to optimise the portfolio composition.

Value Enhancement

InfraRed's Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio for all stakeholders through value enhancements. Financial upside is often shared, between HICL's shareholders and public sector clients for PPP projects or with the customers of regulated assets through periodic regulatory price reviews. Enhancement of service to, and outcomes for, clients and customers feeds back into supporting value preservation.

The following sections are examples of value enhancement activities in the year.

Construction completion

During the year, the A9 Road and Breda Court (both in the Netherlands), and the Irish Primary Care (Ireland), achieved major construction milestones on budget and on time.

HICL is involved in two projects that remain in construction: the Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP (France), and the Blankenburg Connection PPP (the Netherlands), which together represent 3% of the portfolio by value. Progress in relation to both of these projects remains good and their delivery represents an opportunity for future value enhancement.

De-risking construction projects in the portfolio adds to portfolio value through a reduction in the discount rates used to value those assets.

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 HICL's PPP portfolio. The risk has been subcontracted to the operations and maintenance subcontractor(s) on the remainder of the PPP portfolio.

Technical advisors evaluate whether efficiencies can be achieved in lifecycle budgets without compromising maintenance programmes and taking into account the actual condition of the assets and how well they are performing. These efficiencies can result in a combination of the recognition of historic savings and new budget forecasts. Lender consent is sought for revised budgets. New lifecycle forecasts were completed on seven projects, which increased the valuation of the associated assets.

The Northwest Anthony Henday (Canada) project company has undertaken an exercise to replace the sodium lights along the road with LED technology. The upgrade is expected to decrease electricity usage costs by up to 50%. This demonstrates how such initiatives can have both an economic and an environmental benefit.

Third party income

The hospitals in the portfolio often include a small number of retail outlets; examples include coffee shops and newsagents. Typically, a base level of rent is assumed, which is indirectly passed on to the public sector through a reduction in the relevant service payments. Outperformance against this assumption may be retained by the project company. Renewal of leases is undertaken by the project company management team and overseen by the Investment Adviser. They will consider qualitative and quantitative factors, and consult with public sector clients, in determining new tenants. Retail leases at two hospital facilities in the portfolio were agreed.

Strategic disposals

The Investment Adviser has sought opportunities to enhance portfolio value by making strategic disposals that take advantage of ongoing favourable market conditions. During the year, HICL Guernsey completed the sales of the Highland Schools PPP2 project and the AquaSure Desalination PPP project (Australia). These sales contributed to the results for the year, which was in addition to gains recognised in relation to these assets in the previous financial year ended 31 March 2018.

Demand based assets

HICL's demand-based toll road assets continue to deliver strong underlying traffic growth. The historic rate of growth has exceeded acquisition projections. The Investment Adviser has not changed the assumed rate of future traffic growth. In the year, traffic outperformance and updated forecasts delivered additional value. A case study was provided in HICL's Interim Report for the six months to 30 September 2018.

Accounting and cash management

During the year, the Investment Adviser has continued its approach to lead a number of accounting and cash management initiatives across the portfolio. Accounting initiatives typically enable projects to release trapped cash and adjust the timing of certain cash flows, whilst maintaining appropriate capitalisation levels as required by company law and project lenders, and help efficient management of the portfolio. Accounting and cash management initiatives are expected to provide additional value enhancement, over base case forecasts, in the medium term.

Accretive Investment

During the year HICL Guernsey made three new investments and two incremental investments for a total consideration of £94m[20]. Further detail can be found in Note 14 to the financial statements.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
Apr 2018	€21m	New	Construction	Paris-Sud University (France)	PPP	85%	85%
Apr 2018	£6m	New	Operational	Belfast Metropolitan College (UK)	PPP	75%	75%
Apr 2018	£10m	New	Operational	Burbo Bank OFTO (UK)	Regulated	50%	50%
Jun 2018	€62m	Incremental	Operational	A63 Motorway (France)	Demand-based	7%	21%
Feb 2019	€6m	Incremental	Operational	N17/18 Road (Ireland)	PPP	8%	50%
	£94m						

The acquisition of certain rights to make an investment in the Blankenburg Connection, a greenfield PPP project in the Netherlands was committed but not completed by the year end. Under the arrangement, HICL has committed to invest c. £50m in the form of a deferred equity subscription.

The Biology, Pharmacy and Chemistry Department of the Paris-Sud University PPP (France) and the Blankenburg Connection PPP (the Netherlands) provide 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.

HICL is also preferred bidder for the Race Bank OFTO, Galloper OFTO and the Walney Extension OFTO. Each is expected to be accretive when added to the portfolio.

HICL Guernsey made three disposals in the year, which are set out in the table below. Where appropriate, as part of a strategy to optimise portfolio performance, HICL seeks to responsibly recycle capital into incrementally accretive investments.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Sold	Remaining Stake
Jun 2018	£56m	Complete	Operational	Highland Schools (UK)	PPP	100%	0%
Jul 2018	£1m	Partial	Operational	Oldham Library (UK)	PPP	15%	75%
Nov 2018	AUD 161m	Complete	Operational	AquaSure Desalination (Australia)	PPP	10%	0%
	£148m						

[17] Including the acquisition of certain rights to make an investment in the Blankenburg Connection PPP
[18] "Return" comprises the unwinding of the discount rate and portfolio outperformance, excluding the impact of changes in economic assumptions and discount rates, other than project specific changes such as projects moving from construction to operations
[19] The £40m cost element and the £19m discount rate element, as set out in HICL's results for the financial year to 31 March 2018 made up the total value adjustment in that year relating to the consequences of the liquidation of Carillion
[20] In relation to acquisitions completed in the year, excluding Blankenburg PPP

Financial Review

Accounting

HICL Guernsey applied IFRS 10 and qualified as an investment entity. IFRS 10 requires that investment entities measure investments, including subsidiaries that are themselves investment entities, at fair value except for subsidiaries that provide investment services which are required to be consolidated. HICL's immediate subsidiary, HICL Infrastructure S.a.r.l. 1, which is the ultimate holding company for all HICL's investments, is, itself, an investment entity and is, therefore, measured at fair value.

During the year, as part of its domicile move to the UK as detailed in the EGM Circular dated 4 March 2019, HICL Guernsey incorporated HICL Infrastructure PLC ("HICL UK"). HICL Guernsey subscribed for 2 £0.0001 Ordinary shares and 50,000 £1 Redeemable shares in HICL UK for a total premium of £2.0bn, which remained payable at 31 March 2019. On completion of the Scheme, on 1 April 2019, HICL UK acquired HICL Guernsey's investment business in its entirety, by acquiring HICL Infrastructure S.a.r.l 1, and HICL Guernsey's £2.0bn investment in HICL UK and equivalent obligation to HICL UK were settled. On 1 April 2019, HICL Guernsey was placed into voluntary liquidation and therefore the IFRS Basis financial statements have not been prepared on a going concern basis, which has impacted a number of disclosures however neither NAV per share nor Earnings per share have been affected as a result of this. At 31 March 2019, HICL UK was not deemed to provide investment services. Accordingly, it has not been consolidated but measured at fair value and it has been shown separately in HICL Guernsey's balance sheet.

<u>Investment Basis</u>

References to the "Corporate Group" refer to HICL Guernsey, HICL UK and the Corporate Subsidiaries (HICL Infrastructure S.a.r.l. 1, HICL Infrastructure S.a.r.l. 2 and Infrastructure Investments Limited Partnership).

HICL and its advisers have concluded that to report the relevant financial performance and position to stakeholders, it will continue to prepare pro forma summary financial information on the basis that HICL consolidates the results of the Corporate Subsidiaries – this is consistent with the prior year. The current year's pro forma summary financial information also consolidates HICL UK. 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 HICL's capacity for investment and ability to make distributions. The consolidated Investment Basis numbers have been prepared on a going concern basis because HICL UK is a going concern.

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

SUMMARY FINANCIAL STATEMENTS

Investment Basis Summary Income Statement

£m	For the year ended 31 March 2019 Investment Basis	Consolidation adjustments	IFRS Basis	For the year ended 31 March 2018 Investment Basis	Consolidation adjustments	IFRS Basis
Total income[1]	324.1	(33.7)	290.4	161.7	(37.6)	124.1
Expenses & finance costs	(38.4)	33.4	(5.0)	(39.6)	37.3	(2.3)
Profit/(loss) before tax	**285.7**	**(0.3)**	**285.4**	**122.1**	**(0.3)**	**121.8**
Tax	(0.3)	0.3	-	(0.3)	0.3	-
Earnings	**285.4**	**-**	**285.4**	**121.8**	**-**	**121.8**
Earnings per share	**15.9p**	**-**	**15.9p**	**6.9p**	**-**	**6.9p**

[1] Includes net foreign exchange gain of £8.1m (2018: £12.0m loss)

On the Investment Basis, Total income of £324.1m (2018: £161.7m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. Total income has doubled reflecting a £26.6m writeback of £59.3m of costs recognised in the prior year in relation to Carillion's liquidation in 2018, combined with a £60.3m valuation uplift from a reduction in discount rates and more favourable foreign exchange movements than in the prior year. Further detail on the valuation movements is given in Valuation of the Portfolio Section.

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 (as a reduction in the fair value of the investments) under IFRS, not under Expenses & finance costs. Total income of £290.4m (2018: £124.1m) comprises interest income received by HICL Guernsey and valuation movements in its investments.

The £8.1m net foreign exchange gain (2018: £12.0m loss), which is included with Total income, comprises a £5.6m foreign exchange gain (2018: £20.4m loss) on revaluing the non-UK assets in the portfolio using March 2019 exchange rates, and a £2.5m foreign exchange hedging gain (2018: £8.4m gain). The combination of currencies and hedging levels in HICL's portfolio has resulted in a gain on both the revaluing of non-UK assets and on the foreign exchange hedges for the year ended 31 March 2019. This is because USD has strengthened 8% against GBP with low levels of USD hedging, whereas Euro has weakened 2% against GBP with higher levels of Euro hedging.

On both the Investment Basis and IFRS Basis, Earnings were £285.4m (2018: £121.8m) and Earnings per share were 15.9p (2018: 6.9p). The increase reflects the factors stated above as well as Corporate Group expenses and finance costs being lower at £38.4m (2018: £39.6m), with reduced costs from lower acquisition activity offsetting the costs of the domicile move.

Investment Basis Cost Analysis

£m	For the year ended 31 March 2019	For the year ended 31 March 2018
Finance costs	4.2	5.2
Investment Adviser fees	28.7	30.9
Auditor – KPMG – for the Corporate Group	0.4	0.3
Directors' fees & expenses	0.4	0.4
Acquisition bid costs	0.0	0.6
Professional fees	4.2	1.9
Other expenses	0.5	0.3
Expenses & finance costs	**38.4**	**39.6**

Total fees accruing to the Investment Adviser were £28.7m (2018: £30.9m) 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 decrease in the Investment Adviser's fees is due to lower acquisition fees of £1.0m (2018: £4.5m) compared to the prior year.

The decrease in acquisition bid costs was due to a higher bid win/lose ratio compared to the prior year alongside a reversal of costs recognised in the prior year on successful bids.

