HICL Infrastructure

HICL Infrastructure PLC Annual Report 2020

Delivering Real Value.

Bangor and Nendrum Schools, UK

Contents

Front cover image: **Salford Hospital, UK**

HICL Infrastructure Company Limited (or "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. 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 detailed in the Prospectus dated 4 March 2019, and Notes 1 and 14 of these financial statements. As a result of the Scheme, HICL Guernsey transferred its assets to HICL Infrastructure PLC. To enable an improved assessment of the Company's investment business comparative data on pages 1-126 (for the year to, and as at, 31 March 2019) relates to HICL Guernsey, being the owner of HICL's investment business until 1 April 2019. All financial information from 1 April 2019 relates to the Company. Financial information in Section 05 represents the annual financial statements of HICL Infrastructure PLC, prepared in accordance with IFRS, and therefore incorporates the comparatives of the Company only. Throughout, "HICL" means HICL Infrastructure Company Limited prior to 31 March 2019 and HICL Infrastructure PLC from 1 April 2019.

2020 Highlights

152.3p
NAV per share[1]
(2019: 157.5p)

1.9%
Total Shareholder Return[3]
(2019: 10.8%)

1.14x
Dividend cash cover[2]
(2019: 1.27x)

8.25p
Total Dividend Declared[4] for 2020
(2019: 8.05p)

MARKET SEGMENT

March 2020

March 2019

	Mar 20	Mar 19
▲ PPP projects	72%	71%
▲ Demand-based assets	20%	21%
▲ Regulated assets	8%	8%

GEOGRAPHIC LOCATION

March 2020

March 2019

	Mar 20	Mar 19
▲ UK	76%	77%
▲ EU	17%	15%
▲ North America	7%	8%

Top ten investments

Differentiated Investment Proposition

LOW SINGLE ASSET CONCENTRATION RISK

44%

Ten largest assets as a proportion of the portfolio as at 31 March 2020

STRONG INFLATION CORRELATION

0.8

Correlation of portfolio returns to inflation[5] as at 31 March 2020

GOOD CASH FLOW LONGEVITY

27.8 years

Weighted average asset life as at 31 March 2020

[1] Net Asset Value
[2] On an Investment Basis, including profits on disposal of £16.4m (2019: £34.0m). Excluding this, dividend cash cover would have been 1.03x (2019: 1.03x)
[3] Based on interim dividends paid plus change in NAV per share in the year, divided by opening NAV per share
[4] Expressed in pence per Ordinary Share for the financial year ending 31 March
[5] If outturn inflation was 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Corporate Group expenses) would increase by 0.8%

Core infrastructure delivering sustainable income

"HICL provides well-maintained core infrastructure for communities, which generates sustainable income for our shareholders."

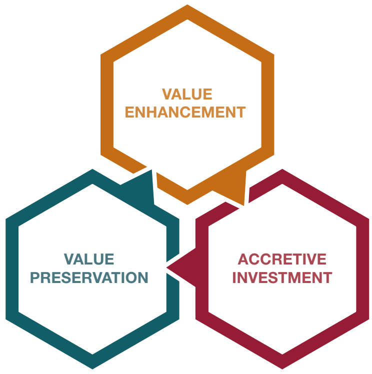
Ian Russell CBE, Chairman, HICL Infrastructure PLC

SUSTAINABLE DEVELOPMENT GOALS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

Business model delivers value for stakeholders



Active management
Generate base case cash flows and deliver well-maintained infrastructure for end users

Outperformance
Improve financial performance and enhance communities' experience of infrastructure

Resilience
Construct a sustainable portfolio of investments with a strong, long-term social purpose

Sustainability case studies

Environment: Affinity Water

- 3.6 million population served with clean water
- Water resource challenges include 33% less rainfall than UK average
- £1.4bn expenditure to improve network resilience and build regulated capital value by 2025
- 44p average daily household bill

6 CLEAN WATER AND SANITATION

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Social: High Speed 1

- 109km high-speed rail
- 26 million journeys per annum
- Over 30 minutes journey time savings for certain domestic and international routes
- £400m annual economic benefit
- Carbon emissions reduction associated with European travel equivalent of c. 60,000 flights annually

11 SUSTAINABLE CITIES AND COMMUNITIES

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Governance: Stakeholders

- Lessons learned gleaned from and shared across industry of over 400 UK PPP projects
- 87%, 80% and 78% of portfolio companies have energy usage, water usage and waste reduction initiatives, respectively
- 68% of portfolio companies made voluntary contributions to charitable or community activities

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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https://www.un.org/sustainabledevelopment/

Wooldale Centre For Learning, UK

01 Overview

1.1
Chairman's Statement

Ian Russell, CBE
Chairman

At this time, our priority is keeping our infrastructure available to support critical services and ensuring that those who are responsible for maintaining it are safe. Through InfraRed, our Investment Manager, the Board has sought to ensure that every effort is being made to support the effective running of the portfolio, and particularly to support the healthcare sector, in which we are responsible for maintaining 25 hospital facilities with over 9,000 beds.

We also recognise that as well as being a public health emergency, the Covid-19 pandemic is resulting in financial difficulties for individuals and families. HICL provides income to many, predominantly UK, private investors and pensioners. The Board is therefore pleased that our performance has enabled us to meet our dividend target.

Total Shareholder Return[1] over the year has been marginally positive, despite a decline in Net Asset Value ("NAV") (see Financial Highlights below). Successful tap issuance was undertaken in the second half of the year, raising £117m, and value-accretive investment activity saw both attractive acquisitions and strategic disposals of selected assets, improving key portfolio metrics.

Delivering sustainable income

Providing well-maintained core infrastructure for communities, which generates sustainable income for shareholders over the long term, is fundamental to HICL's investment proposition.

This investment proposition is predicated on strong and collaborative partnerships with clients and subcontractors. The quality and efficacy of these relationships, which were a key theme of HICL's Capital Markets Event in January 2020, enable the Company to be a successful steward of core infrastructure assets which benefit society as a whole – local communities and investors alike.

> "As an investor in infrastructure which sits at the heart of communities, a sustainable mindset is fundamental to the successful implementation of HICL's business model by the Investment Manager."

Effective stewardship allows HICL to deliver a sustainable return; a long-term income stream for shareholders, generated from the successful delivery and management of essential infrastructure. As an investor in infrastructure which sits at the heart of communities, a sustainable mindset is fundamental to the successful implementation of HICL's business model by the Investment Manager.

Sound management of the assets in HICL's portfolio also makes a positive contribution to everyday lives. An investment in HICL inherently supports the UN's Sustainable Development Goals ("SDGs"), in particular those in relation to innovation and resilient infrastructure, and building sustainable communities[2]. InfraRed's approach to active management ensures that individual HICL portfolio companies also contribute to several other SDGs (see examples in Section 3.2 – Sustainability Report).

Financial Performance

The underlying annual return from the portfolio was 7.1% (including the value reduction taken on Affinity Water in September 2019). This was offset by a combination of external factors, being the exceptional impact of Covid-19 on HICL's demand-based assets; a reversal of planned decreases in UK corporation tax rates; and reduced forecast deposit interest rates. Despite the resulting decline in NAV per share of 3.3%, Total Shareholder Return for the year to 31 March 2020, on a NAV plus dividends paid basis, was 1.9%. This reflects the underlying strength of HICL's diversified portfolio and, in the context of the Covid-19 pandemic, represents a solid performance for the year as a whole.

The Company faced political and regulatory pressures in the first half, and the disruption Covid-19 has brought to societies and financial markets towards the Company's year end. The decisive outcome of the UK general election in December 2019 eased some of the political pressure on the infrastructure sector, while the final determination from Ofwat on Affinity Water's business plan brought clarity for that investment for the next five years.

The Investment Manager's Report (Section 2.5) provides further comment on the impact of Covid-19 on the valuation; and an analysis of the movements in the Directors' Valuation in the year can be found in Section 3.4 – Valuation of the Portfolio.

The Company's balance sheet is healthy and, with no cash drawings on HICL's £400m revolving credit facility[3] at the time of writing, has a strong liquidity position.

Dividend

Cash flow for the year was in line with expectations although, due to the Covid-19 crisis, the Company has prudently retained some cash at portfolio company level at the year end to provide additional resilience. The full-year dividend of 8.25p per share declared was cash covered 1.14 times[4].

It is testament to the Company's long-standing ambition regarding the delivery of sustainable income that, by the end of September 2020, we expect that IPO investors will have received their initial capital back, in full, through the dividend alone.

[1] On a Net Asset Value ("NAV") plus dividends paid basis
[2] Sustainable Development Goals *9. Industry, Innovation and Infrastructure* and *11. Sustainable Cities and Communities*
[3] Drawings of £79m for letters of credit
[4] Including profits on disposals of £16.4m. Excluding this, dividend cash cover would have been 1.03x

1.1 Chairman's Statement (continued)

Dividend guidance

At the time of the November 2019 Interim Results, the Board published guidance for HICL's dividends for the next two years, targeting 8.45p per share for year ending 31 March 2021, and 8.65p per share for year ending 31 March 2022. This guidance was reaffirmed in the Company's Interim Update Statement of 28 February 2020. Since then, the Covid-19 pandemic has created an unprecedented level of disruption for the global economy. The Board has been particularly mindful of the impact on the Company's demand-based assets and the implications this might have for HICL's ability to pay fully cash-covered dividends.

As was explained on the investor call on 23 March 2020, the Board and the Investment Manager have therefore kept the published dividend guidance under review.

The delivery of a long-term and sustainable dividend is a priority for the Board. While HICL has built a diversified portfolio, capable of withstanding many of the more predictable challenges which exposure to the infrastructure asset class brings in the normal course of events, the current circumstances are far from normal. The valuation of, and cash flow forecasts for, the demand-based assets at 31 March 2020 include an estimate of the duration and severity of the economic impact of the pandemic (see Sections 2.5 – Investment Manager's Report and 3.4 – Valuation of the Portfolio). In light of these exceptional circumstances, at the current time, the Board believes it would not be appropriate to increase the dividend. The Directors have therefore taken the decision to target a dividend of 8.25p per share for the year ending 31 March 2021, matching the dividend paid for the financial year just ended, and will revisit dividend guidance for the year ending 31 March 2022 when the timing and extent of economic recovery becomes clearer.

The Board and the Investment Manager will continue to monitor the Company's investments in demand-based assets closely. These assets are all strategically important to regional economies and therefore well-positioned to benefit from a resumption of economic activity.

Capital Raising

Prior to the emergence of Covid-19, the Company had negotiated a number of political and regulatory challenges over the previous 12 months. The return to a more predictable operating environment at the calendar year end led to a rise in investor demand for HICL equity. Thus, we are pleased that the Company raised £117m from equity markets in December 2019 and January 2020 to strengthen our balance sheet and to underpin the acquisition strategy. The Board thanks shareholders for their continued support.

Corporate Governance

Board composition

A strong focus on best-in-class corporate governance by the Board supports the success of HICL's business model. Our Directors have a broad range of expertise, which enables effective oversight of HICL and constructive challenge of our Investment Manager.

Board recruitment and succession planning is a key governance priority. I would like to extend a warm welcome to Rita Akushie, who was appointed as a Non-Executive Director in January 2020. Rita is a qualified accountant with public sector experience and is CFO of Cancer Research UK.

> "Board recruitment and succession planning is a key governance priority"

The Nomination Committee is proud of the diversity of thought and professional experience within the Board, the composition of which now meets the requirements of both the Hampton-Alexander Review and the Parker Review.

Environmental impact and reporting

We are pleased that through the Investment Manager, HICL has systematically incorporated climate change opportunity and risk assessment into the investment process. It is vital that long-term risks and opportunities associated with the physical and transitional impact of climate change inform HICL's strategy.