Professional fees have increased due to the £2.7m costs of the Scheme in relation to moving the domicile of HICL's investment business from Guernsey to the UK.

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 £5.0m (2018: £2.3m) as they exclude those incurred by the Corporate Subsidiaries. The increase reflects the one-off costs incurred in moving HICL's investment business from Guernsey to the UK.

Investment Basis Ongoing Charges

£m	For the year ended 31 March 2019	For the year ended 31 March 2018
Investment Adviser[1]	27.7	26.4
Auditor – KPMG – for HICL	0.3	0.3
Directors' fees and expenses	0.4	0.4
Other ongoing expenses	1.3	1.1
Total expenses	29.7	28.2
Average NAV	2,742.0	2,602.6
Ongoing charges	**1.08%**	**1.08%**

[1] Excludes acquisition fees of £1.0m (2018: £4.5m), 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% (2018: 1.08%). The slight increase in total expenses is commensurate with the increase in average NAV.

Investment Basis Summary Balance Sheet

	31 March 2019			**31 March 2018**		
£m	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**	**Investment Basis**	**Consolidation adjustments**	**IFRS Basis**
Investments at fair value[1]	**2,909.6**	**1,911.6**	**4,821.2**	**2,794.6**	**(117.4)**	**2,677.2**
Working capital[2]	(3.6)	(1,998.4)	(2,002.0)	(2.3)	1.5	(0.8)
Net (debt)/cash	(84.3)	86.8	2.5	(115.2)	115.9	0.7
Net assets attributable to Ordinary Shares	**2,821.7**	**-**	**2,821.7**	**2,677.1**	**-**	**2,677.1**
NAV per share (before dividend)	157.5p	-	157.5p	149.6	-	149.6
NAV per share (post dividend)	155.5p	-	155.5p	147.6	-	147.6

[1] On the IFRS Basis, includes HICL Guernsey's £2,000.1m investment in HICL UK at 31 March 2019. On the Investment Basis, the investment in HICL UK is eliminated on consolidation as is the obligation to HICL UK – see Note 2 below
[2] Working capital on the IFRS Basis includes a £2,000.1m investment obligation to HICL UK which was outstanding at 31 March 2019 and was settled on 1 April 2019 on completion of the Scheme. On the Investment Basis, the liability to HICL UK is eliminated on consolidation

On an Investment Basis, Investments at fair value increased 4% to £2,909.6m (2018: £2,794.6m), being the Directors' valuation of £2,998.9m (2018: £2,836.5m) net of £89.3m of future investment obligations (2018: £41.9m). Further detail on the movement in Investments at fair value is given in Valuation of the Portfolio Section.

The Corporate Group had net debt, on an Investment Basis, at 31 March 2019 of £84.3m (2018: £115.2m); the movement in the year reflecting the use of proceeds from the disposal of investments to partially repay the debt facility offset in part by cash drawn for acquisitions. Cash drawings from the Corporate Group's Revolving Credit Facility ("RCF") at the end of the year were £90.0m (2018: £134.6m).

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

On an IFRS Basis, Investments at fair value increased to £4,821.2m (2018: £2,677.2m), reflecting HICL Guernsey's £2,000.1m investment in HICL UK and the Investment Basis movements including a £28.9m increase in the fair value of the Corporate Subsidiaries as a result of a reduction in net debt held by the Corporate Subsidiaries. The increased in working capital requirement on an IFRS Basis reflects HICL Guernsey's £2,000.1m investment obligation to HICL UK which was outstanding at 31 March 2019 and was subsequently settled on 1 April 2019 on completion of the Scheme. On an IFRS Basis, cash and cash equivalents increased to £2.5m (2018: £0.7m) in order to fund costs of the domicile move.

NAV per share was 157.5p (2018: 149.6p) before the 2.02p fourth quarterly distribution. NAV per share has increased by 7.9p, reflecting the increase in earnings in excess of dividends paid. 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 0.9p.

Analysis of the Growth in NAV per share

Pence per share			
NAV per share at 31 March 2018			**149.6p**
Valuation movements			
Reduction in discount rates	3.4p		
Change in economic assumptions	0.1p		
Forex gain	0.5p		
		4.0p	
Portfolio Performance			
Portfolio outperformance[1]	1.5p		
Carillion writeback	1.5p		
Expected NAV growth[2]	0.9p		
		3.9p	
Total		**7.9p**	
NAV per share at 31 March 2019			**157.5p**

[1] Includes the impact of lower discount rates on projects moving from construction to operations
[2] Expected NAV growth is HICL's budgeted EPS less target dividend

Investment Basis Summary Cash Flow

	For the year ended 31 March 2019			For the year ended 31 March 2018		
£m	**Investment Basis**	**Consolidation adjustment**	**IFRS Basis**	**Investment Basis**	**Consolidation adjustment**	**IFRS Basis**
Cash from investments1	212.8	(63.7)	149.1	179.1	(46.1)	133.0
Operating and finance costs outflow	(33.9)	31.6	(2.3)	(36.2)	33.8	(2.4)
Net cash inflow before acquisitions/ financing	**178.9**	**(32.1)**	**146.8**	**142.9**	**(12.3)**	**130.6**
Net cost of new investments and divestments2	(6.7)	4.1	(2.6)	(480.3)	213.6	(266.7)
Share capital raised net of costs	(0.2)	-	(0.2)	265.8	-	265.8
Forex hedging movements and other items3	(0.5)	(1.1)	(1.6)	4.1	(4.1)	-
Distributions paid	(140.6)	-	(140.6)	(129.9)	-	(129.9)
Movement in the year	30.9	(29.1)	1.8	(197.4)	197.2	(0.2)
Net cash/(debt) at start of year	(115.2)	115.9	0.7	82.2	(81.3)	0.9
Net cash/(debt) at end of year	**(84.3)**	**86.8**	**2.5**	**(115.2)**	**115.9**	**0.7**

[1] Includes £34.0m profit on disposals (2018: £Nil) based on historic cost
[2] Divestments includes historic cost of £113.5m and profit on disposals of £34.0m giving disposal proceeds of £147.5m
[3] Other items are £1.6m (2018: £Nil) of domicile move costs paid and amortisation of capitalised debt issue costs of £0.5m (2018: £0.5m)

Cash inflows from the portfolio on an Investment Basis were £212.8m (2018: £179.1m). Growth in underlying cash generation was driven by £34.0m recognition of profit on disposals of Highlands Schools and AquaSure based on the historic cost of these divestments.

The Net cost of new investments and disinvestments by the Corporate Group on an Investment Basis of £6.7m (2018: £480.3m) represents the cash cost of three new investments, two incremental acquisitions, loan note subscriptions, two disposals, one part-disposal and acquisition costs of £1.4m (2018: £7.0m).

On an IFRS Basis, HICL Guernsey received £149.1m from its direct Corporate Subsidiary (2018: £133.0m). These payments are sized by HICL to pay a) shareholder dividends, assuming no scrip dividend take up and b) operating costs. On an IFRS Basis, costs of new investments of £2.6m (2018: £266.7m) reflected loans extended by HICL Guernsey to its direct Corporate Subsidiary in the year in relation to scrip dividend take up. The cost of new investments for the prior year also includes share capital raised net of costs which was used to fund the Corporate Subsidiaries.

Hedging and borrowing for the Corporate Group is undertaken by a Corporate Subsidiary and therefore HICL Guernsey had no cash flows for this on an IFRS Basis. The £1.6m recognised as an other item is the one-off costs paid in the year on the domicile move to the UK. On an Investment Basis, the net £0.5m cash outflow (2018: £4.1m cash inflow) is net of £1.1m cash receipt from forex hedging with the strengthening of Sterling against the Euro during the year, partly offset by the weakening of US Dollar and Canadian Dollar against Sterling. The Corporate Group enters into forward sales to hedge foreign exchange exposure in line with HICL's hedging policy set out below (see 'Foreign Exchange Hedging').

Dividends paid in the year increased £10.7m to £140.6m (2018: £129.9m). Dividend cash cover, which compares operational cash flow excluding profits on disposal of £140.6m (2018: £142.9m) to dividends paid, was 1.03 times[4] (2018: 1.10 times). The reduced dividend cash cover arose from the distribution lock-ups resulting from Carillion's liquidation in 2018 and the impact on distributions from operational challenges at Affinity Water.

The scrip dividend alternatives for the quarterly interim dividends for the financial year resulted in an aggregate of 2.6m (2018: 4.0m) new shares being issued in the year.

The Board does not intend to offer a scrip dividend alternative in respect of HICL UK dividends because the principle advantages of scrip dividends for UK shareholders are not applicable in respect of UK-incorporated investment trusts such as HICL UK. Therefore, no scrip alternative is due to be offered for the fourth quarterly interim dividend in respect of the year ended 31 March 2019.

[4] Including profits on disposal of £34.0m, dividend cash cover was 1.27 times

Corporate Group Drawings and Gearing Levels

As at 31 March 2019, the Corporate Group's drawings under its RCF were £90.0m by way of cash (2018: £134.6m) and £17.8m (2018: £26.6m) by way of letters of credit.

The RCF was renewed on 31 January 2019 on improved terms and has an expiry date of 31 May 2022. Following completion of the Scheme, HICL UK replaced HICL Guernsey as guarantor of the RCF. The Corporate Group is therefore able to confirm that sufficient working capital is available for the financial year ending 31 March 2020, without needing to refinance. InfraRed will, however, consider refinancing options periodically aligned to the pipeline of potential transactions.

Foreign Exchange Hedging

The Corporate Group's hedging policy targets NAV per share volatility of no more than 2% for a 10% movement in foreign exchange rates. The policy balances 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 2019 compared to non-Sterling portfolio values were:

	Non-UK assets £m	**FX Hedge £m**	**FX Hedge as % of non-UK assets %**
Euro	369	222	60%
North America	227	100	44%
	596	**322**	**54%**

Valuation of the Portfolio

Valuation Methodology and Approach Overview

InfraRed, as the Investment Adviser, is responsible for carrying out the fair market valuation of HICL'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 annual and interim results.

HICL'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 using the quoted market price of the bonds. This valuation methodology is the same as that used at the time of the HICL's launch and in each subsequent six-month reporting period (further details can be found in the March 2019 Prospectus for HICL Infrastructure PLC).

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 HICL'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 revenues), all of which may be differentiated by the phase of the investment's life (e.g. in construction or in operation). 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 HICL'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 HICL, as compared to investments at fair value through profit or loss which excludes future commitments. A reconciliation of the Directors' Valuation to investments at fair value as per the balance sheet and on an Investment Basis is provided in Note 13 to the financial statements.

Investment Portfolio: Cash Flow Profile

Based on current forecasts over the long term, the portfolio will move into a repayment phase when cash receipts from the portfolio will be paid to HICL's shareholders as capital and the portfolio valuation reduces as projects reach the end of their concession term, assuming that the proceeds are not invested in new investments.

It is the forecast cash flows from HICL's current portfolio of investments that give the Board the comfort that there should be sufficient cash cover for the target dividends of HICL Infrastructure PLC of 8.25p per share for the year to 31 March 2020 and of 8.45p per share for the year to 31 March 2021.

Directors' Valuation at 31 March 2019

The Directors' Valuation of the portfolio at 31 March 2019 was £2,998.9m – an increase of 5.7% compared to the valuation of £2,836.5m at 31 March 2018. A reconciliation between the Directors' Valuation at 31 March 2019 and that shown in the financial statements is given in Note 13 to the financial statements, the principal differences being £86.8m net debt in the Corporate Subsidiaries and that the Directors' Valuation includes the £89.3m outstanding equity commitments in respect of the Blankenburg Connection PPP (the Netherlands), A9 Road (the Netherlands), the Biology, Pharmacy and Chemistry Department of the Paris-Sud University (France) and Willesden Hospital.

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

Rebased Net Valuation

The percentage movements have been calculated on investments at fair value of £2,588.0m as this reflects the returns on the capital employed in the year.

Valuation movements during the year to 31 March 2019 (£m)				Percentage change
Directors' Valuation at 31 March 2018			2,836.5	
Investments	167.3			
Divestments	(147.5)			
Net Investments			19.8	
Cash receipts from investments			(178.7)	
Less future commitments			(89.6)	
Rebased valuation of the portfolio			2,588.0	
Return from the portfolio	227.1			8.8%
Carillion writeback	26.6			1.0%
Change in discount rate[21]	60.3			2.3%
Economic assumptions	2.0			0.1%
Forex movement on non-UK investments	5.6			0.2%
		321.6		12.4%
Future commitments			89.3	
Directors' Valuation at 31 March 2019[22]			2,998.9	

[21] Excludes the impact of the liquidation of Carillion
[22] 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 £167.3m, divestments of £147.5m and investment receipts of £178.7m, the rebased net valuation was £2,588.0m. The growth in the valuation of the portfolio at 31 March 2019 over the rebased value was 12.4%.

The increase arises from a £227.1m return from the portfolio, a £26.6m writeback of previously recognised costs arising from the liquidation of Carillion, £60.3m from a reduction in reference discount rates, £2.0m from certain economic assumptions and a positive impact of movement in foreign exchange rates of £5.6m. The positive movement in economic assumptions includes lower effective tax rates in Netherlands and USA partially offset by changes in deposit interest rates.

Return from the Portfolio

The return from the portfolio of £227.1m (2018: £210.3m) represents an 8.8% (2018: 7.9%) increase in the rebased value of the portfolio versus the discount rate, or expected annualised return, of 7.4%. This demonstrates outperformance of the portfolio.

Incremental value was generated from operational outperformance across various cost savings, efficiency initiatives, successful construction completions and a valuation uplift on the disposal for the AquaSure Desalination PPP project (Australia) as well as actual UK inflation on average running above the 2.75% p.a. assumed in the Directors' Valuation.

As the date of this report, nine of the ten projects where Carillion was the facilities management provider had signed up replacement contractors following the Carillion liquidation and HICL was able to writeback £26.6m of the £59.3m costs it had recognised in March 2018 (net £32.7m residual exposure).

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 two projects in construction at 31 March 2019, both which are located in the Eurozone. An investment in a project under construction can offer a higher overall return (i.e. require a higher discount rate) compared to buying an investment in an operational project, but it does not usually yield during the construction period and there is the risk that delays in construction affect the investment value.

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

Country	**31 March 2019**			**31 March 2018 Discount rate**	Movement
	Long-term government bond yield	Risk premium	Discount rate		
UK	1.5%	5.5%	7.0%	7.4%	**(0.4%)**
Eurozone	0.9%	6.4%	7.3%	7.6%	**(0.3%)**
North America	2.6%	5.4%	8.0%	8.2%	**(0.2%)**
Portfolio	**1.5%**	**5.7%**	**7.2%**	**7.4%**	**(0.2%)**

Generally, 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. The Directors discuss the proposed valuation with a Board-appointed, third party valuation expert to ensure that the valuation of HICL's portfolio is appropriate.

As long-term government bond yields in the UK, 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% decrease in the average discount rate in the UK is attributable to two factors: the competitive dynamics we have observed relating to the market place for transaction pricing including the takeover of John Laing Infrastructure Fund ("JLIF") by a consortium of private infrastructure investors at a premium to JLIF's NAV; and the reversal of discount rate increases in the prior year on assets affected by Carillion's liquidation.

Valuation Assumptions

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

		31 March 2019	31 March 2018
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	2.75% p.a. 2.0% p.a.	2.75% p.a. 2.0% p.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.
Interest Rates	UK	1.0% p.a. to March 2022, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Eurozone	0.5% p.a. to March 2022, 1.5% p.a. thereafter	0.5% p.a. to March 2021, 1.5% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 2.5% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
	USA	2.0% p.a. to March 2021, 2.5% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
Foreign Exchange Rates	CAD/GBP	0.57	0.55
	EUR/GBP	0.86	0.88
	USD/GBP	0.77	0.71
Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Ireland 12.5% France 25% - 33.3% Netherlands 20.5% by 2025	Ireland 12.5% France 25% - 33.3% Netherlands 20% - 25%
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
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 above. An explanation of the reason for the sensitivity and an analysis of how each variable in isolation (i.e. while keeping the other assumptions constant) impacts the valuation follows below[1,2,3]. The sensitivities are also contained in Note 4 to the financial statements.

	Change in NAV per share[1]	
Sensitivites[2]	**Decrease**	**Increase**
Discount Rate +/- 0.5%	-8.4p	9.2p
Inflation -/+ 0.5%	-7.9p	8.7p
Tax Rate +/- 5%	-6.3p	6.5p
GDP -/+ 0.5%	-4.7p	4.7p
Lifecycle +/- 5%	-1.8p	1.8p
Interest Rate -/+ 0.5%	-1.1p	1.3p
Foreign Exchange Rates[3] -/+ 5%	-0.8p	0.8p

1. NAV per share based on 1,791m Ordinary Shares as at 31 March 2019
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 Corporate Group hedging at 31 March 2019

Discount Rate Sensitivity

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

Inflation Rate Sensitivity

PPP projects in the portfolio have contractual income streams derived from public sector clients, which are rebased every year for inflation. UK projects tend to use either RPI or RPIx (RPI excluding mortgage payments) while non-UK projects use CPI (Consumer Price Index), and revenues are either partially or totally indexed (depending on the contract and the nature of the project's financing). Facilities management and operating subcontracts have similar indexation arrangements.

For the demand-based assets, the concession agreement usually prescribes how user fees are set, which is generally reset annually for inflation. Similarly to PPP projects in the UK, this is typically RPI, while non-UK projects use CPI. On Affinity Water, HICL'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 Directors' Valuation and NAV per share are both positively correlated to inflation. The portfolio's inflation correlation at 31 March 2019 was 0.8 (2018: 0.8) 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 7.2% to 8.0%.

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 2019 forecasts for RPI out to December 2019 range from 2.2% to 3.8% from 19 independent forecasters as compiled by HM Treasury, with an average forecast of 2.8%.

Gross Domestic Product ('GDP') Sensitivity

At 31 March 2019, the portfolio had four investments which are considered sensitive to GDP, comprising 21% of the portfolio value (17% at 31 March 2018) 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 for all future periods, expected return from the portfolio (before Corporate Group expenses) would decrease 0.2% from 7.2% to 7.0%.

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 two investments - Affinity Water and Northwest Parkway (USA), which have refinancing requirements, exposing these investments to interest rate risk. In the case of other investments, sensitivity to interest rates predominantly relates to the cash deposits which the portfolio company 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 2019, cash deposits for the portfolio were earning interest at a rate of 0.9% 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 0.97% p.a.

The portfolio valuation assumes UK deposit interest rates are 1.0% p.a. to March 2022 and 2.0% p.a. thereafter and for the Eurozone 0.5% p.a. to March 2022 and 1.5% thereafter. This has extended by one year the period assumed for low interest rates in these jurisdictions. For assets in Canada and USA the assumption is 2.0% p.a. rising to 2.5% p.a. long term which has reduced from a 3% long-term assumption in the prior year. These changes have reduced the portfolio valuation and are included within the £2m aggregate increase in portfolio value attributable to changes in economic assumptions.

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 118 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 4.8p based on the Directors' Valuation as at 31 March 2019.

The UK corporation tax assumption for the portfolio valuation is 19% to March 2020 and 17% thereafter, which is unchanged from March 2018. There have been reductions in the corporation tax rate assumptions in the Netherlands. These changes have resulted in an increase to the portfolio valuation of £1.0m which is included within the £2.0m aggregate increase in portfolio value attributable to changes in economic assumptions.

Discounted Cash Flow Key Assumptions and Principles

As described above, HICL'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

Following the feedback from Ofwat on the PR19 Business Plan submission, Affinity Water has made a resubmission to Ofwat in the period. The valuation of HICL's investment in Affinity Water is based on the revised plan which we believe addresses Ofwat's expectations for the business's operational efficiency. The valuation represents a 1.29x multiple of Regulatory Capital Value. More information can be found in the Operating & Financial Review.

Financial Statements

Income Statement
For the year ended 31 March 2019

	Note	Year ended 31 March 2019 Total £m	Year ended 31 March 2018 Total £m
Investment income	6	290.4	124.1
Total income		**290.4**	**124.1**
Fund expenses	7	(5.0)	(2.3)
Profit before tax		**285.4**	**121.8**
Profit for the year	10	**285.4**	**121.8**
Earnings per share – basic and diluted *(pence)*	10	**15.9**	**6.9**

The results for HICL Guernsey for the year ended 31 March 2019 are derived from operations which will continue in HICL UK from 1 April 2019 when HICL Guernsey was placed into voluntarily liquidation, and therefore HICL Guernsey is not a going concern. The financial statements for the year ended 31 March 2018 were prepared on a going concern basis, therefore all results were derived from continuing operations. See Note 2(a) for details.