InfraRed's thinking in this regard has enabled the Company to voluntarily adopt the Taskforce for Climate-related Financial Disclosures ("TCFD") guidance, which includes new carbon emissions disclosures (see Section 3.2 – Sustainability Report). Keeping track of emissions and identifying measurement tools is one step in an ongoing process to reduce HICL's environmental impact.

Business model in action

The three pillars of HICL's business model: Value Preservation, Value Enhancement and Accretive Investment are interdependent, working together to enable the long-term provision of essential infrastructure for society and, in doing so, protect and enhance the value in the portfolio for shareholders.

Value preservation and enhancement

The Company's strategy is not only to preserve value in the portfolio but also to deliver outperformance, both in terms of financial performance, and also through working in partnership with clients and subcontractors to enhance the public's experience of infrastructure. We are firm in the belief that this is inextricably linked to shareholder value over the long term.

> "The Company's strategy is to not only preserve the value in the portfolio but also to deliver outperformance"

In the year, PPP contract variations have delivered enhanced asset outcomes for clients and created value for HICL's shareholders. There have also been variations completed at UK hospital projects supporting the public sector through the extraordinary Covid-19 crisis by repurposing space across HICL's health estate. The Infrastructure and Projects Authority noted in its recent guidance[5] that PFI contracts deliver vital public services. As an investor HICL is committed to proactively supporting and contributing to the public sector response to the Covid-19 crisis overall.

Accretive investment

Investment discipline remains fundamental to the Company's acquisition strategy. InfraRed seeks to grow HICL's portfolio only when investment opportunities meet key core infrastructure parameters, improve important portfolio metrics, and deliver a sustainable return. Strategic disposals are also considered where these enhance NAV and portfolio construction.

For example, the Investment Manager has undertaken on behalf of HICL the acquisition of two investments in offshore transmission assets ("OFTOs") in the year. These investments enhance HICL's diversification whilst supporting the UK's transition to a low carbon economy by facilitating the transmission of enough renewable energy to power over 850,000 UK homes. The Company is part of the consortium named as preferred bidder on the Walney Extension OFTO, which is due to close later in 2020.

Also during the year, the Investment Manager completed the disposal of investments in two PPP projects. These generated material value for the Group and improved the important portfolio metrics of total return, yield, inflation linkage and asset life.

> "Investment discipline has always been fundamental to the Company's acquisition strategy"

Outlook

The Company, supported by its Investment Manager, is committed to its vision of being a pre-eminent core infrastructure investor, seeking out new and sustainable investment opportunities in essential infrastructure, with good quality, predictable cash flows and a protected market position.

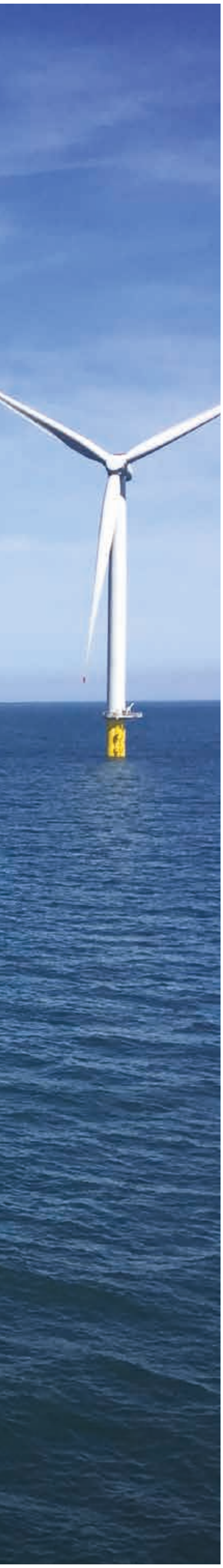
At the time of writing, the broader market environment is characterised by significant uncertainty and volatility, and in this context the defensive attributes of HICL's portfolio stand the Company in good stead. Market disruption also brings opportunity for those companies resilient and agile enough to move quickly and decisively.

In the near term, as we navigate through the ongoing impacts of the Covid-19 pandemic, active management and monitoring of the portfolio is the key priority. InfraRed, through its Asset Management team, is staying close to HICL's stakeholders, supporting our partners, and working at all times to keep essential public assets available for their communities.

Ian Russell
Chairman
19 May 2020

[5] https://www.gov.uk/government/publications/supporting-vital-service-provision-in-pfipf2-contracts-during-the-covid-19-emergency

Race Bank OFTO, UK



02 Strategic Report

2.1 The Infrastructure Market

Core infrastructure is a distinct market segment, comprising assets with good cash flow visibility and entrenched market positioning, that sit at the heart of communities and the economy; that is, essential infrastructure that delivers resilient cash flows from a protected market position.

Core infrastructure

In the 14 years since HICL's IPO in March 2006[1], the infrastructure asset class has matured, attracting an increasing allocation of institutional capital searching for the predictable, long-term cash yields that are typical of infrastructure investments. In turn, this capital has led to an expansion and broadening of the asset class, which has encouraged market segmentation resulting in observable tiers of risk and return.

The term 'core infrastructure' has become synonymous with those assets that exhibit the most coveted infrastructure characteristics, and by definition sit at the lower end of the infrastructure equity risk spectrum. Since IPO, HICL's investment policy, which continues to guide HICL's acquisition strategy, has been aligned with the core infrastructure market.

The Company and its Investment Manager, InfraRed, systematically evaluates the infrastructure market using the following core infrastructure framework, with a principal focus on assessing asset quality via the three key tenets of cash flow quality, market positioning and criticality:

Cash Flow Quality	**Stable revenues**	▲ Low volatility in a range of macro environments ▲ Suitable/diverse counterparties ▲ Inflation protection
	Lower operational gearing / complexity	▲ High capital cost ▲ Low operational complexity
Market Positioning	**Defensive positioning**	▲ Monopolistic characteristics e.g. from exclusive contract or lack of feasible alternate business models ▲ Regulated in some circumstances
	High barriers to entry	▲ Capital intensive business model ▲ Structural protections
Criticality	**Essential assets**	▲ Strong social licence and public benefit ▲ Real assets supporting essential services or facilitating important social function

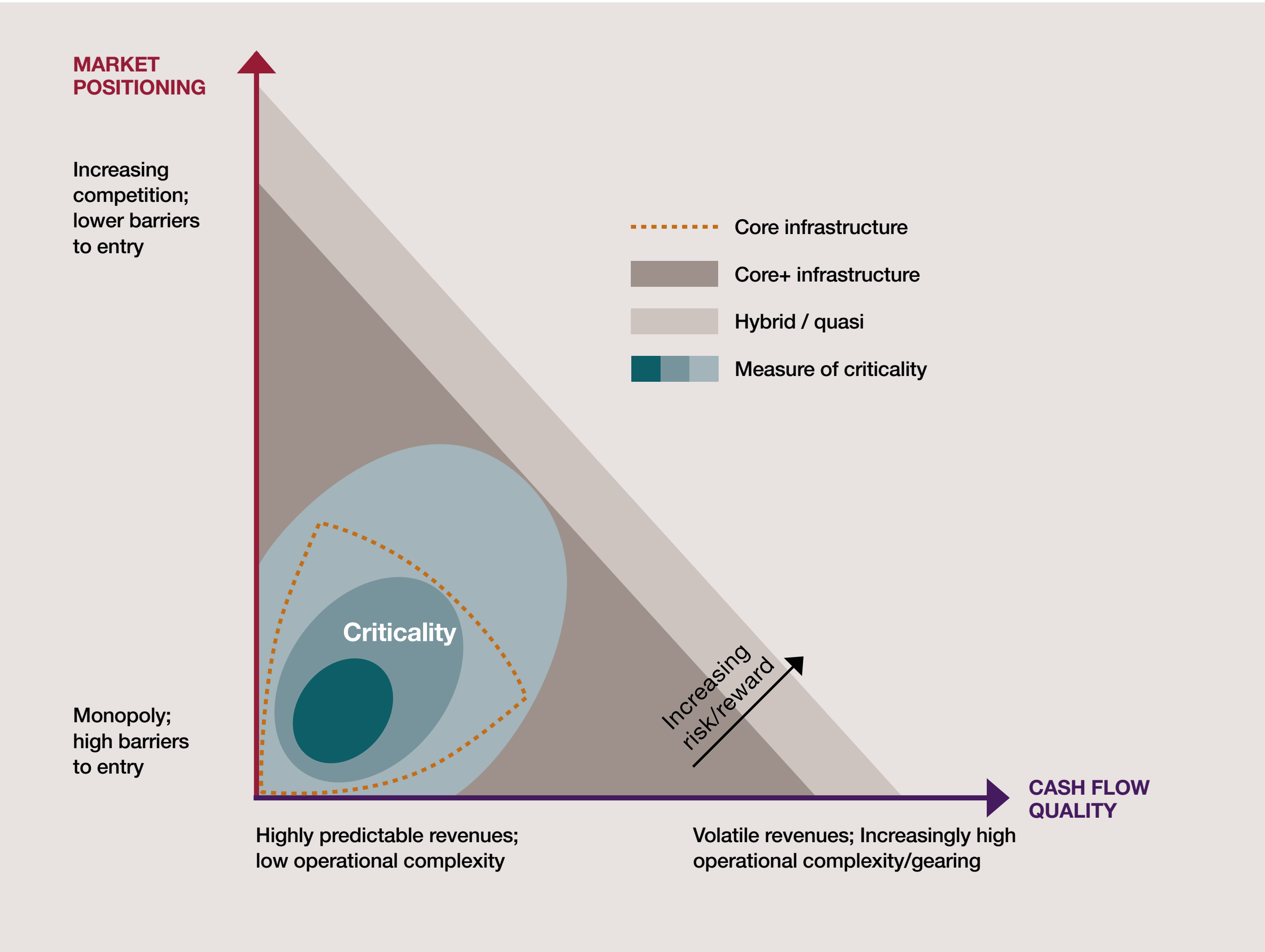
[1] HICL Infrastructure Company Limited was launched in 2006. Since then, in 2019, as part of the transfer of the portfolio and UK domiciling, HICL Infrastructure Company Limited was placed into voluntary liquidation and via a Scheme of Arrangement transferred its assets to HICL Infrastructure PLC and shareholders were issued with one New Ordinary Share in a HICL Infrastructure PLC, for each HICL Infrastructure Company Limited Ordinary Share that they held. "HICL" means HICL Infrastructure Company Limited prior to 31 March 2019 and HICL Infrastructure PLC from 1 April 2019

In this way, core infrastructure is a distinct market segment, comprising assets with good cash flow visibility, entrenched market positioning, that sit at the heart of society and the economy; that is, essential infrastructure that delivers resilient cash flows from a protected market position.

Accordingly, investors accept the vital role that these assets play in society and therefore the importance of a stakeholder-led approach to maximising long-term shareholder value.

The three tenets of the framework work together to clearly define the core infrastructure equity market:

Core Infrastructure Schematic



2.1 The Infrastructure Market (continued)

Market segmentation

The Investment Manager analyses the core infrastructure market using a matrix with the following dimensions:

- ▲ Asset quality: cash flow quality, market positioning and criticality
- ▲ Revenue profile: PPP, regulated, demand and corporate
- ▲ Investment categorisation: contracted, mitigated and strategic

The intersection and interaction of these dimensions within the matrix is set out below.