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 2019

	Note	31 March 2019 £m	31 March 2018 £m
Non-current assets			
Investments at fair value through profit or loss - portfolio	13	-	2,677.2
Total non-current assets		**-**	**2,677.2**
Current assets			
Investments at fair value through profit or loss – portfolio	13	2,821.1	**-**
Investments at fair value through profit or loss – HICL UK	14,19	2,000.1	-
Cash and cash equivalents		2.5	0.7
Total current assets		**4,823.7**	**0.7**
Total assets		**4,823.7**	**2,677.9**
Current liabilities			
Trade and other payables		(1.9)	(0.8)
Amounts owed to HICL UK	14,19	(2,000.1)	-
Total current liabilities		**(2,002.0)**	**(0.8)**
Total liabilities		**(2,002.0)**	**(0.8)**
Net assets		**2,821.7**	**2,677.1**
Equity			
Ordinary share capital	16	0.2	0.2
Share premium	16	2,028.0	2,025.6
Retained reserves		793.5	651.3
Total equity	12	**2,821.7**	**2,677.1**
Net assets per Ordinary Share *(pence)*	12	**157.5**	**149.6**

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 21 May 2019, having been delegated the power for same at an Extraordinary General Meeting of HICL Guernsey held on 26 March 2019, and signed on its behalf by:

S Farnon I Russell

Director Director

Statement of Changes in Shareholders' Equity
For the year ended 31 March 2019

	Year ended 31 March 2019 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 2018	2,025.8	651.3	2,677.1
Profit for the year	-	**285.4**	**285.4**
Distributions paid in cash (Note 11)	-	(140.6)	(140.6)
Distributions paid by scrip issue (Note 11)	-	(2.6)	(2.6)
Distributions paid in the year		(143.2)	(143.2)
Ordinary Shares issued for scrip dividend (Note 16)	2.6	-	2.6
Total Ordinary Shares issued in the period	2.6	-	2.6
Costs of share issue (Note 16)	(0.2)	-	(0.2)
Shareholders' equity at 31 March 2019	**2,028.2**	**793.5**	**2,821.7**

	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 in cash (Note 11)	-	(129.9)	(129.9)
Distributions paid to by scrip issue (Note 11)	-	(6.5)	(6.5)
Distributions paid in the year	-	(136.4)	(136.4)
Ordinary Shares issued for cash (Note 16)	267.7	-	267.7
Ordinary Shares issued for scrip dividend (Note 16)	6.5	-	6.5
Total Ordinary Shares issued in the period	274.2	-	274.2
Costs of share issue (Note 16)	(1.9)	-	(1.9)
Shareholders' equity at 31 March 2018	**2,025.8**	**651.3**	**2,677.1**

Cash Flow Statement
For the year ended 31 March 2019

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Cash flows from operating activities		
Profit before tax	285.4	121.8
Adjustments for:		
Investment income	(290.4)	(124.1)
Operating cash flows before movements in working capital	(5.0)	(2.3)
Changes in working capital:		
Decrease in receivables	-	0.1
Increase/(decrease) in payables	1.1	(0.2)
Cash flow from operations	(3.9)	(2.4)
Interest received on investments	149.1	133.0
Net cash from operating activities	**145.2**	**130.6**
Cash flows from investing activities		
Investment in subsidiary	(2.6)	(266.7)
Net cash used in investing activities	**(2.6)**	**(266.7)**
Cash flows from financing activities		
Net (payment)/proceeds from issue of share capital	(0.2)	265.8
Distributions paid	(140.6)	(129.9)
Net cash (used in)/from financing activities	**(140.8)**	**135.9**
Net increase/(decrease) in cash and cash equivalents	**1.8**	**(0.2)**
Cash and cash equivalents at beginning of year	0.7	0.9
Cash and cash equivalents at end of year	**2.5**	**0.7**

Cash flows for HICL Guernsey for the year ended 31 March 2019 are derived from operations which will continue in HICL UK from 1 April 2019 when HICL Guernsey was placed into voluntarily liquidation, and therefore HICL Guernsey is not a going concern. The financial statements for the year ended 31 March 2018 were prepared on a going concern basis, therefore all cash flows were derived from continuing operations. See Note 2(a) for details.

Notes to the Financial Statements

1. Reporting entity

HICL Infrastructure Company Limited (in voluntary liquidation) ("HICL Guernsey") is a company domiciled in Guernsey, Channel Islands. On 1 April 2019, following its entry into a scheme of reconstruction (the "Scheme") as detailed in HICL Guernsey's Extraordinary General Meeting ("EGM") Circular dated 4 March 2019, HICL Guernsey was placed into voluntary liquidation – see Note 19 for details. HICL Guernsey's shares were publicly traded on the London Stock Exchange until 1 April 2019.

The financial statements of HICL Guernsey as at and for the year ended 31 March 2019 comprise HICL Guernsey only, which is consistent with the prior year.

HICL Guernsey continues to measure its investment in HICL Infrastructure 1 S.a.r.l. ("Luxco 1"), HICL Infrastructure 2 S.a.r.l. ("Luxco 2") and Infrastructure Investments Limited Partnership ("IILP", and together the "Corporate Subsidiaries" and each a "Corporate Subsidiary") at fair value in accordance with IFRS 10:31.

For the year end 31 March 2019, HICL Guernsey had one additional direct subsidiary, HICL Infrastructure PLC ("HICL UK" and together with HICL Guernsey and the Corporate Subsidiaries, the "Corporate Group"), which HICL Guernsey also measured a fair value in these financial statements – see Note 2(a).

2. Key accounting policies

(a) Basis of preparation

The financial statements were approved and authorised for issue by the Board of Directors on 21 May 2019.

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 for financial instruments and subsidiaries classified at fair value through profit or loss which are stated at their fair values. The financial statements are presented in Pounds Sterling, which is HICL Guernsey's functional currency.

The preparation of these financial statements, in conformity with IFRS as adopted by the EU, requires the Directors and advisers to make judgments, 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 judgments 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 judgments, estimates and assumptions which have been applied in the preparation of these financial statements.

Investment Entities

HICL Guernsey has applied IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other entities' in these financial statements, which require investment entities to measure certain subsidiaries, including those that are themselves investment entities, at fair value through the income statement, rather than consolidating their results.

The Directors are of the opinion that HICL Guernsey has all the typical characteristics of an investment entity as defined in IFRS 10:

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.

The Corporate Subsidiaries carry out investment activities and incur overheads and borrowings on behalf of HICL Guernsey. They are considered investment entities themselves and are therefore measured at fair value in these financial statements.

At 31 March 2019, HICL UK does not meet the definition of an investment entity and did not provide any investment-related services to HICL Guernsey during the period so, in accordance with IFRS 10:32, HICL UK has been measured at fair value in these financial statements.

Going concern

As detailed in Note 19, subsequent to the reporting date, on 1 April 2019, HICL Guernsey entered into the Scheme, as detailed in HICL Guernsey's EGM Circular dated 4 March 2019, in which HICL UK acquired HICL Guernsey's investment business in its entirety through the acquisition of HICL Guernsey's interests in Luxco 1. On 1 April 2019, HICL Guernsey was placed into voluntary liquidation and therefore on an individual basis, is not a going concern. These financial statements have been prepared on a basis other than going concern. The recognition and measurement applied in the financial statements remained unchanged from prior year. HICL Guernsey's assets and liabilities have been classified as 'current' and liquidation costs have been recognised in the Income Statement.

Via the Scheme, HICL Guernsey's shareholders were issued one Ordinary Share in HICL UK for each Ordinary Share held in HICL Guernsey. Additionally, there is no expectation that the investment business' activities will discontinue. As a result, the Directors have considered HICL's continuing investment business in their viability assessment.

(b) New standards effective for the current year

HICL Guernsey adopted the following standards that became effective during the current year, although they had no material impact on HICL Guernsey's financial statements.

- IFRS 9 Financial Instruments
- Annual Improvements to IFRS Standards 2014-2016 Cycle

(c) Financial instruments

Financial assets and liabilities are recognised on the Balance Sheet when HICL Guernsey 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 IFRS 9 'Financial Instruments: Recognition and measurement'.

(i) Non-derivative financial instruments

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

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

Investments in equity and debt securities

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

(d) Investment income

Income from investments is recognised in the Income Statement as accrued from HICL Guernsey's direct subsidiaries. Gains on investments relate solely to the investments held at fair value.

(e) Share capital and share premium

Ordinary Shares are classified as equity. Costs associated with the establishment of HICL Guernsey 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.

(f) 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.

(g) Income tax

Under the current system of taxation in Guernsey, HICL Guernsey 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 HICL's portfolio to changes in tax rates are provided in Note 4 and impacts are reflected in the fair value of underlying investments.

(h) Foreign exchange gains and losses

Transactions entered into by HICL Guernsey 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.

(i) Segmental and geographical reporting

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

The financial information used by the CODM on a quarterly basis to allocate resources, assess performance and manage HICL presents the business as a single segment comprising the portfolio of investments in infrastructure assets.

(j) Expenses

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

(k) Dividends payable

Dividends payable to HICL Guernsey'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 HICL Guernsey 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 judgments, estimates and assumptions*

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

Judgments

Going concern

The financial statements have been prepared on a basis other than going concern. Subsequent to the year end, following completion of the Scheme, HICL Guernsey was placed into voluntary liquidation. A strict interpretation of IAS 1, paragraph 25, is that HICL Guernsey should not therefore prepare accounts on a going concern basis.

Consolidation

The Directors have exercised judgment in determining whether HICL Guernsey, HICL UK and the Corporate Subsidiaries meet the IFRS 10 definition of an investment entity. HICL UK is deemed not to meet this definition nor does it provide investment-related services to HICL Guernsey. It is therefore measured at fair value through profit or loss in these financial statements. By virtue of HICL Guernsey and Corporate Subsidiaries' status as investment entities, all other investments are also accounted for at fair value through profit or loss. See Note 2(a) for details.

Estimates and assumptions

Investments at fair value through profit or loss

HICL Guernsey recognises its investment in Luxco 1, a Corporate Subsidiary, at fair value which includes the fair value of each of the individual project companies and holding companies in which HICL Guernsey 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 except for those investments that have an observable market price in active market. 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 2019 valuation was 7.2% (2018: 7.4%). The discount rate is considered to be the most significant unobservable input through which an increase or decrease would have a material impact on the fair value of the Investments at fair value through profit or loss.

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

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. HICL 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 for specific assets and liabilities. 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 2019 £m	31 March 2018 £m
Financial assets		
Investments at fair value through profit or loss – portfolio	2,821.1	2,677.2
Investments at fair value through profit or loss – HICL UK	2,000.1	-
Financial assets at fair value through profit or loss	4,821.2	2,677.2
Cash and cash equivalents	2.5	0.7
Financial assets - loans and receivables	2.5	0.7
Financial liabilities		
Trade and other payables	(1.9)	(0.8)
Amounts owed to HICL UK[1]	(2,000.1)	-
Financial liabilities – payables	(2,002.0)	(0.8)

[1]Settled on 1 April 2019 via the Scheme. See Note 19 for details.

The Directors believe that the carrying values of all financial instruments are approximate 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 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	£m	£m	£m
Investments at fair value through profit or loss – portfolio	-	-	2,821.1	2,821.1
Investments at fair value through profit or loss – HICL UK[1]	-	2,000.1	-	2,000.1
Investments at fair value through profit or loss	**-**	**2,000.1**	**2,821.1**	**4,821.2**

[1]Settled on 1 April 2019 via the Scheme. See Note 19 for details.

	As at 31 March 2018			
	Level 1	**Level 2**	**Level 3**	**Total**

	£m	£m	£m	£m
Investments at fair value through profit or loss – portfolio	-	-	2,677.2	2,677.2

There were no transfers between Level 1, 2 or 3 during the year (2018: None). A reconciliation of the movement in Level 3 assets is disclosed in Note 13.

Level 3

Valuation methodology

HICL Guernsey records the fair value of Luxco 1, a directly owned holding company through which its investment business is held, by calculating and aggregating the fair value of each of the individual project companies and holding companies in which HICL Guernsey holds an indirect investment. Detailed below are the valuation methodologies applied in valuing those indirect investments.