		PPP	**Regulated**	**Demand-based**	**Corporate**
Asset Quality	**Cash flow quality**	– Highly contracted revenue and costs – Revenue covenant with public sector counterparty – Lower operational gearing	– Cost variability mitigated by regulatory review mechanism – Medium operational gearing / complexity	– Predictable ‘user pays’ revenues under a range of macro environments derived from non-discretionary demand – Low operational gearing	– Revenues partially contracted with high-quality and/or suitably diversified corporate counterparties
	Market positioning	– Operate under exclusive licence/lease frameworks – High capital cost	– Regional monopolies – Entrenched / incumbent networks – High capital cost	– Strategic positioning with limited alternatives – High user value proposition – Non-discretionary demand – High capital cost	– Defensive business models – Limited competition – Non-discretionary usage – Capital intensive businesses
	Asset criticality	– Facilitating the delivery of essential services and/or important social function	– Provision of essential goods; vital to individuals, communities and the economy	– Typically vital transport links; connecting regions and facilitating employment	– Infrastructure key to the delivery of essential goods and services (e.g. meters, fibre)
		Highly **contracted** projects with exclusive revenue rights from government counterparties	Monopoly infrastructure with cost variability **mitigated** by regulatory review mechanisms	Revenue quality underpinned by **strategic** positioning; limited competition and non-discretionary demand	**Strategic** positioning from limited competition, typically including **contracted** revenues
		Contracted	**Mitigated**	**Strategic**	**Contracted** / **Strategic**

This matrix illustrates the extent to which the various revenue profiles exhibit different risk characteristics, but also vary with respect to their alignment with the three core infrastructure markers of asset quality. Weighing these attributes together, the Investment Manager is able to make a further categorisation of the market for infrastructure investments: contracted, mitigated and strategic. This investment categorisation reflects the nature of the revenue and cost base and accordingly, the stability of the cash flows to equity. Through this classification matrix the Investment Manager is able to make a comprehensive assessment of risk characteristics across the infrastructure market. This informs asset pricing and provides a guide for robust portfolio construction via effective diversification.

PPP projects

PPP projects can offer some of the lowest risk investment opportunities in the infrastructure equity market, owing primarily to the high cash flow quality inherent in the **contracted** nature of both revenues and costs. However, the risk profile of PPPs can vary owing to, for example, any construction risks, contractual structure, the financial strength and technical capability of subcontractors and the relationship with key stakeholders, including the project's public sector client. The manifestation of one or more of these risk factors can shift the risk profile to be higher than a smooth-running operational PPP project, a regulated asset or an operational toll road.

Regulated assets

Regulated assets support the delivery of critical services to end users, including consumers and businesses. Their monopolistic market positioning means that they are subject to regulatory regimes that balance performance standards and affordable pricing for the end-user, with the financial viability of the companies. This provides a **mitigated** risk / reward framework across service delivery, infrastructure and resource management, and key costs, in particular, capital investment and maintenance. Revenues are sourced directly from users rather than the annual budgets of public sector bodies, providing an important differentiator to PPP projects. Additionally, in contrast to PPPs, regulated assets tend to operate as perpetual businesses rather than fixed life concessions and do not afford the public sector with termination for convenience mechanisms.

Demand-based assets

Demand-based assets, where revenues vary with user volumes, are coveted where their **strategic** positioning ensures that they benefit from non-discretionary usage and limited alternatives, such as a critical transport link. This is evidenced through, for example, strong usage history or limited uncertainty in forecast demand under a range of macro environments. Importantly, demand-based infrastructure without this important strategic positioning would not be considered core infrastructure. Compared to PPP projects and regulated assets, demand-based assets are generally less sensitive to political and regulatory risks. They have a greater exposure to volume (traffic/usage) risk and may have investment returns that are correlated to the rates of economic growth and inflation. Asset owners are suitably compensated for taking this patronage risk.

Corporate assets

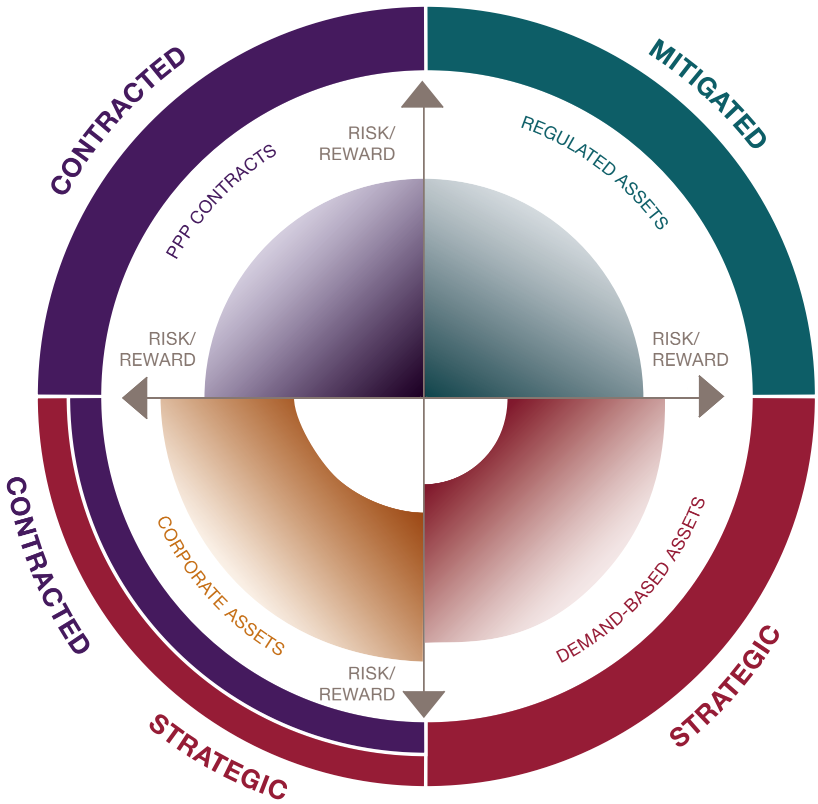
Corporate assets typically benefit from an element of **contracted** revenues from corporate counterparties alongside effective **strategic** market positioning, underpinned by non-discretionary demand. The more concentrated the off-take counterparties, the greater the required credit strength. Well-structured opportunities within this revenue profile will effectively diversify HICL's revenue and subcontractor counterparties base, whilst reducing exposure to the political and regulatory risks inherent in PPP and regulated assets. Corporate assets are differentiated from demand-based assets as they typically have an element of contracted revenues and a lower level of GDP exposure.

Active asset management can drive the mitigation of risk and realisation of reward. More detail on the key risks faced by, and mitigants available to portfolio companies can be found in Section 3.7 – Risk & Risk Management.

2.1 The Infrastructure Market (continued)

The diagram below shows an illustration of the core infrastructure market segment, organised principally by revenue profile (i.e. PPP, regulated, demand-based and corporate) with a further overlay reflecting investment categorisation (i.e. contracted, mitigated and strategic).

Illustrative Infrastructure Market Map



KEY
Inner wheel denotes Revenue Profile
Outer wheel denotes Investment Categorisation

PPP Projects	Regulated Assets	Demand-based Assets	Corporate Assets
Example: Social infrastructure, transportation	Example: Water utilities, electricity and gas transmission and distribution	Example: Toll roads, student accommodation	Example: Rolling stock leasing
– Long-term contracts, e.g. 20–30 year concessions – Public sector counterparties, typically with strong covenants – Availability-based payments offering stable, contracted revenues, often with inflation linkage	– Owners of infrastructure assets with monopolistic traits, subject to regulatory price controls – Regulator agrees investment requirements and determines cost of equity – Long-term assets; low correlation with economic activity and good inflation linkage	– Typically concessions, sometimes owners of assets with monopolistic traits – Revenues linked to usage of the underlying assets – Usually have good inflation linkage; may have returns correlated to GDP	– Contracted revenues with corporate counterparties – Can cover delivery of services, not just provision of assets – Often shorter-term rolling contracts

2.2 Investment Proposition

HICL seeks to provide sustainable income from a diversified core infrastructure portfolio. The Company offers investors stable, long-term returns from investments in the infrastructure that is vital to communities. HICL invests in core infrastructure sectors such as roads, rail, utilities, networks, and social infrastructure.

The Investment Manager, on behalf of HICL, actively seeks essential infrastructure assets that deliver resilient cash flows. Once invested, InfraRed implements a strategy for HICL to discharge its role as a trusted steward to build, finance, manage and run this essential infrastructure for shareholders and communities over the long term. This is realised through HICL's business model which is set out in Section 2.3 – HICL's Business Model & Strategy.

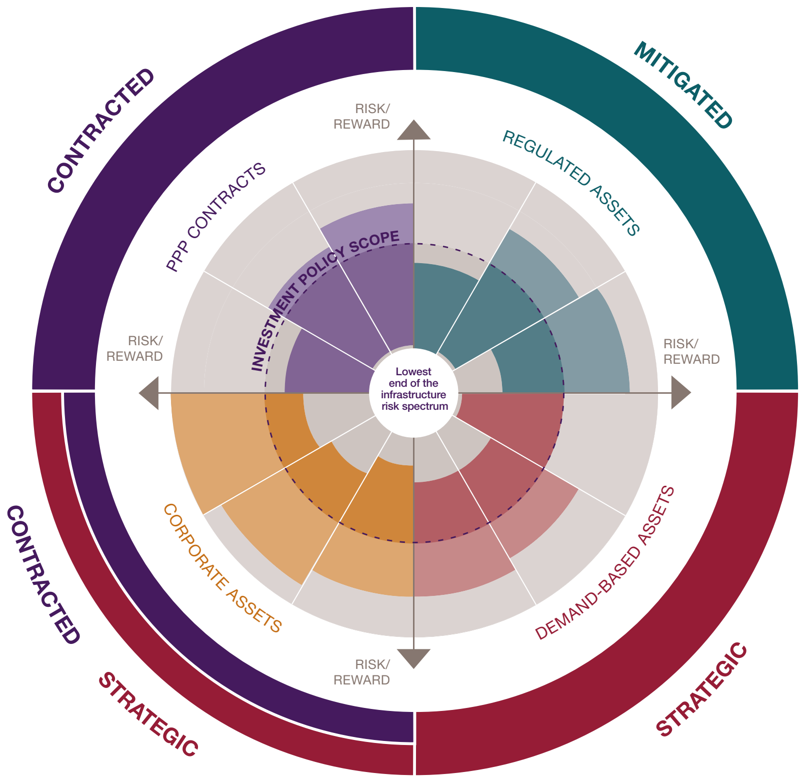
HICL's Investment Policy Scope
The schematic below overlays HICL's Investment Policy onto the infrastructure market map (see Section 2.1 – The Infrastructure Market).

HICL invests in core infrastructure assets, which are inherently positioned at the lower end of the infrastructure equity risk spectrum, as discussed in Section 2.1 – The Infrastructure Market. The diagram below shows a representation of HICL's Investment Policy scope in the context of the wider infrastructure market.

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

- ▲ lower risk investments are towards the centre of the schematic, with higher risk investments towards the outside;
- ▲ each sector is broken down into sub-sectors which also cover overlapping risk profiles, ranging from, for example, low risk payment mechanisms (availability-based, long-term contracts) and / or fully operational assets at the lower end to higher risk propositions for example, those under construction, hybrid payment mechanisms and / or those with less predictable revenue streams; not all sub-sectors are shown, in particular some higher risk sub-sectors that are not relevant to HICL have been excluded;
- ▲ grey indicates that opportunities do not typically exist in the relevant sub-sector across the entire risk spectrum; and
- ▲ the outer wheel represents the Investment Categorisation applied to assets, which is developed through the market segmentation matrix in Section 2.1 – The Infrastructure Market.

Investment Policy Scope



KEY
Inner wheel denotes Revenue Profile
Outer wheel denotes Investment Categorisation

2.3 HICL's Business Model & Strategy

HICL's strategy to deliver the Investment Proposition is through successful execution of its Business Model. The Board delegates the majority of the day-to-day activities required to deliver the Business Model to the Investment Manager, InfraRed Capital Partners Limited ("InfraRed"). More information on the InfraRed business can be found at Section 2.5 – Investment Manager's Report.

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 continue to operate with the endorsement of their key stakeholders, including through the delivery of contractual and regulatory requirements, in order to deliver the base-case investment return.

This is achieved through:

- Providing effective 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 and critical issues
- Delivering HICL's Environmental, Social and Governance ("ESG") strategy at the asset level by promoting greater awareness within portfolio company management teams and driving the pursuit of specific initiatives to comply with regulation and support sustainable, responsible business operations (see Section 3.2 – Sustainability Report)
- Oversight of financial performance of each investment against HICL forecasts
- Optimising 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

InfraRed's Asset Management and Portfolio Management teams pursue opportunities to deliver outperformance from the existing portfolio through a systematic, strategic programme of value enhancement. 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 optimise asset business plans or capital structures (for example, refinancing existing senior debt facilities)
- Developing and implementing procurement efficiencies across HICL's large and diverse portfolio, in particular by leveraging economies of scale (for example, management services and insurances for PPP projects)
- Exploring opportunities to add to or upgrade asset level facilities to improve stakeholder outcomes whilst supporting long-term shareholder returns (for example, undertaking contract variations on PPP projects that add to the scope of services)
- Driving efficient financial and treasury 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 in full on page 89 and is summarised in Section 2.2 – Investment Proposition. This sets the over-arching framework within which HICL seeks to construct a resilient core infrastructure portfolio that delivers the Investment Proposition and is consistent with HICL's overall risk appetite. Fundamentally it does this through:

- A structured asset quality evaluation framework focusing on cash flow quality, market positioning and criticality as set out in Section 2.1 – The Infrastructure Market
- Careful and deliberate portfolio construction to limit exposure to any one factor and in so doing improve portfolio resilience
- An overarching focus on sustainability that is built into the investment process (see Section 3.2 – Sustainability Report)
- An objective that acquisitions generally improve HICL's measures for portfolio accretion

Working within investment 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's Origination and Execution team, in coordination with the Fund Management team, uses a variety of channels to source accretive transactions for HICL. These include:

- Originating off-market transactions through relationships within InfraRed's extensive network of investment partners and advisers;
- 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 where these are accretive to the portfolio and optimise portfolio construction.

The table below summarises HICL's Acquisition Strategy:

Geography	**Segmentation**	**Asset quality**	**Value-add**
Located in developed infrastructure markets	Organised by investment categorisation and revenue profile	An evaluation of risk and reward	Enhances existing portfolio
– UK – Europe – North America – Australia / NZ	▲ Investment categorisation: – Contracted – Mitigated – Strategic ▲ Revenue profile: – Public Private Partnerships – Regulated assets – Demand-based – Corporate	▲ Cash flow quality – Predictable long-term revenues – Lower operational gearing ▲ Market Positioning – Limited competition – High barriers to entry ▲ Criticality – Essential assets – Strong social licence	▲ Accretive on one or more metric: – Yield – Total return – Inflation linkage – Asset life ▲ Effective diversification ▲ Pricing discipline ▲ Potential for value enhancement

2.4
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 2020 are set out below.

KPI	Measure	Objective	Commentary	31 March 2020	31 March 2019
Dividends	Aggregate interim dividends declared per share for the year	An annual distribution of at least that achieved in the prior year	**Achieved**	8.25p	8.05p
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**	9.0% p.a.	9.4% p.a.
Cash-covered Dividends	Operational cash flow/dividends paid to shareholders	Cash-covered dividends	**Achieved**	1.14x[2]	1.27x
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[3]	Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible	**Market competitive cost proposition**	1.11%	1.08%

[1] Set by reference to the issue price of 100p/share, at the time of HICL's IPO in March 2006
[2] Including profits on disposal. Excluding this, dividend cash cover would have been 1.03x (2019: 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 2020	31 March 2019
Investment Concentration Risk	Percentage of portfolio value represented by the ten largest investments 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**	44% 6%	45% 7%
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, to be lower than the aggregate limit of 35% for such investments	**Achieved[5]**	23%	24%
Unexpired Concession Length	Portfolio's weighted-average unexpired concession length	Seek where possible investments that maintain or extend the portfolio concession life	**Within acceptable tolerances**	27.8 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)	**Within acceptable tolerances**	0.5% 0.5%	0.3% (0.3%)
Refinancing Risk	Investments with refinancing risk[4] as a percentage of portfolio value	Manage exposure to refinancing risk	**Achieved**	12%	13%

[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 2020, 3% of portfolio value was in construction and 20% was demand-based assets (23% 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

Salford Hospital, UK

2.5
Investment Manager's Report

Harry Seekings
Co-Head of Infrastructure, InfraRed
Harry leads the InfraRed team that manages HICL

Keith Pickard
Director, Infrastructure, InfraRed
Keith is responsible for managing the financial activities carried out by InfraRed for the HICL Group

Edward Hunt
Director, Infrastructure, InfraRed
Edward's focus is on HICL's investment strategy and investment opportunity screening

The Investment Manager

InfraRed Capital Partners Limited ("InfraRed") acts as the Investment Manager to HICL, and Operator of the Group's investment portfolio. InfraRed is appointed as HICL's Alternative Investment Fund Manager ("AIFM"), under the Alternative Investment Fund Manager Directive ("AIFMD").

As Investment Manager to HICL, InfraRed has day-to-day responsibility for the Company and interfaces with HICL's key stakeholders. Our activities include:

- Development and execution of HICL's strategy;
- Stewarding the assets in the portfolio, through proactive asset and portfolio management, including critical issue management;
- Investment origination, due diligence and execution; and
- Capital raising, investor relations and preparation of key external communications.

InfraRed is an international investment manager:

- Headquartered in London with offices in Hong Kong, Mexico City, New York, Seoul and Sydney;
- 20+ year track record of successful investment in infrastructure in over 200 assets;
- c. 90 infrastructure professionals with requisite technical, operational and investment expertise; and
- Authorised and regulated by the Financial Conduct Authority.

In December 2019, InfraRed announced an agreement whereby Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life") will purchase a majority stake in InfraRed. The transaction is expected to close during the first half of 2020. The Sun Life acquisition will provide further support to InfraRed in its role as Investment Manager to HICL over the coming years. For more information please see the Corporate Governance section or visit www.sunlife.com.

Sustainable Approach

As Operator of the Group's portfolio, InfraRed's Asset Management and Portfolio Management teams are responsible for preserving and enhancing value for all stakeholders including shareholders.

In our role as custodians of critical infrastructure, we take our responsibilities to HICL's stakeholders seriously. HICL's success is intrinsically linked to our responsible management of key public assets and we work hard to build and maintain trusting partnerships between the public and private sectors.

InfraRed has been, since 2011, a signatory of the Principles for Responsible Investment ("PRI") and is represented on the Infrastructure Advisory Committee of PRI. The infrastructure business line achieved an A+ rating, the highest attainable, for the fifth successive year in our 2019 PRI assessment. InfraRed's PRI Assessment report can be found on InfraRed's website: https://www.ircp.com/PRIAssessment2019.

Summary of the year

Underlying portfolio performance was solid in the year, with an annual return of 7.1% (including a value reduction taken on Affinity Water in September 2019). However, this was offset by a combination of external factors: the exceptional impact of Covid-19 on demand-based assets (see below), a reversal of planned decreases in UK corporation tax rates and reduced forecast deposit interest rates. Net Asset Value ("NAV") per share has consequently decreased by 5.2p to 152.3p at 31 March 2020 (2019: 157.5p).

The effects of systemic lockdowns continue to significantly impact usage of HICL's GDP-linked demand-based assets. However, these assets are strategically important to their respective regions and well-positioned to benefit from the resumption of economic activity. A case study on these assets is set out in Section 3.4 – Valuation of the Portfolio. In the meantime, while economic uncertainty remains elevated, the Investment Manager supports the Board's prudent approach to maintain the dividend at the current level.

Political and regulatory uncertainty, which had been impacting the UK infrastructure landscape for more than 24 months, has eased due to the decisive general election result and the conclusion of the water sector's periodic Price Review in December 2019.

HICL has a strong balance sheet:

- Strong investor demand for the Company's equity in December 2019 and January 2020 enabled capital raising of £117m through tap issuance which repaid borrowings; and
- The Revolving Credit Facility was successfully refinanced in April 2020[1], and has £321m of available drawings.

The attractions of predictable, long-term cash yields from core infrastructure continue to attract institutional investors in the current environment.

InfraRed continues to focus on investment discipline, and has cultivated a strong, well-diversified pipeline for HICL, which it is actively pursuing.

The Investment Manager continues to prioritise active asset management of the existing portfolio. Robust business continuity plans have been implemented across the portfolio to respond to the challenges raised by the Covid-19 pandemic.

> "A challenging and unprecedented market context during the final weeks of the financial year impacted on steady progress made over the preceding 11 months. Against this backdrop the Company has delivered a solid set of results."
>
> **Harry Seekings**

Covid-19

InfraRed has the following key priorities in managing risks deriving from Covid-19:

- The well-being of management teams and subcontractor staff who work in the facilities in HICL's portfolio every day;
- Keeping essential public assets available for their communities by ensuring continued delivery of services related to the maintenance of infrastructure; and
- Protecting the financial performance of HICL's portfolio.

See Sections – 3.4 Valuation of the Portfolio and 3.7 – Risk and Risk Management for further details.

Operational resilience

Across the portfolio, long-established business continuity plans have been implemented, with project companies working proactively with subcontractors and clients, supported by InfraRed's Asset Management team.

InfraRed's own corporate business continuity plan has been enacted, and activities relating to its role as Investment Manager and Operator migrated to a remote working environment.

All HICL's key service providers have implemented their continuity plans which are ensuring their operational effectiveness.

Portfolio Performance

Portfolio companies are supporting the public sector to ensure assets remain available for use by their communities, and best meet the needs of clients. Examples of this within HICL's healthcare PPP facilities are the creation of isolation wards from standard wards, changes to layout to enable separation of patients and the establishment of disinfection stations for ambulances.

Long-term, availability-based contracts provide an element of protection from the economic effects of the pandemic on HICL's investments in PPP projects; and the regulated assets in HICL's portfolio have continued to operate without material disruption.

[1] On 3 April 2020, a one year extension of HICL's £400m Revolving Credit Facility, to 31 May 2023, was signed with seven of the eight existing lenders (minus Lloyds) totalling c. £360m, on the same commercial terms

2.5 Investment Manager's Report (continued)

At the time of writing, the subset of HICL's portfolio where revenues are driven by GDP-correlated demand (18% of portfolio value) continues to be impacted by the ongoing, systemic restrictions on movement ("lockdowns"). Further details are set out in a case study within Section 3.4 – Valuation of the Portfolio. The financial structures of the A63 Motorway (France), Northwest Parkway (USA) and High Speed 1 ("HS1") are appropriate for the revenue risk each bears and are forecast to remain robust while economic activity recovers.

The impact of lockdowns, while significant, should not detract from the underlying quality of these assets. The A63 Motorway, Northwest Parkway and HS1 are all strategically important transportation links that are essential to regional interconnectivity. We will continue to monitor the performance of the investments as lockdowns are eased, working closely with the portfolio company management teams.

Financial Considerations

HICL has a strong liquidity position, with £321m of available drawings on its £400m debt facility.

Portfolio companies typically have robust balance sheets, and all are funded on a non-recourse basis to HICL. Selected distributions to HICL have been intentionally delayed, leaving cash in particular portfolio companies to ensure an additional level of resilience.

The valuation of the Company's investments in demand-based assets has been affected by the unprecedented impact of Covid-19 on global economic growth. This has been reflected in forecast cash flows for these assets; and also through a risk premium applied via the discount rates used for the valuation.