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 2019	**31 March 2018**
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	 2.75% p.a. 2.0% p.a.	 2.75% p.a. 2.0% p.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.
Interest Rates	UK	1.0% p.a. to March 2022, 2.0% p.a. thereafter	1.0% p.a. to March 2021, 2.0% p.a. thereafter
	Eurozone	0.5% p.a. to March 2022, 1.5% p.a. thereafter	0.5% p.a. to March 2021, 1.5% p.a. thereafter
	Canada	2.0% p.a. to March 2021, 2.5% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
	USA	2.0% p.a. to March 2021, 2.5% p.a. thereafter	2.0% p.a. to March 2021, 3.0% p.a. thereafter
Foreign Exchange Rates	CAD/GBP	0.57	0.55
	EUR/GBP	0.86	0.88
	USD/GBP	0.77	0.71

Tax Rates	UK	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Eurozone	Ireland 12.5% France 25% - 33.3% Netherlands 20.5% by 2025	Ireland 12.5% France 25% - 33.3% Netherlands 20% - 25%
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
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.

Discount rates

Judgment 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 2018	4.1% to 9.8%	7.4%
30 September 2018	3.4% to 9.6%	7.2%
31 March 2019	**2.1%[1] to 9.6%**	**7.2%**

1. The 2.1% 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 7.2% (2018: 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 - portfolio	+0.5% change
March 2019	**+£165.6m**	**£2,821.1m**	**-£150.4m**
March 2018	+£152.4m	£2,677.2m	-£138.7m
Implied change in NAV per Ordinary Share [1] – March 2019 (March 2018)	**+9.2 pence** (+8.5 pence)	**157.5 pence** (149.6 pence)	**-8.4 pence** (-7.7pence)

1. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.

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 - portfolio**	**+0.5% p.a. change**
March 2019	**-£140.8m**	**£2,821.1m**	**+£155.1m**
March 2018	-£125.5m	£2,677.2m	+£146.3m
Implied change in NAV per Ordinary Share [1 2] – March 2019 (March 2018)	**-7.9 pence** (-7.0 pence)	**157.5 pence** (149.6 pence)	**+8.7 pence** (+8.2 pence)

1. Analysis is based on HICL's 35 largest investments (2018: 35 largest investments), pro-rata for the whole portfolio.
2. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.

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 is 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 2019 cash deposits for the portfolio were earning interest at a rate of 0.9% 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 - portfolio**	**+0.5% p.a. change**
March 2019	**-£20.3m**	**£2,821.1m**	**+£23.4m**
March 2018	-£21.0m	£2,677.2m	+£24.0m
Implied change in NAV per Ordinary Share [1 2 3] – March 2019 (March 2018)	**-1.1 pence** (-1.2 pence)	**157.5 pence** (149.6 pence)	**+1.3 pence** (+1.3 pence)

1. This analysis is based on HICL's 35 largest investments (2018: 35 largest investments), pro-rata for the whole portfolio.
2. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.
3. March 2018 comparatives have been represented to be an interest rate sensitivity rather than a deposit rate sensitivity.

Gross Domestic Product

The portfolio has 4 projects (2018: 4 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 21% 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 - portfolio	+0.5% p.a. change
March 2019	**-£83.9m**	**£2,821.1m**	**+£85.0m**
March 2018	-£69.4m	£2,677.2m	+£70.5m
Implied change in NAV per Ordinary Share [1] – March 2019 (March 2018)	**-4.7 pence** (-3.9 pence)	**157.5 pence** (149.6 pence)	**+4.7 pence** (+3.9 pence)

1. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.

Tax Rates

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

A change to the tax rate by plus or minus 5.0% has the following effect on the Investments at fair value through profit or loss and NAV per Ordinary Share:

Tax rate assumption	-5.0% p.a. change	Investments at fair value through profit or loss – portfolio	+5.0% p.a. change
March 2019	**+£115.8m**	**£2,821.1m**	**-£112.8m**
March 2018	+£106.9m	£2,677.2m	-£106.2m
Implied change in NAV per Ordinary Share [1 2] – March 2019 (March 2018)	**+6.5 pence** (+6.0 pence)	**157.5 pence** (149.6 pence)	**-6.3 pence** (-5.9 pence)

1. This analysis is based on HICL's 35 largest investments (2018: 35 largest investments), pro-rata for the whole portfolio.
2. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.

Risk management

The Corporate Group is exposed to market risk (which includes currency risk, interest rate risk and inflation risk), credit risk and liquidity risk arising from the financial instruments it holds through a Corporate Subsidiary as disclosed below.

Market risk

Returns from HICL'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 Corporate Group's financial risk management is to manage and control the risk exposures of its investment portfolio. The Board of Directors has overall responsibility for overseeing the management of 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 Corporate Group is exposed. This Note presents information about the Corporate Group's exposure to financial risks, its objectives, policies and processes for managing risk and the Corporate Group's management of its financial resources.

The Corporate Group 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 Corporate Group 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 Corporate Group's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and 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. HICL Guernsey has made use of borrowings at a 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 Corporate Group'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 Corporate Group 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 Corporate Group 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 Corporate Group 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 Corporate Group'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 Corporate Group'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 Corporate Group monitors its foreign exchange exposures using its near-term and long-term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection against the effect of exchange rate fluctuations on the level of Sterling distributions that the Corporate Group 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, US dollar and other currency denominated borrowings via a Corporate Subsidiary. HICL Guernsey at 31 March 2019 hedged its currency exposure through Euro, Canadian dollar and US dollar forward contracts. This has reduced the volatility in the NAV from foreign exchange movements.

The hedging policy is designed to provide confidence in the near-term yield and to limit NAV per share sensitivity to no more than 2% for a 10% foreign exchange movement.

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

Foreign Exchange sensitivities	-5.0% change	Net Asset Value	+5.0% change
March 2019	**-£13.7m**	**£2,821.7m**	**+£13.7m**
March 2018	-£14.9m	£2,677.1m	+£14.9m
Implied change in NAV per Ordinary Share [2] – March 2019 (March 2018)	**-0.8 pence** (-0.8 pence)	**157.5 pence** (149.6 pence)	**+0.8 pence** (+0.8 pence)

1. Sensitivities include effect of foreign exchange hedging contracts.
2. NAV per Ordinary Share based on 1,791 million Ordinary Shares at 31 March 2019.

Credit risk

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

The Corporate Group's key direct counterparties are the project companies in which it makes investments. The Corporate Group'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 Corporate Group's investment and subsidiary entities receive revenue from government departments and public sector or local authority clients. Therefore, a significant portion of the Corporate Group's investments' revenue is with counterparties of good financial standing.

The Corporate Group 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. HICL Guernsey's largest credit risk exposure to a project at 31 March 2019 was to the High Speed 1 project (7% of investments at fair value) and the largest subcontractor counterparty risk exposure was to subsidiaries of the Bouygues Corporate Group which provided facilities management services in respect of 15% of the investments at fair value.

The Corporate Group is subject to credit risk on its loans, receivables, cash and deposits. The Corporate Group'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 Corporate Group's maximum exposure to credit risk over financial assets is the carrying value of those assets in the Balance Sheet. The Corporate Group does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Corporate Group will not be able to meet its financial obligations as they fall due. The Corporate Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meets its liabilities when due. The Corporate Group 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 Corporate Group's investments are predominantly funded by share capital.

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

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

The Corporate Group's investments may include obligations to make future investment amounts. These obligations will typically be supported by standby letters of credit, issued by the Corporate Group's bankers in favour of the senior lenders to the investment companies. Such investment obligations are met from the Corporate Group's cash resources when they fall due. At 31 March 2019, HICL Guernsey's investment obligations totalled £89.3 million (2018: £41.9 million) (see Note 18).
Unconsolidated subsidiaries are subject to contractual agreements that may impose temporary restrictions on their ability to distribute cash. Such restrictions are not deemed significant in the context of the Corporate Group's overall liquidity.

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
31 March 2019	**£m**	**£m**	**£m**	**£m**
Amounts owed to HICL UK[1]	2,000.1	**-**	**-**	**-**
Trade and other payables	1.9	-	-	-
Total	**2,002.0**	**-**	**-**	**-**
31 March 2018				
Trade and other payables	0.8	-	-	-
Total	**0.8**	**-**	**-**	**-**

1. Settled on 1 April 2019 via the Scheme. See Note 19 for details.

Capital management

HICL Guernsey at 31 March 2019 had a £400 million Revolving Credit Facility via a Corporate Subsidiary of which £90.0 million (2018: 134.6 million) was drawn down at the year end. HICL Guernsey's obligations under the Revolving Credit Facility were transferred to HICL UK on 1 April 2019 following entry into the Scheme. Further equity raisings are considered when debt drawings are at an appropriate level. The proceeds from the share issues are used to repay debt and to fund future investment commitments.

HICL makes prudent use of its available leverage. Under the Articles, HICL Guernsey's outstanding borrowings, including any financial guarantees to support outstanding subscription obligations but excluding internal company borrowings of the Corporate Group's underlying investments, are limited to 50% of the Adjusted Gross Asset Value, being the Directors' Valuation plus cash balances of HICL Guernsey and its Corporate Subsidiaries at any time.

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

	31 March 2019	**31 March 2018**
	£m	£m
Outstanding drawings		
Bank borrowings	90.0	134.6
Letter of credit facility	17.8	26.6
	107.8	**161.2**

Adjusted Gross Asset Value		
Directors' Valuation (Note 13)	2,998.9	2,836.5
Cash and cash equivalents	3.5	17.4
	3,002.4	**2,853.9**
Borrowing ratio	3.6%	5.6%

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

To assist in the narrowing of any discount to the Net Asset Value at which the Ordinary Shares may trade, from time to time HICL Guernsey 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 HICL Guernsey'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 HICL has indirect investments in.

Investment Income	**UK**	**Eurozone**	**North America**	**Australia**	**Total**
March 2019	**£203.2m**	**£37.7m**	**£37.8m**	**£11.7m**	**£290.4m**
% of Total Investments Income	**70%**	**13%**	**13%**	**4%**	**100%**
March 2018	£93.2m	£17.3m	£5.2m	£8.4m	£124.1m
% of Total Investments Income	75%	14%	4%	7%	100%

Investments at fair value through profit and loss – portfolio	**UK**	**Eurozone**	**North America**	**Australia**	**Total**
March 2019	**£2,172.2m**	**£423.2m**	**£225.7m**	**-**	**£2,821.1m**
% of Total Investments	**77%**	**15%**	**8%**	**-**	**100%**
March 2018	£2,141.8m	£267.7m	£187.4m	£80.3m	£2,677.2m
% of Total Investments	80%	10%	7%	3%	100%

6. Investment income

	Year ended	**Year ended**
	31 March 2019	**31 March 2018**
	Total	**Total**
	£m	**£m**
Income from investments	149.1	133.0
Gain/(loss) on valuation (Note 13)	141.3	(8.9)
	290.4	**124.1**

7. Fund expenses

	Year ended 31 March 2019 Total £m	Year ended 31 March 2018 Total £m
Audit fees	0.2	0.1
Fees for audit-related assurance services	0.1	0.1
Investment Adviser fees	0.1	0.1
Directors' fees (Note 17)	0.4	0.3
Professional fees[1]	4.2	1.7
	5.0	**2.3**

[1]Professional fees includes £2.7m (2018: £Nil) costs of the Scheme in relation to moving the domicile of HICL Guernsey's investment business from Guernsey to the UK.

HICL Guernsey had no employees during the year (2018: Nil).

8. Net finance costs

During the year ended 31 March 2019, HICL Guernsey 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, HICL Guernsey 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 HICL's 118 (2018: 116) investments as these are held at fair value. All 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 HICL Guernsey by the weighted average number of Ordinary Shares in issue during the year.