Revised forecasts project a continuation of the current lockdown conditions through to 30 June 2020, with a phased recovery to normal operating conditions by 1 January 2021. Over a longer horizon, traffic growth assumptions have been re-cast using median economic forecasts for GDP. The increased risk premium used in the valuation of the assets, reflects a degree of uncertainty around the precise trajectory of the eventual economic recovery. The overall impact of these changes to NAV was £72m (4.0p per share) as at 31 March 2020. Please see Section 3.4 – Valuation of the Portfolio for further details on this, including a case study which focuses on forecasts for the demand-based assets and key stress scenarios.

Dividend Guidance

The Investment Manager has worked closely with the Board to consider forward dividend guidance at a time when the operating environment is characterised by heightened uncertainty and where HICL's demand-based asset portfolio is not expected to contribute yield until there is a recovery in economic activity in 2021. We concur with the Board's view that it is appropriate for the Board to maintain the dividend at the current level which is expected to be substantially cash-covered.

HICL will provide ongoing disclosure during the financial year on the performance of the demand-based assets against the revised forecasts and the Board will keep dividend guidance under review as the macro-economic environment evolves.

Financial Highlights

Net Asset Value ("NAV") per share has decreased by 5.2p to 152.3p at 31 March 2020 (2019: 157.5p). HICL's annualised Total Shareholder Return, based on change in NAV per share plus dividends paid, was 1.9% for the year (2019: 10.8%). Solid performance from the underlying portfolio (including the reduction in the valuation of Affinity Water taken at September 2019) was offset by a combination of external factors: the exceptional impact from Covid-19 on demand-based assets (£72.0m / 4.0p per share); and changes to macroeconomic assumptions, including reduced forecast interest rates and the reversal of the UK's planned reduction in corporation tax rates to 17% (£58.4m / 3.3p per share).

Cash flow receipts on an Investment Basis were £205.9m (2019: £212.8m). After finance and operating costs, net operating cash flows on an Investment Basis were £169.1m (2019: £178.9m), which covered the dividends paid in the year 1.14[2] times (2019: 1.27 times) or 1.03 times (2019: 1.03 times) excluding the impact of disposals.

Earnings were £49.5m for the year to 31 March 2020 (2019: £285.4m). This was principally driven by the same factors as the decline in NAV above.

HICL uses the Association of Investment Companies' methodology to assess the ongoing charges percentage, which for the financial year to 31 March 2020 was 1.11% (2019: 1.08%), which compares well with other investment companies in the London-listed infrastructure sector.

[2] Including profits on disposal of £16.4m (2019: £34.0m)

Operational highlights

The underlying performance of the portfolio has been solid in the year, with value enhancements delivering £30m of portfolio return, or 1.6p per share of the NAV[3]. See Section 3.1 – Operating Review for more details.

PPP projects

Public-private partnerships ("PPPs") represented 72% of the portfolio by value, at 31 March 2020. These are contracts between the public and private sectors to facilitate the delivery of essential public infrastructure, such as school and hospital buildings.

In the year ended 31 March 2020, InfraRed completed HICL's investment in the Blankenburg Connection, a road tunnel construction project in the Netherlands. While assets under construction represent a small part of the portfolio, c. 3% by value at 31 March 2020, InfraRed believes these types of investments provide an attractive opportunity for the Investment Manager to add value, by successfully completing construction and moving to the operational phase – a key theme of HICL's Capital Market Event in January 2020.

Demand-based assets

Investments where aspects of the revenue drivers are based on user demand accounted for 20% of the portfolio by value as at 31 March 2020. The majority of these have revenues correlated to GDP, 18% at 31 March 2020.

The Company's two toll road investments, the A63 Motorway and Northwest Parkway, performed well in the year, with traffic outperforming expectations for the first 11 months, ahead of the onset of the systemic lockdown conditions in March 2020 as a result of the Covid-19 pandemic. These conditions, which are persisting at the time this report, have significantly reduced usage of both toll roads (see Section 3.4 – Valuation of the Portfolio).

HS1 also delivered revenue in line with expectations for the year, despite the impact of the Covid-19 pandemic during the final quarter. HS1's contracted bookings for train paths provides significant mitigation to the short-term impacts of Covid-19 on the asset; however, income from retail units and car parking has decreased significantly. This is set out in Section 3.4 – Valuation of the Portfolio.

In January 2020, HS1 received the Final Determination on its five-year business plan for Control Period 3 from the Office of Rail and Road. This final determination was in line with expectations and, as previously disclosed, there was little impact on HS1's financial performance, as costs are passed down to the train operating companies.

Regulated assets

Regulated assets, comprising both the Offshore Transmission assets ("OFTOs") and HICL's investment in Affinity Water, accounted for 8% of the portfolio by value, at 31 March 2020.

InfraRed completed two investments in OFTO assets for HICL during the year to 31 March 2020. These diversified the Company's portfolio of regulated assets and further diversification will come with the completion of the Walney Extension OFTO, expected in 2020.

Affinity Water (6% of portfolio value at 31 March 2020) accepted the Final Determination ("FD") from Ofwat on its business plan for Asset Management Period 7 (April 2020 to March 2025) ("AMP7"), as the final step in the 2019 Price Review ("PR19"). The resolution of the PR19 process allows Affinity Water's management team to focus on achieving the challenging operational efficiencies required for AMP7. A value reduction of £39.9m associated with the expected outcome of the FD was recognised at 30 September 2019 and this valuation has been maintained at the year end.

Funding and Capital

HICL has a strong balance sheet that has been bolstered further during the year to 31 March 2020.

Firstly, a return to favourable equity market conditions early in the second half enabled the Company to respond to investor demand and undertake successful equity capital raising by way of tap issuance of £117m. The funds raised were deployed to repay short-term borrowings and support the acquisition strategy.

InfraRed also successfully extended HICL's Revolving Credit Facility in April 2020[4], a notable achievement in volatile capital markets which illustrates the ongoing support of HICL's lenders. The facility had £321m available at 31 March 2020 and thus HICL has good liquidity, putting the Company in a strong position in the current environment and, selectively, to pursue attractive investment opportunities.

Sustainability

HICL's Sustainability Policy

Investing sustainably is central to HICL's business model. It means ensuring each portfolio company takes responsibility for its environmental, social and governance impacts, risks and opportunities. It is only when environmental, social and economic sustainability come together in a strong governance framework that the investment proposition can be delivered in the long term.

[3] Excluding the impact of Covid-19 and the previously disclosed reduction in the value of Affinity Water
[4] On 3 April 2020, a one year extension of HICL's £400m Revolving Credit Facility, to 31 May 2023, was signed with seven of the eight existing lenders (minus Lloyds) totalling c. £360m, on the same commercial terms

2.5 Investment Manager's Report (continued)

The roles and responsibilities of the Board and InfraRed in respect of sustainability are set out in HICL's Sustainability Policy (published on www.hicl.com) and rigorously applied across the HICL portfolio. This includes a robust approach to corporate governance, with strong controls in place at corporate level for HICL, and board representation by InfraRed Asset Managers at portfolio company level.

HICL's Policy states that the Company:

- ▲ Invests in assets which have a social purpose, which promote social development and quality of life;
- ▲ Creates a positive environmental impact now and for future generations;
- ▲ Makes an overall beneficial impact on the communities in which our assets are located; and
- ▲ By doing so, aligns the interests of stakeholder groups of HICL's investments, aligned to its role as a trusted steward of core infrastructure assets for the long term.

See Section 3.2 – Sustainability Report for further details.

InfraRed's approach to Sustainability
InfraRed has a strong track record as a responsible investor and partner, which includes a commitment to the Principles for Responsible Investment ("PRI"), with InfraRed's infrastructure business maintaining its A+ rating for a fifth year.

InfraRed's Sustainability Policy, including our commitment to fully integrating sustainability into the investment processes, is published on our website (www.ircp.com). (Further detail of the influence of sustainability matters on the investment process can be found in Section 3.2 – Sustainability Report.)

Our vision is:

Investing in real assets with real purpose to create a sustainable future

Based on our values and supported by recognised guidance frameworks such as the PRI, we prioritise our resources to make a positive contribution to the UN's Sustainable Development Goals.

Health and Safety is a core component of a sustainable business. InfraRed has ensured that all of the Group's portfolio companies providing operational services and / or undertaking maintenance have a health and safety policy. See Section 3.2 – Sustainability Report for further details.

InfraRed is committed to minimising its own environmental impact where possible, and intends to be a net zero carbon firm, for 2019 and 2020, by offsetting its emissions using an accredited offsetting scheme.

Key Risks
Each quarter the Board's Risk Committee reviews the risk appetite of the Company. This includes an assessment of emerging risks, supported by comprehensive stress testing and associated mitigation strategies provided by InfraRed.

Risks are reviewed and steps are taken to reduce the impact on stakeholders, including the Company's shareholders.

Further information on the Key Risks can be found in Section 3.7 – Risk and Risk Management.

Changes in GDP
Current government actions to limit the spread of Covid-19 have resulted in reduced economic activity worldwide. HICL's key demand-based assets (the A63 Motorway, Northwest Parkway and High Speed 1) have been impacted by the resulting downturn in the economies in which they are located (UK, Eurozone and USA).

In the near term there is uncertainty over both the duration of the downturn and its severity. The timing and shape of the recovery of economic activity in these regions will influence the financial performance of HICL's demand-based assets. The important role that these assets play in connecting regions and facilitating the movement of people and goods means they are well positioned to benefit from the economic recovery.

Political and regulatory risk
Politics and regulation are key underlying risks that are inherent in infrastructure investment.

InfraRed remains committed to active involvement in the UK national debate on the future of infrastructure financing and regulation.

As previously disclosed in the Company's Interim Report, in April 2019 InfraRed made a submission to the National Infrastructure Commission for its *The Future of Regulation Study* and, in June 2019, responded to the *Infrastructure Finance Review Consultation* jointly launched by HM Treasury and the Infrastructure and Projects Authority. We also continue to engage with political influencers through active involvement with key industry bodies, such as the AIC, the Global Infrastructure Investor Association and The Infrastructure Forum.

Counterparties

The nature of the contractual frameworks that underpin many of the investments that InfraRed makes on behalf of HICL necessitate close partnerships with a range of counterparties. These include customers or clients, lenders, and delivery partners, including construction and maintenance subcontractors.

The success of these relationships is fundamental to the delivery of HICL's Investment Proposition for shareholders and communities alike. Through its Asset Management team, InfraRed builds strong working relationships at multiple levels to affect its 'partnership-first' approach, prioritising working together to deliver optimal outcomes.

We actively seek regular contact with key counterparties throughout the supply chain and with revenue-providing counterparties, while InfraRed's in-house credit team actively monitors the financial strength and stability of all these entities. Monitoring efforts are even more important in times of market stress, such as we are seeing from Covid-19.

On PPP projects, one key area of interaction with project subcontractors, lenders and public sector counterparts is in relation to the remediation of identified construction defects on operational assets, which if unresolved can impact on asset availability and/or the ability for projects to make distributions to investors. Liability for construction defects within certain contractual and statutory time frames typically falls to the construction subcontractor. Driving the resolution of construction defects as they are identified is a key priority of our active management of the HICL portfolio.

The onset of Covid-19 is expected to affect the ability to investigate and remediate defects on certain assets (e.g. hospitals) and has necessarily shifted the focus of all asset stakeholders to the heightened operational requirements of the facilities. Where project distributions are being held back due to identified construction defects, the time frames around the release of these may be delayed as a result: this is reflected in the portfolio valuation and cash flow forecast.

Market and Outlook

In the near term, and particularly with respect to Covid-19, we are focused on prioritising active management of HICL's portfolio. Our Asset Management team is working in close partnership with both clients and key service providers to protect the service delivery of essential public infrastructure and preserve the value in HICL's portfolio for shareholders.