	2019	2018
Profit attributable to equity holders	£285.4m	£121.8m
Weighted average number of Ordinary Shares in issue	1,789.9m	1,757.1m
Basic and diluted earnings per Ordinary Share	15.9p	6.9p

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

11. Dividends

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Amounts 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	35.2	31.2
First quarterly interim dividend for the year ended 31 March 2019 of 2.01p per share (2018: 1.96p)	36.0	35.0
Second quarterly interim dividend for the year ended 31 March 2019 of 2.01p per share (2018: 1.96p)	36.0	35.1
Third quarterly interim dividend for the year ended 31 March 2019 of 2.01p per share (2018: 1.96p)	36.0	35.1
	143.2	**136.4**

Distributions paid in cash	140.6	129.9
Distributions paid by scrip issue	2.6	6.5
Total distributions paid in the year	**143.2**	**136.4**

Amounts not recognised as distributions to equity holders during the year:		
Fourth quarterly interim dividend for the year ended 31 March 2019 of 2.02p (2018: 1.97p) per share	36.2	35.2

It is expected that the fourth quarterly interim dividend will be approved by the Board of HICL UK on 29 May 2019 and will be payable on 28 June 2019 to shareholders on HICL UK's register as at 7 June 2019. The fourth quarterly interim dividend has not been included as a liability at 31 March 2019.

The 2018 fourth quarterly interim dividend of 1.97p and the first three 2019 quarterly interim dividends of 2.01p each are included in the Statement of Changes in Shareholders' Equity.

Interim dividend	**Year ended 31 March 2019**	**Year ended 31 March 2018**	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**Year ended 31 March 2015**
3 month period ending 30 June	2.01	1.96p	1.91p	1.86p	1.81p
3 month period ending 30 September	2.01	1.96p	1.91p	1.86p	1.81p
3 month period ending 31 December	2.01	1.96p	1.91p	1.86p	1.81p
3 month period ending 31 March	2.02	1.97p	1.92p	1.87p	1.87p
	8.05p	7.85p	7.65p	7.45p	7.30p

12. Net assets per Ordinary Share

	31 March 2019	**31 March 2018**
Shareholders' equity at 31 March	£2,821.7m	£2,677.1m
Less: fourth interim dividend	(£36.2m)	(£35.3m)
	£2,785.5m	£2,641.8m
Number of Ordinary Shares at 31 March	1,791.1m	1,789.5m
Net assets per Ordinary Share after deducting fourth interim dividend	155.5p	147.6p
Add fourth interim dividend	2.02p	1.97p
Net assets per Ordinary Share at 31 March	**157.5p**	**149.6p**

13. Investments at fair value through profit or loss

HICL's investment portfolio was disposed of as part of the Scheme on 1 April 2019 hence it has been included as a current asset in these financial statements. Further detail is included in Note 14 and Note 19.

Investments at fair value through profit or loss includes HICL Guernsey's investment in Luxco 1, a directly owned holding company and an investment entity itself through which its investment business is held.

	31 March 2019	31 March 2018
	£m	£m
Opening balance	2,677.2	2,419.4
Investments in the year	2.6	266.7
Gain/(loss) on revaluation	141.3	(8.9)
Carrying amount at year end – portfolio	**2,821.1**	**2,677.2**
HICL UK	2,000.1	-
Carrying amount at year end	**4,821.2**	**2,677.2**
This is represented by:		
Less than one year	4,821.2	-
Greater than one year	-	2,677.2
Carrying amount at year end	**4,821.2**	**2,677.2**

HICL Guernsey's recognition of Luxco 1's fair value includes the fair value of each of the individual portfolio companies and holding companies in which HICL Guernsey holds an indirect investment.

Investments in the year reflect funds paid to Luxco 1, following the issuance of equity to shareholders.

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

The Investment Adviser has carried out fair market valuations of the investments as at 31 March 2019. 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 except for the A13 investment in listed senior bonds which 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 (including the effective rate on A13) range from 2.1% to 9.6% (weighted average of 7.2%) (2018: 4.1% to 9.8% (weighted average of 7.4%)).

The valuation of HICL's underlying portfolio at 31 March reconciles to Investments at fair value through profit or loss – portfolio on the Balance Sheet as follows:

	31 March 2019	31 March 2018
	£m	**£m**
Directors' Valuation	2,998.9	2,836.5
Less: future commitments (Note 18)	(89.3)	(41.9)
Investments at fair value per Investment Basis	2,909.6	2,794.6
Net debt in Corporate Subsidiaries	(86.8)	(115.9)
Net working capital liability in Corporate Subsidiaries	(1.7)	(1.5)
Investments at fair value through profit or loss – portfolio	**2,821.1**	**2,677.2**

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

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

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

	31 March 2019			31 March 2018		
Project name	**Equity**	**Subordinated Debt**	**Mezzanine Debt**	**Equity**	**Subordinated Debt**	**Mezzanine Debt**
A13 Road [7]	-	-	-	-	-	-
A249 Road	50.00%	50.00%	-	50.00%	50.00%	-
A63 Motorway [4]	20.95%	20.95%	-	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%	-	66.66%	66.66%	-
Affinity Water	33.20%	-	-	33.20%	-	-
Allenby & Connaught MoD	12.50%	12.50%	-	12.50%	12.50%	-
AquaSure Desalination Plant [5]	-	-	-	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%	-
Belfast	75.00%	75.00%	-	-	-	-
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%	-
Breda Court [2]	85.00%	-	-	85.00%	-	-
Brentwood Community Hospital	75.00%	75.00%	-	75.00%	75.00%	-
Brighton Hospital	50.00%	50.00%	-	50.00%	50.00%	-
Burbo	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%	-
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%	-
HICL UK	100.00%	-	-	-	-	-
Highland Schools	-	-	-	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%	-	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]	50.00%	50.00%	-	10.00%	-	-
Oldham Library	75.00%	75.00%	-	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%	-
Paris-Sud University [4]	85.00%	85.00%	-	-	-	-
PSBP North East Batch Schools	90.00%	90.00%	-	90.00%	90.00%	-
Perth and Kinross Schools	100.00%	100.00%	-	100.00%	100.00%	-
Pinderfields and Pontefract Hospitals	100.00%	100.00%	-	100.00%	100.00%	-
Queen Alexandra Hospital Portsmouth	100.00%	100.00%	-	100.00%	100.00%	-
Queen's (Romford) Hospital	66.70%	66.70%	-	66.70%	66.70%	-
RD901 Road [4]	90.00%	90.00%	-	90.00%	90.00%	-
Redbridge & Waltham Forest LIFT	60.00%	60.00%	-	60.00%	60.00%	-
Renfrewshire Schools	30.00%	30.00%	-	30.00%	30.00%	-
Rhonnda Cynon Taf Schools	100.00%	100.00%	-	100.00%	100.00%	-
Royal Canadian Mounted Police 'E' Division Headquarters [3]	100.00%	-	-	100.00%	-	-
Royal School of Military Engineering	26.00%	32.10%	-	26.00%	32.10%	-
Salford Hospital	50.00%	50.00%	-	50.00%	50.00%	-
Salford Schools	25.50%	25.50%	-	25.50%	25.50%	-
Salford & Wigan BSF Phase 1	80.00%	80.00%	-	80.00%	80.00%	-
Salford & Wigan BSF Phase 2	80.00%	80.00%	-	80.00%	80.00%	-
Sheffield BSF	59.00%	59.00%	-	59.00%	59.00%	-
Sheffield Hospital	75.00%	75.00%	-	75.00%	75.00%	-
Sheffield Schools	75.00%	75.00%	-	75.00%	75.00%	-
South Ayrshire Schools	100.00%	100.00%	-	100.00%	100.00%	-

South East London Police Stations	50.00%	50.00%	-	50.00%	50.00%	-
South West Hospital, Enniskillen	39.00%	39.00%	-	39.00%	39.00%	-
Southmead Hospital	62.50%	62.50%	-	62.50%	62.50%	-
Staffordshire LIFT	60.00%	60.00%	-	60.00%	60.00%	-
Stoke Mandeville Hospital	100.00%	100.00%	-	100.00%	100.00%	-
Sussex Custodial Services	100.00%	100.00%	-	100.00%	100.00%	-
Tameside General Hospital	50.00%	50.00%	-	50.00%	50.00%	-
Tyne & Wear Fire Stations	100.00%	-	-	100.00%	-	-
University of Bourgogne [4]	85.00%	85.00%	-	85.00%	85.00%	-
University of Sheffield Accommodation	50.00%	50.00%	-	50.00%	50.00%	-
West Lothian Schools	75.00%	75.00%	-	75.00%	75.00%	-
West Middlesex Hospital	100.00%	100.00%	-	100.00%	100.00%	-
Willesden Hospital	100.00%	100.00%	-	100.00%	100.00%	-
Wooldale Centre for Learning	50.00%	50.00%	-	50.00%	50.00%	-
Zaanstad Prison [2]	100.00%	100.00%	-	100.00%	100.00%	-

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

14. Investments – acquisitions and disposals

Acquisitions

HICL Guernsey, via its Corporate Subsidiaries, made the following acquisitions during the year ended 31 March 2019:

- In April 2018, HICL acquired an 85% equity interest in the Biology, Pharmacy and Chemistry Department of the Paris-Sud University 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, HICL 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 HICL has a 75% shareholding.

- In April 2018, HICL acquired a 50% equity and loan interest in the transmission assets associated with the Burbo Bank Extension wind farm for total consideration of £9.9 million.

- In June 2018, HICL acquired an incremental 7.2% equity and loan interest in the A63 Motorway for €62.0 million.

- In February 2019, HICL acquired a 40% equity (8% incremental) and loan interest in the N17/N18 Gort to Tuam PPP Scheme for €23.0 million.

Disposals

- HICL Guernsey, via its Corporate Subsidiaries, made the following disposals during the year ended 31 March 2019:

- In June 2018, HICL disposed of its 100% equity and subordinated debt interest in the Highland Schools PPP2 project for £56.4 million.

- In July 2018, HICL disposed of 15% of its 90% equity and subordinated debt interest in the Oldham Library PPP project for £0.9 million.

- In November 2018, HICL disposed of its 9.7% interest in the AquaSure Desalination PPP project for AUD161 million.[1]

[1] Including AUD 4 million dividends received subsequent to signing the sale agreement.

Investment in HICL UK

On 11 January 2019, HICL Guernsey subscribed for 50,000 £1 Redeemable shares in HICL UK at par in connection with the arrangements for the establishment of HICL UK, as detailed in HICL Guernsey's EGM Circular dated 4 March 2019. The obligation remained outstanding at balance sheet date and was settled as part of the Scheme (see Note 19) on 1 April 2019.

On 17 January 2019, HICL Guernsey subscribed for 1 £0.0001 Ordinary Share in HICL UK for a premium of £2.0bn in connection with the arrangements for the establishment of HICL UK, as detailed in HICL Guernsey's EGM Circular dated 4 March 2019. The obligation remained outstanding at balance sheet date and was settled as part of the Scheme (see Note 19) on 1 April 2019.