With uncertainty stemming from Covid-19 continuing to affect financial markets and society more generally, we are maintaining a cautious approach to assessing investment opportunities for HICL. Nonetheless, during the latter stages of the financial year we have developed an attractive pipeline of core infrastructure assets and continue to keep these under review.

Now, more than ever, the attractions of predictable, long-term cash yields from core infrastructure continue to appeal to institutional investors. Notwithstanding the impact of Covid-19, the underlying portfolio continues to perform well in these conditions. Whilst those assets with demand exposure are undoubtedly affected by the unprecedented global restrictions on movement, they are well positioned to benefit from the resumption of economic activity.

The longer-term future for infrastructure investment will also continue to generate opportunities for HICL, with Oxford Economics estimating that c. US$3.7tn must be invested in infrastructure globally every year to 2040, over US$1.3tn of which is accounted for by Europe, the Americas and Oceania[5]. In developed markets this is required to sustain economic and population growth, taking the form of new investment and the upgrading of aging asset estates.

We expect that new opportunities will arise to further enhance the Company's portfolio construction and improve key portfolio metrics, and InfraRed will selectively act on these for HICL.

[5] Oxford Economics and Global Infrastructure Hub "Global Infrastructure Outlook: Infrastructure investment needs, 50 countries, 7 sectors to 2040", July 2017

Blackburn Hospital, UK

03
Performance & Risk

3.1
Operating Review

Business Model

HICL's Business Model comprises three key pillars:

- Value Preservation achieved through a stakeholder-led approach, ensuring the realisation of long-term stakeholder outcomes, including for HICL's investors;
- Value Enhancement is where active management is undertaken to outperform the base case for the benefit of all stakeholders; and
- Accretive Investment to construct a portfolio which delivers the Investment Proposition (see Section 2.3 – HICL's Business Model & Strategy).

HICL delegates the majority of the day-to-day activities required to deliver the business model to InfraRed, its Investment Manager and the Operator of its portfolio. InfraRed's teams work to deliver each aspect of the Business Model for HICL.

This report provides additional commentary across the Value Enhancement, Value Preservation and Accretive Investment pillars of the Business Model to give additional texture on activities at asset, portfolio and Group level. Individual initiatives are not material on their own.

Value Enhancement

InfraRed's Asset Management and Portfolio Management teams seek opportunities to deliver outperformance from the portfolio by enhancing communities' experience of the infrastructure and / or improving long-term financial performance.

Initiatives such as those set out in this section of the report create operational and / or financial benefits for asset owners, public sector stakeholders and end users. In doing so, the positive effect on the environment in which the infrastructure is embedded, demonstrates that responsible investment practices do go hand-in-hand with economic performance.

Examples of value enhancement in the period include:

Construction advancement

HICL has two investments currently in construction: the Biology, Pharmacy and Chemistry Department of the Paris-Sud University (France), and the Blankenburg Connection (the Netherlands) PPP projects, which together represent 3% of the portfolio, by value at 31 March 2020. The risk profile of these projects is reduced as they are advanced through construction thereby creating financial value for the Group.

Where construction timetables are impacted by Covid-19, resulting delays are expected to either be accommodated within current construction timetables or to trigger relief action by clients to minimise losses to both portfolio companies and construction counterparties. Therefore, the future delivery of both of these projects remains an opportunity for future value enhancement.

Variations

During the period, a number of contract variations were agreed with clients. These enhance asset outcomes for clients, improve the end-user experience and create value for HICL's shareholders. Examples are provided in Section 3.2 – Sustainability Report.

Lifecycle

52% of the portfolio, by value at 31 March 2020, retains primary responsibility, both risk and reward, for asset condition and the effective delivery of asset renewal and lifecycle maintenance, as opposed to having contracted this to the supply chain.

Portfolio companies periodically review expenditure forecasts via detailed asset condition surveys that take into account the active asset management undertaken to date. To the extent that assets have performed better than expected at financial close, lifecycle works and the associated costs are then re-profiled and re-modelled. The result of this exercise can, in the context of responsible and appropriate asset maintenance, result in financial upside. New asset renewal expenditure forecasts were completed on six projects, which increased the valuation of the associated assets. A further seven reviews are underway.

The Investment Manager uses its depth of experience on assessing asset condition and data from across the wider InfraRed portfolio to ensure lifecycle and asset renewal is well managed for stakeholders while delivering value for shareholders.

Demand-based assets

HICL's demand-based toll road assets performed in line with expectations in the year, despite the impact of movement restrictions implemented by governments around the world in March 2020 in response to the Covid-19 pandemic. As noted in demand-based assets case study in Section 3.4 – Valuation of the Portfolio, these measures are expected to impact the performance of these investments in the coming year, which has been reflected in the valuation of these assets. Their effective, strategic market positioning underpins the non-discretionary nature of the usage profile, which means that these assets are well-positioned to benefit from the expected resumption of economic activity in the various geographies over the coming months.

Traffic on the A63 Motorway (France) for the full year was in line with the assumptions made in the valuation at 31 March 2019.

On the Northwest Parkway (USA), the annual traffic exceeded assumptions made in the 31 March 2019 valuation by 4%. In January 2020, the Investment Manager completed a refinancing of Northwest Parkway as part of its active treasury management strategy. The refinancing was achieved two years ahead of forecast, taking advantage of a favourable interest rate environment.

As mentioned in the Investment Manager's report, HS1 has performed in line with forecast. During the year:

- Eurostar announced direct London-Amsterdam and London-Rotterdam services, which were due to commence in May 2020; however, the benefit to increased train paths will be delayed as a result of the current economic downturn caused by the Covid-19 pandemic;
- St Pancras was twinned with Bordeaux's Saint-Jean station, which it is hoped will foster the creation of a direct five-hour service. The ceremony was attended by the UK Minister of State for Rail and the International President of SNCF; and
- St. Pancras International has been ranked first place in the Consumer Choice Center "European Railway Station Index 2020." The station was commended for its high passenger convenience and received a passenger satisfaction score of 96%.

Student rents at the University of Sheffield accommodation project were frozen for the academic year 2019-20 compared to 2018-19 to support the university's actions to boost occupancy. This led to underperformance of the asset in the year.

The Helicopter Training Facility experienced an increase in hours booked at the facility in the year. This led to an outperformance against the valuation assumptions.

Accounting and cash management

During the year, the Investment Manager has continued its approach to active cash management initiatives across the portfolio. 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. These initiatives are expected to provide additional value enhancement, over base case forecasts, in the medium term.

Value Preservation

InfraRed's Asset Management and Portfolio Management teams work closely together, in partnership with the management teams in the Group's portfolio companies and stakeholders of the infrastructure, to preserve the value of HICL's investments. The objective is to ensure portfolio companies provide well-maintained infrastructure to deliver key outcomes for end users, stakeholders and communities, perform in line with the relevant contractual obligations and / or regulatory framework, and, in so doing, meet or exceed the forecast base case investment return.

Strengthening partnerships

The Investment Manager recognises its position as a trusted steward of essential public infrastructure. As such, actively supporting the objectives of, and enhancing value for, society as a whole strengthens relationships with the communities, and improves the environment in which the infrastructure is embedded.

Portfolio companies actively support and facilitate public sector client initiatives, which are tailored to benefit stakeholders. HICL's Board has the firm belief that only with the endorsement of the communities in which the portfolio's infrastructure resides can HICL effectively deliver the value proposition for its investors over the long term.

These initiatives demonstrate that responsible investors in the private sector can contribute towards positive social outcomes and reinforce the benefits of the partnership model. Examples are provided in Section 3.2 – Sustainability Report.

Covid-19

As a portfolio of core infrastructure assets including schools, hospitals and emergency services buildings, HICL's portfolio is an important component of the response to Covid-19. This means that operations at the investments are both directly affected by Covid-19 and are at the heart of the fight against Covid-19. In response, the Investment Manager's priorities are:

- The ongoing health and well-being of staff, end users, clients and stakeholders, and delivery partners at all of the facilities within the portfolio. The Investment Manager's approach to ensuring that the needs of stakeholders are understood and acted upon is set out in a general sense under Governance in Section 3.2 – Sustainability Report, and applies particularly to the approach to tackling Covid-19.
- The revised priorities are the immediate service needs of the portfolio's clients, the end users of the portfolio's assets and other stakeholders, and to prioritise asset quality, availability and flexibility. Examples of the work being undertaken is set out in Section 3.2 – Sustainability Report.

3.1 Operating Review (continued)

- Managing the financial outcomes sustainably for investors, many of whom are pensioners who rely on the income generated from HICL. The financial impact of Covid-19 on the Company and its portfolio, in particular in respect of the demand-based assets, is set out in 3.4 – Valuation of the Portfolio.

This approach is aligned to the Infrastructure and Projects Authority's ("IPA") guidance in relation to PPP projects. The IPA has also provided guidance to public sector clients, setting out that *"Contracting authorities should work closely with PFI contractors to use all available options to maintain public services during the emergency period. This will include maintaining unitary charge payments (enabling PFI contractors to pay their workforce and suppliers), revising contract requirements/standards (including scope changes where necessary) and moderating payment and performance mechanism regimes where appropriate."*

Counterparties

Counterparty risk is a focus for HICL (see Section 2.5 – Investment Manager's Report and Section 3.7 – Risk & Risk Management) This would primarily manifest itself as either counterparty failure or underperformance of contractors. In each case, InfraRed's priority would be the continuation of service delivery to public sector clients and the users of the affected infrastructure.

HICL has contingency plans that proactively contemplate a scenario in which a key subcontractor enters administration or liquidation, which have been tested in recent years. In such an event, continuity of asset delivery to public sector clients and end users is key. The Investment Manager's wide network provides a number of potential replacement service providers.

All projects where Carillion PLC had been the operations and maintenance subcontractor at the time of its liquidation have been successfully transitioned to Bouygues, Engie, Integral and Skanska. These replacement subcontractors have engaged and integrated well with public sector clients and the Investment Manager.

Projects affected by the administration of Interserve PLC ("Interserve") continue to be available for public sector clients with good service levels maintained. HICL's exposure to Interserve has been reduced through the sale of two UK PPPs in the year.

Regulatory review processes

Affinity Water

As noted in the Investment Manager's Report, Affinity Water accepted the Final Determination from Ofwat on its business plan for the five years of Asset Management Period 7 ("AMP7") to 2025. The investment requirements to meet forecast capital expenditure in the Final Determination are significant and to this end, shareholders have, as previously reported, agreed to forgo dividends during AMP7.

Following the Final Determination, Affinity Water has been subject to credit ratings agency action:

- Moody's has confirmed Affinity Water's corporate family rating as Baa1.
- Standard and Poor's have downgraded the senior secured debt ratings of Affinity Water by one notch to BBB+ alongside downgrades for three other UK water utilities. This downgrade was expected and has not negatively impacted the value of Affinity Water.
- Fitch has given Affinity Water's senior secured debt a rating of BBB+.

High Speed 1

HS1 received the Department for Transport's and the Office of Rail and Road's final determinations in respect of the station charges and track charges, respectively, for the next five years. The outcomes achieved here strike the right balance between the long-term resilience of the asset and the immediate cost impact on train operating companies and their customers.

Construction defects

Construction defects are in most cases identified through the regular programme of operations and maintenance activities or as a result of proactive asset surveys commissioned by portfolio companies. If unresolved, these defects may impact on asset availability and / or the ability for projects to make distributions to investors.

Defects detected within the statutory limitations period (typically 12 years in England, for example) are lodged with the relevant construction subcontractor for remediation. Ensuring the cost of remediation, where it is the responsibility of the construction subcontractor, is borne by the portfolio company's supply chain is essential to value preservation. Contractual claim mechanisms include dispute resolution processes that enable portfolio companies to enforce their rights, including, if necessary, through the court system when a dispute cannot be resolved by negotiation.

The resolution of construction defects is a key priority. However, the onset of Covid-19 is expected to affect the ability to investigate and remediate defects on certain assets (e.g. hospitals). The time frames around the release of distributions that have been held back may be delayed as a result.

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 portfolio company itself, where the budgeted lifecycle spend and associated reserves would normally be the chief source of cost mitigation.

Fire safety systems

The Investment Manager has reviewed the Company's portfolio to identify potential fire safety system defects. Where defects are found, however minor, safety remains the key priority, followed by continuity of service provision to public sector clients. Public sector clients are apprised of fire prevention and protection measures as well as updated on progress towards rectification. Where appropriate, project management teams work closely with the local fire service, who advise and approve the adequacy of fire prevention and protection measures in place whilst the defects are remedied. Remediation works are expected to be borne by their respective construction contractors wherever possible.

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 the Investment Manager's assessment, be equal to the prevailing value of the asset in the portfolio.

In the year to 31 March 2020, compensation was received from the local authority client, in line with market value, for a school PPP project that was voluntarily terminated during the financial year ended 31 March 2016. There are no voluntary termination processes underway in the current portfolio.

As at 31 March 2020, the Investment Manager estimates that the difference between the Group's valuation of its investments in PPP projects and demand-based assets, and the compensation contractually payable in the hypothetical event of voluntary terminations across the Group's entire portfolio of these assets represents approximately 3% of total portfolio value.

Accretive Investment

HICL has a clearly defined Investment Policy, which can be found on page 89, and on the Company's website (also see Section 2.3 – HICL's Business Model & Strategy). This sets the over-arching framework InfraRed uses to build a portfolio for HICL that delivers the Investment Proposition and is consistent with the Company's overall risk appetite, as agreed with the Board.

Working within delegated parameters approved by the Board, InfraRed is responsible for the selection and pricing of new investments and, where deemed appropriate, asset disposals.

The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed, most recently in September 2019 (see Section 2.3 – HICL's Business Model & Strategy).

During the year, HICL made two new investments in operational assets for a total consideration of £38m, and an investment in a construction asset with deferred equity commitment of c. £50m. These are set out in the table below and further detail can be found in Note 15 to the financial statements.

Date	Amount	Type	Stage	Asset	Market Segment	Stake Acquired	Overall Stake
Jul 2019	£50m[1]	New	Construction	Blankenburg Connection (Netherlands)	PPP	70%	70%
Oct 2019	£24m	New	Operational	Race Bank OFTO (UK)	Regulated	49%	49%
Feb 2020	£14m	New	Operational	Galloper OFTO (UK)	Regulated	49%	49%
	£88m						

Successful construction completion of the Blankenburg Connection project will provide an opportunity for future value enhancement. As detailed at the Company's recent Capital Markets Event in January 2020, InfraRed has a strong track record of successfully delivering assets through construction for HICL, including the Dutch High Speed Rail Link, Zaanstad Prison, Breda Court and the A9 Road, all of which are also in the Netherlands. In each case, the Investment Manager has created value for public sector clients, end users and HICL's shareholders. The Blankenburg Connection project is a new highway connection of c. 4km linking the A15 and the A20 roads in the Netherlands, with the aim to reduce congestion to the west of Rotterdam.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

HICL is the preferred bidder for the Walney Extension OFTO, which is expected to be accretive when added to the portfolio. This investment is expected to reach financial close in 2020. Once acquired, the four OFTOs in HICL's portfolio will connect 1.8GW of offshore wind generation to the UK mainland, with energy capacity to power 1.7 million homes, thereby contributing to the UK's transition to a low-carbon economy.

7 AFFORDABLE AND CLEAN ENERGY

HICL made two UK PPP disposals in the year: the Health & Safety Laboratory in Buxton and the South West Acute Hospital in Enniskillen (Ireland). The combined consideration of £52m was used to reduce the balance on HICL's Revolving Credit Facility. The disposals were a continuation of HICL's portfolio optimisation strategy by enhancing key portfolio metrics, and also by reducing the portfolio's overall exposure to Interserve.

[1] Deferred equity subscription

3.2 Sustainability Report

Defining sustainability for HICL

HICL's investment proposition is to deliver sustainable income from a diversified core infrastructure portfolio that is at the lower end of the risk spectrum.

Creating a long-term, sustainable income stream from core infrastructure based within communities is predicated on giving prominent consideration to the Company's role in society and the sustainability of its operations. HICL's approach is firmly grounded in the belief that its success is inextricably linked to the social and economic prosperity of the communities it operates within and the richness of their surrounding environment. In this context, sustainability means ensuring that HICL and each of its portfolio companies takes responsibility for their environmental, social and governance impacts, risks and opportunities. HICL's robust and ambitious governance framework helps to ensure this is delivered.

The infrastructure in HICL's portfolio impacts individuals, communities, societies and their environment. With this comes a responsibility for HICL and its service providers to act with care, consideration and integrity. These responsibilities are discharged by the Board and InfraRed in order to mitigate risks and to create a positive impact which align with and go beyond HICL's commercial objectives.

InfraRed has developed and, through HICL, continues to deliver reliable and resilient infrastructure that supports economic development and human well-being. Being public infrastructure, there is a focus on inclusive, affordable and equitable access for all. HICL actively contributes to the United Nations (UN) Sustainable Development Goals (SDGs). The nature of HICL's investment proposition means the Company inherently contributes, in particular, to developing industry, innovation and infrastructure (SDG 9); and building sustainable cities and communities (SDG 11).

HICL also leverages its resources, in particular that of InfraRed, its Investment Manager, to make a positive contribution to promote community health and well-being (SDG 3), improve social mobility through education (SDG 4) and make a contribution to act against adverse climate change (SDG 13).

The portfolio statistics on the following page demonstrate the reach of the portfolio within society. The case study opposite demonstrates HICL's ongoing contribution to the community in response to the Covid-19 challenge.

Responsibilities of the Board

The Board has overall responsibility for HICL's Sustainability Policy (https://www.hicl.com/about-us/responsible-investment) and its application. This stems from its Terms of Reference where "sustainability, including the potential impact of climate change" is set out as a key strategic and financial consideration. HICL's Sustainability Policy is subject to ongoing development, including a formal annual review.

HICL's own approach to the stewardship of its investments, enshrined in HICL's business model, is built on a system of rigorous checks and balances. In accordance with the AIC Code of Corporate Governance (the "AIC Code"), the work and conduct of HICL's Board is regularly reviewed and evaluated.

The Board's committees have key roles:

- The Risk Committee oversees and challenges InfraRed's risk management processes and analysis;
- The Management Engagement Committee considers how HICL service providers adhere to HICL's Sustainability Policy;
- The Nomination Committee ensures diversity amongst Directors to bring broad expertise to the Board's discussions and oversight of the work of the Investment Manager; and
- The Audit Committee reviews the Company's approach to disclosures, including those relating to climate change.

10 million

Over 10 million people with direct access to the healthcare facilities in the portfolio

1.8 GW[1]

Connecting offshore wind generation with enough capacity to power 1.7 million homes

120,000

Over 120,000 student places across the school, college and university facilities in the portfolio

500

Over 500km of road and high-speed railway across the portfolio, delivering regional interconnectivity

3.6 million

People to whom Affinity Water delivers clean drinking water

50

Over 50 police stations, custody centres, fire stations and training facilities

HICL's contribution to the Covid-19 response

Within HICL's portfolio are 25 hospitals, with over 9,000 beds, including over 600 acute, critical care, intensive care, high dependency and emergency beds. The portfolio companies manage and contract key services that keep the infrastructure of the hospitals available for the UK's National Health Service ("NHS") to deliver healthcare. These services comprise maintenance and major asset renewal, and may also *inter alia* include portering, catering and cleaning.

The Investment Manager has set out its Code of Conduct in respect of the Covid-19 pandemic and its impact on the portfolio, which has been published the InfraRed website. Portfolio companies are working closely with the NHS across the portfolio to support their efforts in responding to this global health emergency and transitioning the infrastructure to meet their evolving needs.

The activities at each of the 25 hospitals are bespoke to the requirements of the associated NHS Trust. For example:

- At Pinderfields Hospital, wards were reconfigured through the PFI contract to increase the number of intensive care beds from 18 to 47.

25

Hospitals

9,000+

Beds

- At another hospital, portfolio company subcontracted engineers provided specialist support and advice to the Trust in adapting ventilation within the existing building environment to control the spread of Covid-19.
- Brentwood Community Hospital has been transitioned through the portfolio company into a Covid-19 hub. This delivered six Covid-19 wards. It has required installing new partitioning, reconfiguring plumbing, replacing carpets with vinyl floors as part of infection control, and increasing cleaning regimes, security, medical oxygen and inpatient meals.

> **"PFI contracts provide vital services and support to our public services across the UK. The provision of those services and support is needed as part of our national response to the Covid-19 emergency."**
>
> **Infrastructure and Projects Authority**

[1] Including Walney Extension OFTO, where HICL is a member of the preferred bidder consortium

https://www.un.org/sustainabledevelopment/

03 / PERFORMANCE & RISK

3.2
Sustainability Report (continued)

Responsibilities of InfraRed

HICL's Sustainability Policy applies to both making new investments, including throughout InfraRed's investment opportunity screening and due diligence processes, and the optimisation of the current portfolio, including InfraRed's asset management activities, monitoring and reporting. The application of HICL's Sustainability Policy to making new investments and the management of HICL's portfolio is undertaken by InfraRed, as Operator, so that HICL:

- ▲ Invests in assets which have a social purpose, which promote social development and quality of life;
- ▲ Creates a positive environmental impact now and for future generations;
- ▲ Makes an overall beneficial impact on the communities in which our assets are located; and
- ▲ By doing all of the above, endeavours to accommodate the interests of stakeholder groups of HICL's investments.

InfraRed has been a signatory of the Principles for Responsible Investment ("PRI") since 2011. InfraRed continues to take a leadership role in the implementation of robust responsible investment strategies through its ongoing membership of the PRI Infrastructure Advisory Committee.

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

InfraRed's Responsible Investment Transparency Report and PRI Assessment Report are both available via HICL's website at: www.hicl.com/about-us/responsible-investment.

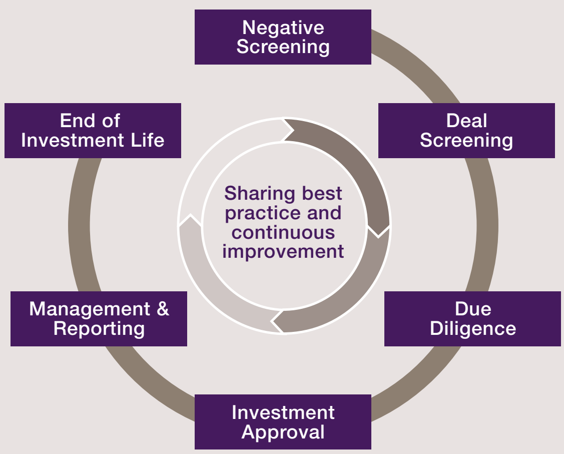
A dedicated Sustainability Manager has been appointed by InfraRed to ensure an appropriate level of focus is given to sustainability matters and the evolving landscape of regulation and best practice.

The Board is pleased that InfraRed is leading by example and minimising the negative impact of their own operations, including becoming a net zero carbon emissions firm, by June 2020, by reducing its own carbon emission related activities such as air travel and using accredited offsetting schemes.

Incorporation of sustainability in the investment process

The application of HICL's Sustainability Policy is undertaken by InfraRed. The Investment Manager publishes its own sustainability policy, including its approach to the integration of sustainability considerations into the investment cycle, on InfraRed's website (www.ircp.com/sustainability-policy).