15. Loans and borrowings

HICL Guernsey, through a Corporate Subsidiary, had £90.0 million cash loans or borrowings outstanding at 31 March 2019 (2018: 134.6 million). A Corporate Subsidiary had letters of credit utilised on the Revolving Credit Facility totalling £17.8 million at 31 March 2019 (2018: £26.6 million).

HICL Guernsey, through a Corporate Subsidiary, had the following undrawn borrowing facilities at 31 March:

	2019	**2018**
Floating rate:	**£m**	**£m**
Secured		
- expiring within one year	-	-
- expiring between 1 and 2 years	-	-
- expiring between 2 and 5 years	292.2	238.8
- expiring after 5 years	-	-
	292.2	**238.8**

HICL Guernsey's, and subsequently HICL UK's, multi-currency £400m Revolving Credit Facility is held via a Corporate Subsidiary and is jointly provided by The Royal Bank of Scotland, National Australia Bank, Lloyds Bank, Sumitomo Mitsui Banking Corporation, ING, HSBC and Santander.

Following an extension in February 2019, the facility runs until 31 May 2022 and has a margin of 1.65% over Libor. 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 were requirements to maintain 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 2019	31 March 2018
	m	m
Authorised and issued at 1 April	1,789.5	1,623.3
Issued for cash	-	162.2
Issued as a scrip dividend alternative	1.6	4.0
Authorised and issued at 31 March – fully paid	**1,791.1**	**1,789.5**

The holders of the 1,791,142,767 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 HICL Guernsey (2018: 1,789,556,677 Ordinary Shares). Via the Scheme, HICL Guernsey's shareholders were issued one Ordinary Share in HICL UK for each Ordinary Share held in HICL Guernsey.

Ordinary Share capital and share premium	31 March 2019	31 March 2018
	£m	£m
Opening balance	2,025.8	1,753.5
Premium arising on issue of equity shares	2.6	274.2
Expenses of issue of equity shares	(0.2)	(1.9)
Balance at 31 March	**2,028.2**	**2,025.8**

Share capital at 31 March 2019 is £179.0 thousand (2018: £179.0 thousand)

For the year ended 31 March 2019

On 28 September 2018, 0.6 million new Ordinary Shares of 0.01p each fully paid in HICL Guernsey were issued at a reference price of 158.12p as a scrip dividend alternative in lieu of cash for the first quarterly interim dividend in respect of the year ended 31 March 2019.

On 31 December 2018, 0.6 million new Ordinary Shares of 0.01p each fully paid in HICL Guernsey were issued at a reference price of 160.08p as a scrip dividend alternative in lieu of cash for the second quarterly interim dividend in respect of the year ended 31 March 2019.

On 22 March 2019, 0.5 million new Ordinary Shares of 0.01p each fully paid in HICL Guernsey were issued at a reference price of 166.42p as a scrip dividend alternative in lieu of cash for the third quarterly interim dividend in respect of the year ended 31 March 2019.

For the year ended 31 March 2018

On 30 June 2017, 0.5 million new Ordinary Shares of 0.01p each fully paid in HICL Guernsey 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 HICL Guernsey 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 HICL Guernsey 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 HICL Guernsey 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.

Retained reserves
Retained reserves comprise retained earnings and the balance of the share premium account, as detailed in the Statement of Changes in Shareholders' Equity.

17. Related party transactions

InfraRed Capital Partners Limited ("IRCP") was the Investment Adviser to HICL Guernsey until 1 April 2019. IRCP's appointment as Investment Adviser was governed by an Investment Advisory Agreement, which had a termination notice period of one year. IRCP was entitled to a fee of £0.1 million per annum (disclosed within Fund expenses in Note 7) (2018: £0.1 million), which was payable half-yearly in arrears. On 1 April 2019, following HICL Guernsey's entry into the Scheme (see Note 19), the Investment Advisory Agreement between HICL Guernsey and IRCP was terminated, without penalty.

On 4 March 2019, IRCP was appointed under an Investment Management Agreement as Investment Manager to and AIFM of HICL UK. Following shareholder approval at an Extraordinary General Meeting of HICL Guernsey on 26 March 2019, the Investment Management Agreement may be terminated by either party to the agreement, being HICL UK or IRCP, giving three years' written notice. The appointment may also be terminated if IRCP's appointment as Operator (see below) is terminated. Under the Investment Management Agreement, IRCP is entitled to a fee of £0.1 million per annum, payable half-yearly in arrears and which is subject to review, from time to time, by HICL UK.

IRCP is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. IRCP has been appointed as the Operator by the General Partner of IILP, Infrastructure Investments General Partner Limited, a fellow subsidiary of IRCP. Following shareholder approval at an Extraordinary General Meeting of HICL Guernsey on 26 March 2019, the Operator and the General Partner may each terminate the appointment of the Operator by either party giving three years' written notice. The notice period prior to this was one year. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Management 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, HICL 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 HICL, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In the year to 31 March 2019, 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 HICL 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) until 1 April 2019, 1.0 per cent of the value of new portfolio investments, that were not sourced from entities, funds or holdings managed by the IRCP Group.

The total Operator fees were £27.7 million (2018: £26.2 million) of which £7.0 million remained payable at year end (2018: £6.7 million). The total charge for new portfolio investments was £1.1 million (2018: £4.6 million) of which £0.2 million remained payable at the year end (2018: £0.1 million).

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

Total fees for Directors for the year were £368,875 (2018: £323,000). Directors' expenses of £32,370 (2018: £27,608) were also paid in the year. One Director also receives fees of £6,000 (2018: £6,000) 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 2019, HICL Guernsey, through its Corporate Subsidiaries, had £89.3 million commitments for future investments (2018: £41.9 million).

19. Events after the balance sheet date

On 26 March 2019, HICL Guernsey's shareholders at an EGM of HICL Guernsey approved proposals for HICL Guernsey to enter into the Scheme, as detailed in HICL Guernsey's EGM Circular dated 4 March 2019, which became effective on 1 April 2019. HICL UK acquired HICL Guernsey's investment business in its entirety, through the acquisition of HICL Guernsey's interests in Luxco 1, a Luxembourg-domiciled investment company which via a second Luxembourg-domiciled investment company and an English limited partnership holds the portfolio of infrastructure investments. On completion of the Scheme, HICL Guernsey's £2.0bn investment in HICL UK and equivalent obligation to HICL UK (see Note 14) were settled.

Subsequently on 1 April 2019 and under the provisions of the Scheme, HICL Guernsey was placed into voluntary liquidation and William Callewaert and Richard Searle, both of BDO Limited, Place du Pré, Rue du Pré, St Peter Port, Guernsey, GY1 3LL, were appointed as the liquidators of HICL Guernsey.
Via the Scheme, HICL Guernsey's shareholders were issued one Ordinary Share in HICL UK for each Ordinary Share held in HICL Guernsey meaning there was no change in ultimate ownership of HICL's investment business immediately following the Scheme.
On 1 April 2019, the Investment Advisory Agreement between HICL Guernsey and IRCP was terminated, without penalty. See Note 17 for details.

20. Disclosure – Service Concession Arrangements

At 31 March 2019, HICL Guernsey, via its Corporate Subsidiaries, held investments in 118 (2018: 116) 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
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
Belfast Metropolitan College	The Project is a 27-year PPP project that involves the design, construction, financing, maintenance and operation of a further and higher education college and associated basement car park.	2036	27	£38m	Amey
Birmingham & Solihull LIFT	Design, construct and invest in facilities of new health and social care facilities	2040	36	£65m	Integral
Birmingham Hospitals	Design, construct, finance and maintain a new acute hospital and six mental health facilities for University Hospitals Birmingham NHS Foundation Trust and Solihull Mental Health NHS Foundation Trust	2046	40	£553m	Engie
Bishop Auckland Hospital	Design, construct, finance, service and maintain a redevelopment of Bishop Auckland General Hospital, County Durham for South Durham Health Care NHS Trust	2034	35	£66m	ISS
Blackburn Hospital	Design, construct, finance and maintain new facilities at the Queens Park Hospital in Blackburn for the East Lancashire Hospitals NHS Trust	2041	38	£100m	Engie
Blackpool Primary Care Facility	Design, construct, finance and operate a primary care centre in Blackpool for Blackpool Primary Care Trust	2039	32	£19m	Eric Wright

Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside	2031	27	£18m	Mitie
Bradford BSF Phase 1	Design, construct, finance and operate three new secondary schools (Buttershaw High School, Salt Grammar School and Tong School), along with routine and major lifecycle maintenance for the life of the concession	2033	27	£84m	Amey
Bradford BSF Phase 2	Design, construct, finance and maintain four secondary schools for Bradford Metropolitan District Council	2036	27	£230m	Amey
Breda Court	Design, construct, finance, maintain and operate a new court Building in Breda.	2048	30	€117m	Volker Wessels
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
Burbo Bank	Under the offshore transmission owner ("OFTO") regime, the OFTO takes ownership of an operational transmission asset and receives contractual, availability-based revenues over a 20-year period.	2038	20	£194m	RES
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	2033	30	£40m	Interserve

	college for the Secretary of State for Defence				
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	Engie
Dutch High Speed Rail Link	Design, construct, finance, operate and maintain power, track and signalling for the high speed railway between Schiphol Airport and Belgian border in the Netherlands	2031	30	€890m	Siemens
Ealing Care Homes	Design, construct, finance, operate and maintain four care homes for the elderly in the London Borough of Ealing for the London Borough of Ealing	2036	32	£22m	Optivo
Ealing Schools	Design, construct, finance, operate and maintain a four-school education project consisting of one secondary school and three primary schools in the London Borough of Ealing	2031	29	£31m	Mitie
East Ayrshire Schools	Design, build, finance and operate three senior campus schools and a primary school on behalf of the North Ayrshire Council	2038	32	£78m	Mitie
Ecole Centrale Supelec	Design, construct, finance and maintain a new facility for the Ecole Centrale Supelec in France, as well as a shared teaching and research facility	2043	28	€65m	Bouygues
Edinburgh Schools	Design, construct, finance, operate and maintain six secondary schools and two primary schools for the City of Edinburgh Council	2038	31	£165m	Mitie
Exeter Crown & County Court	Build and service a new crown and county court building in Exeter	2034	32	£20m	Sodexo
Falkirk NPD Schools	Design, construct, finance and operate four secondary schools in the Falkirk area of Scotland	2039	32	£120m	FES

Fife Schools 2	Design, construct, finance and maintain nine primary schools and one special education facility in Fife, Scotland	2032	27	£64m	FES
Glasgow Hospital	Design, construct, finance, operate and maintain two new ambulatory care and diagnostic hospitals in Glasgow for the Greater Glasgow and Clyde Health Board	2039	33	£178m	Engie
Gloucestershire Fire & Rescue	Construct and operate 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	Bouygues
Haverstock School	Design and construction of a single new secondary school on an existing school site on Haverstock Hill, Camden	2030	27	£21m	Mitie
Health & Safety Laboratory	Construct new workshops and offices in Buxton	2034	33	£60m	Interserve
Health and Safety Executive (HSE) Merseyside Headquarters	Finance, construct, operate and maintain a new four-storey office building for the Health and Safety Executive	2036	33	£62m	Honeywell
Helicopter Training Facility	Design, construct, management, operate and finance simulators based training facility for Royal Airforce (RAF) helicopter pilots	2037	40 (with break clause by Grantor at Year 20)	£100m	CAE
High Speed 1	Finance, operate, and maintain a high-speed rail link for the UK Department of Transport	2040	30	£5,793m	Network Rail
Hinchingbrooke Hospital	Construction, financing, maintenance and operation of a two storey 8,500m2 diagnostic and treatment centre situated adjacent to the existing Hinchingbrooke District General Hospital	2035	31	£19m	Kier
Home Office Headquarters	Build, finance, operate and maintain a new headquarters building to replace the Home Office’s existing London office accommodation with purpose-built serviced offices	2031	29	£200m	Bouygues
Irish Grouped Schools	Design, construct, finance, operate and maintain five secondary schools in the Republic of Ireland for the Department of Education and Skills	2027	26	€34m	Bilfinger Berger

Ireland Primary Care Centres	Design, build, finance and maintain 14 primary care centres across Republic of Ireland	2042	26	€145	Aramark
Kent Schools	Design, build, funding and partially operate six schools in Kent	2035	30	£95m	Mitie
Kicking Horse Canyon P3	Upgrade, operate and maintain a section of highway in British Columbia, Canada	2030	25	CAD$ 127m	Emcon
Lewisham Hospital	Design, construct, finance, operate and maintain a new wing in Lewisham Hospital for the Department of Health	2036	32	£58m	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
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	Bouygues
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	Skanska
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]
Paris-Sud	The Project involves the design, construction, financing and maintenance of new teaching and research facilities for the Paris-Sud University, on the Saclay Plateau, near Paris.	2047	29	€302m	Bouygues

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	Engie
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	Bouygues
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, 2]
South West (Enniskillen) Hospital	Design, construct, finance and maintain a new acute hospital and key worker accommodation at Enniskillen in Northern Ireland	2042	34	£227m	Interserve
Staffordshire LIFT	Develop, design, construct, invest in and maintain health and social care facilities	2043	38	£40m	Integral
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust	2036	32	£40m	Sodexo
Sussex Custodial Services	Build and service custody centres in Sussex for the Police and Crime Commissioner for Sussex (formerly the Sussex Police Authority). The centres are at Worthing, Chichester, Brighton and Eastbourne	2033	32	£20m	Capita

Tameside General Hospital	Design, construct and commission new-build facilities and associated site infrastructure for the Tameside Hospital NHS Foundation Trust	2041	34	£78m	Engie
Tyne & Wear Fire Stations	Design, construct, manage, finance and operate seven fire station facilities and a headquarters building in Tyne and Wear for the Tyne and Wear Fire and Civil Defence Authority	2029	26	£23m	Engie
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. Following Carillion's insolvency in January 2018, interim arrangements were in place at 31 March 2019 while long-term replacements were being agreed
2. A long-term replacement contract was signed with Bouygues during April 2019

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 PLC	United Kingdom	100.0%
HICL Infrastructure 1 S.a.r.l.	Luxembourg	100.0%
HICL Infrastructure 2 S.a.r.l.	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%

HICL Infrastructure PLC
Preliminary Results for the period from Incorporation on 21 December 2018 to 31 March 2019

Chairman's Statement

I am delighted to present the first set of preliminary results for HICL Infrastructure PLC ("HICL UK", the newly-listed UK investment trust successor to HICL Infrastructure Company Limited ("HICL Guernsey"), for the period from incorporation on 21 December 2018 to 31 March 2019. References to "HICL" mean HICL Guernsey prior to 31 March 2019 and HICL UK from 1 April 2019.

Corporate domicile

The Board of HICL Guernsey announced on 21 November 2018 that, following informal consultation with a significant number of institutional investors and private wealth managers, it was of the view that it would be in the best interests of shareholders as a whole to move the domicile of the investment business of HICL Guernsey to the United Kingdom. Following shareholder approval at an Extraordinary General Meeting of HICL Guernsey on 26 March 2019, the change of domicile was effected by way of a scheme of reconstruction ("the Scheme") post year-end, on 1 April 2019.

HICL UK will continue the investment activities of HICL Guernsey and it has acquired HICL Guernsey's entire investment portfolio under the terms of the Scheme. HICL Guernsey has subsequently been placed into voluntary liquidation.

HICL UK has adopted not only the Investment Policy of HICL Guernsey, but also the governance arrangements, business model and the acquisition strategy. (For a detailed explanation of HICL's Business Model and Strategy, please see the Strategic Report within HICL Guernsey's Annual Report and Financial Statements for the year ended 31 March 2019, which is available on HICL's website). Further information on HICL UK can be found in the March 2019 Prospectus (which is also available on HICL's website).

Outlook

The Board and InfraRed Capital Partners Limited ("InfraRed"), the Investment Manager, regularly assess the pipeline and market conditions: asset pricing continues to be elevated due to the strong demand for assets, the limited supply of core infrastructure investment opportunities and the low interest rate environment. Nonetheless the Investment Manager continues to source deal flow in each of HICL's key market segments, albeit discipline around asset pricing remains critical to delivering accretive investments to shareholders.

While the UK infrastructure market remains subject to some political and regulatory uncertainty, the Board believes in HICL's business model and the Directors are confident that the strategic, long-term approach taken by HICL and the Investment Manager will continue to deliver value for shareholders.

Financial Review

Overview

These financial statements cover the period from incorporation on 21 December 2018 to 31 March 2019.

At 31 March 2019, HICL UK was a 100% directly owned subsidiary of HICL Guernsey, a Guernsey-based investment company that was publicly traded on the London Stock Exchange until 1 April 2019.

On 1 April 2019 via the Scheme, as detailed in HICL UK's Prospectus dated 4 March 2019 and Note 5 of the financial statements, HICL Guernsey transferred its investment business to HICL UK, HICL Guernsey was placed into voluntary liquidation and HICL UK's shares were listed on the London Stock Exchange.

Summary balance sheet

Working capital
Net assets attributable to Ordinary shares and Redeemable shares

Financial Results

Income Statement
For the period from 21 December 2018 to 31 March 2019

There were no accounting transactions that were required to be disclosed as income or expense and consequently an income statement has not been prepared.

Balance sheet
As at 31 March 2019

	Notes	31 March 2019 £m
Current assets		
Trade and other receivables	3	2,000.1
Total assets		2,000.1
Net assets		**2,000.1**
Equity		
Share capital	4	0.1
Share premium		-
Reserves	4	2,000.0
Total equity		**2,000.1**

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

These financial statements were approved and authorised for issue by the Board of Directors on 21 May 2019 and signed on its behalf by:

S Farnon
Director

I Russell
Director

Company registered number: 11738373

Statement of Changes in Shareholders' Equity
For the period from 21 December 2018 to 31 March 2019

	Share capital £m	Share premium £m	Reserves £m	Total equity £m
As at 21 December 2018	-	-	-	-
Issue of Ordinary Shares	-	2,000.0	-	2,000.0
Issue of Redeemable Shares	0.1	-	-	0.1
Share premium reduction	-	(2,000.0)	2,000.0	-
As at 31 March 2019	**0.1**	**-**	**2,000.0**	**2,000.1**

Statement of Cash Flows
For the period from 21 December 2018 to 31 March 2019

HICL UK had no cash or cash flows during the current period and consequently a statement of cash flows has not been prepared.

Notes

1. Reporting entity

HICL UK is a public limited company incorporated, domiciled and registered in England in the UK. Its registered office is 12 Charles II Street, London, SW1Y 4QU and registered number is 11738373.

2. Key accounting policies and basis of preparation

a) Basis of preparation

The audited financial statements were approved and authorised for issue by the Board of Directors on 21 May 2019.

The financial information presented here does not constitute HICL UK's statutory accounts for the period from incorporation to 31 March 2019. Statutory accounts for 2019 will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; their report was (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The announcement for the period ended 31 March 2019, which is an abridged statement of the full Annual Report and Accounts, has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee, as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and under the historical cost convention.

3. Trade and other receivables

	31 March 2019 £m
Amounts owed from parent undertakings	2,000.1
Trade and other receivables	**2,000.1**

The amounts owed from parent undertakings represents unpaid share capital and premium from HICL UK's parent which was settled on 1 April 2019 as part of the Scheme – see Note 5 for further details.

4. Share capital and reserves

On 21 December 2018, HICL UK issued 1 £0.0001 Ordinary share at par to Corpman (UK) Limited. On 10 January 2019, this 1 £0.0001 Ordinary share was transferred to HICL UK's direct parent, HICL Guernsey, at par.

On 11 January 2019, HICL UK issued 50,000 £1 Redeemable shares to HICL Guernsey at par.

On 17 January 2019, HICL UK issued 1 £0.0001 Ordinary share to HICL Guernsey for a premium of £2.0bn.

On 12 February 2019, HICL UK obtained court approval to convert all its share premium (£2.0bn) to retained reserves.

Shares issued subsequent to the period end are detailed in Note 5.

5. Events after the balance sheet date

On 26 March 2019, HICL UK's direct parent, HICL Guernsey, held an Extraordinary General Meeting where shareholders resolved proposals for HICL Guernsey to enter into a scheme of reconstruction (the "Scheme"), as detailed in HICL UK's prospectus issued on 4 March 2019 and which was effected on 1 April 2019.

On 1 April 2019 and under the provisions of the Scheme, HICL Guernsey was placed into voluntary liquidation and William Callewaert and Richard Searle, both of BDO Limited, Place du Pré, Rue du Pré, St Peter Port, Guernsey, GY1 3LL, were appointed as the liquidators of HICL Guernsey.

Provisions of the Scheme transferred substantially all HICL Guernsey's assets to HICL UK, in consideration for the issuance of Ordinary shares in HICL UK to shareholders in HICL Guernsey. HICL UK acquired HICL Guernsey's investment business through the acquisition of HICL Guernsey's interests (being Ordinary shares and a financing loan) in HICL Infrastructure 1 S.a.r.l. ("Luxco 1"), a Luxembourg-domiciled investment company which via a second Luxembourg-domiciled investment company and an English limited partnership holds the portfolio of infrastructure investments.

HICL UK issued 1,791,142,767 £0.0001 Ordinary shares which were distributed by the liquidator to HICL Guernsey's shareholders on a one for one basis. The shares were immediately admitted to trading on the London Stock Exchange. Consideration received in respect of the Scheme was £2,821.1m, being HICL Guernsey's Net Asset Value at 31 March 2019 minus £0.6m net working capital, which was applied to settle the £2.0bn receivable from HICL Guernsey and in consideration for the issue of shares to HICL Guernsey's shareholders.

On 1 April 2019, HICL UK redeemed the 50,000 £1 Redeemable shares at par.

On 1 April 2019, HICL UK entered into an Investment Management Agreement between HICL UK and InfraRed to appoint InfraRed as the Investment Manager.

On 1 April 2019, HICL UK became a guarantor of the multi-currency £400m revolving credit facility, held by Infrastructure Investments Limited Partnership, a corporate subsidiary that holds the investment portfolio. At 1 April 2019, cash drawings from the revolving credit facility were £90m.