Sustainability is integrated into each stage of the Investment Manager's investment process; from negative screening against the firm and fund exclusion lists, deal screening, due diligence, the investment approval, ongoing management and reporting throughout the ownership period until an investment reaches the end of its economic life and is decommissioned or when we exit the investment, as demonstrated in the graphic below.



End of investment life
- ▲ Sustainability performance assessed and reported to the Investment Committee
- ▲ Responsible and collaborative approach to asset handback

Management & Reporting
- ▲ Active management through portfolio company board representation
- ▲ Implementation of sustainability action plan
- ▲ Monitor and update risk register
- ▲ Development, with stakeholder input, and implementation of social and environmental initiatives
- ▲ Reporting of sustainability KPIs and incidents to stakeholders

Investment Approval
- ▲ Sustainability due diligence findings reported to, and examined by, the Investment Committee
- ▲ Approval of sustainability action plan

Negative Screening
- ▲ Checks made against InfraRed's exclusion lists

Deal Screening
- ▲ Public data searches to identify sustainability breaches / incidents
- ▲ Initial identification of sustainability risks and opportunities

Due Diligence
- ▲ Due diligence completed to identify sustainability key risks and opportunities
- ▲ Sustainability action plan to implement post-investment

Remuneration

As noted in the Investment Manager's Report, InfraRed has day-to-day responsibility for the Company. Contributions to sustainability are embedded into its staff[2] performance objectives and are taken into account in annual performance assessment and compensation reviews, including for the members of the HICL Investment Committee.

Sustainability risks

Sustainability considerations are incorporated into the Investment Manager's risk management framework, which is used as the basis of risk reporting to the HICL Risk Committee. In particular, sustainability features as a material risk in the following risk classes:

- *Political risk:* in particular, policies associated with the transition to net zero carbon emissions;
- *Portfolio performance risk:* sustainability risks can affect operational performance, including transitional and physical risks associated with adverse climate change; and
- *Operational risk – execution:* through transaction due diligence and investment decisions.

Sustainability risks are reported in Section 3.7 – Risk & Risk Management.

Taskforce for Climate-related Financial Disclosure ("TCFD")

The World Economic Forum's Global Risk Report 2020 presents the major risks facing the world. For the first time, a single category of risk dominates: environmental risks. This includes the risks of extreme weather, climate action failure, human-made environmental disasters and water crisis.

On 2 July 2019, the UK Government announced, in its Green Finance Strategy, the expectation that listed companies and large asset owners should make disclosures in line with the TCFD recommendations by 2022. In October 2019, the Financial Reporting Council has reported that whilst there is no formal requirement yet, reporting against TCFD would be one step towards fulfilling a company's obligations to provide information about how directors have performed their duty to promote the success of the company under Section 172 of The Companies Act 2006, and how opportunities and risks to the future success of the business have been considered in line with the UK Corporate Governance Code 2018.

Disclosure aligned to TCFD guidance in consistent with the Company's approach to promoting best practice disclosure. Climate change is a live topic and expertise on the subject continues to evolve. This year, the reporting set out below focuses on governance and risk management. In future periods, the reporting will include greater detail on scenario analysis and, in time, metrics and targets.

Governance of climate risk

Climate-related risks and opportunities are a subset of the broader sustainability risks and opportunities. The Board's oversight of climate-related risks and opportunities and the Investment Manager's role in assessing and managing these is detailed above.

In addition, the Investment Manager has established a climate-related working group. The initiative brings together different disciplines across the business including fund management, portfolio management, asset management, risk and compliance, investor relations and the transaction team. The purpose of the group is to evolve InfraRed's thinking in relation to the impact of climate-related risks and opportunities on the business and its portfolio under management, and to ensure consistent application and reporting of resulting actions.

Strategy

HICL's investment strategy focuses on core infrastructure. These investments by their nature are embedded within communities and the broader environment, and adverse climate change has the potential to impact the portfolio. International, national and regional policies that seek to reduce the extent of adverse climate change represent opportunities as well as risks for both HICL and the community.

For example, HICL's investment in Affinity Water requires investment to respond to the increasing pressure on water infrastructure in South East England from continuing population growth and the potential for extreme weather linked to climate change. Such investment would be for the benefit of society through improving environmental and operational resilience, and for investors through growth of the company's regulated capital value and therefore long-term returns.

The potential impact of government policies associated with a transition to a net zero carbon economy was factored into the Investment Manager's business case when bidding for a gas distribution related opportunity. On this occasion, InfraRed's inclusion of forecast costs associated with the transition to a net zero carbon economy into the investment valuation adversely impacted HICL's competitiveness, as not all managers are making such long-term considerations when bidding for investment opportunities.

InfraRed's systematic approach to incorporating climate change considerations in its investment processes will, in other situations, create opportunities and give HICL a competitive advantage. As noted at the Company's Capital Markets Event in January 2020, long-term analysis of future climate-related change can also result in enhancing business plans through, for example, the potential for repurposing existing infrastructure.

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[2] InfraRed's partners and employees

https://www.un.org/sustainabledevelopment/

3.2 Sustainability Report (continued)

Over the coming year, InfraRed's climate change working group will be developing climate-related scenarios, including where the rise in global temperatures is restricted to 2ºC, and will assess the potential impact on portfolio cash flows and value. This work will also drive the determination of appropriate metrics and targets to assess climate-related risks and opportunities.

Risk management

As noted above under "Sustainability risks", the Investment Manager's risk management framework integrates the assessment and management of climate-related risks as a subset of wider sustainability risks through the Political, the Portfolio Performance and the Operational Risk – Execution risk classes.

HICL's processes for identifying and managing risks, including those associated with the physical and transitional impact of climate change, are set out in Section 3.7 – Risk & Risk Management.

Metrics and targets

HICL's Scope 1, Scope 2 and, voluntarily, Scope 3 greenhouse gas emissions are disclosed in the Company's Streamlined Energy and Carbon Reporting below.

Streamlined Energy and Carbon Reporting

HICL has adopted the operational control boundary approach for the measurement of energy emissions, as the Directors believe this reflects the level of emissions that can be actively controlled and reduced. There are no subsidiaries where HICL has operational control and as a result HICL is classed as a low energy user.

As part of its commitment to improving carbon reporting, HICL has voluntarily included UK and global energy use where individual investments have operational control, but where HICL does not have operational control itself (Affinity Water, HS1, Belfast College and Northwest Parkway) within its Scope 3 emissions data.

An average person in the UK uses 14.1 tCO^{2}e/year[3].

Carbon emissions have decreased by 8% year on year. The Investment Manager remains committed to reducing carbon emissions where possible and continues to focus on energy saving opportunities in underlying projects where appropriate.

Other Greenhouse Gas ("GHG") emissions

As a result of the above energy use (i.e. electricity and use of transportation fuels), HICL was also responsible for the following emissions: methane 58 tCH^{4}e (2019: 59 tCH^{4}e), nitrous oxide 152 tN^{2}Oe (2019: 176 tN^{2}Oe). No hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride emissions were made.

Methodology

Emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. UK Government Conversion Factors have been utilised for UK investments and the US Environmental Protection Agency Conversion tool to calculate emissions for US i.e. global (excluding UK) investments.

Energy use has primarily been collected from meter data and invoices from suppliers. In some instances, energy use has been estimated due to non-coterminous year ends, where full period data was not yet available. Additionally, office energy use has been estimated with reference to the pro rata number of employees using the office space or benchmarked where data is not directly available. Some transport emissions have been estimated based on expenditure, as actual usage data is not tracked. User data is not tracked by all projects and in some instances has been estimated based on third-party information. HICL is implementing additional procedures to improve the accuracy of the information used in the measurement of energy use.

Emissions have been measured over the period 1 January to 31 December. This is not coterminous with HICL's year end as not all data from underlying projects is available before the reporting date.

Disclosure[4]	31 December 2019		31 December 2018	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions from investments with control over emissions, for which the company does not control (Scope 3) / tCO^{2}e[5]	25,416 tCO^{2}e	186 tCO^{2}e	27,515 tCO^{2}e	194 tCO^{2}e
Emissions from office use and business travel for which the company does not own or control (Scope 3) / tCO^{2}e[6]	118 tCO^{2}e	9 tCO^{2}e	102 tCO^{2}e	6 tCO^{2}e
Total gross Scope 3 emissions / tCO^{2}e	25,534 tCO^{2}e	195 tCO^{2}e	27,617 tCO^{2}e	200 tCO^{2}e
Intensity ratio: tCO^{2}e (gross Scope 1, 2 & 3) per user	0.001 tCO^{2}e / user	0.000 tCO^{2}e / user	0.001 tCO^{2}e / user	0.000 tCO^{2}e / user

[3] Source: carbonindependent.org
[4] Companies included in the disclosure are: Affinity Water Limited (HICL share 33.2%), Belfast College (HICL share 75%), HS1 Limited (HICL share 21.8%) and Northwest Parkway LLC (HICL share 33.3%)
[5] Scope 3 investment emissions relate to the operation of assets at the following projects: Affinity Water, Belfast College, HS1 and Northwest Parkway
[6] Scope 3 emissions relate to emissions associated with office use and travel of the employees of the Fund Manager, the Board of Directors and the Company Secretary

Energy efficiency action taken
In the period covered by the report, Northwest Parkway delivered a LED lighting initiative which is forecast to save 10,360 tCO^2e (HICL share 3,450 tCO^2e) over the lifetime of the concession. Affinity Water, Belfast College, High Speed 1 and Northwest Parkway are also investigating additional ways in which they can implement additional energy efficiency measures such as regenerative braking on High Speed 1 and improving and replacing equipment at Affinity Water.

While non-operational control investment emissions data is not published, HICL uses its influence as an investor to promote a commitment in investee companies to minimise their environmental footprint, invest in the mitigation of their environmental impact and implement energy efficiency measures. This is an important part of portfolio risk management procedures and value creation for each investment.

Renewable energy
In the period, 98 kWh (2019: 96 kWh) of renewable energy was used by Affinity Water, Belfast College, HS1 and Northwest Parkway. HICL encourages underlying assets to utilise renewable energy sources and install renewable energy generation where possible and the above projects are investigating ways in which to switch to renewable energy suppliers in the future.

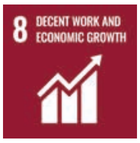
Review of the Year
The Board, through its Management Engagement Committee, has reviewed HICL's performance and the performance of its service providers over the last 12 months and confirms compliance with HICL's Sustainability Policy. On the basis of the Investment Manger's recommendations, the Directors have evolved the Company's policies and procedures in this regard and have published a new Sustainability Policy on the Company's website.

Each individual portfolio company is responsible for developing environmental and social programmes aligned with the needs of its stakeholders, including clients, users and the wider community that benefits from the infrastructure. As a result, there is a wide range of initiatives across the portfolio. Set out on the following pages are selected activities that demonstrate typical sustainability initiatives carried out across the portfolio.

Reporting sustainability activities
InfraRed seeks to ensure that each of the Group's portfolio companies have appropriate sustainability policies in place and that these are followed in the delivery of the services to clients and end users. HICL's portfolio companies are surveyed by InfraRed to monitor sustainability initiatives; and each year the benchmark for what is expected is increased with greater scrutiny placed on the activities of each portfolio company, as reported by the management teams.

The survey response rate for the year ended 31 December 2019 was 100% (2018: 96%).

The survey uses 27 Key Performance Indicators ("KPIs") that have been developed by the Investment Manager to measure sustainability performance. Rankings are assessed on a star system ranging from one star to five stars. At the end of calendar year 2019, 87% of the HICL's investments were awarded four- and five-star ratings, which was up from 56% of those that completed the survey at the end of 2018. Detail of the responses is included in the "Governance" section of this report, below.

Health & Safety


Health & Safety for all stakeholders, including creating safe environments, is of paramount importance in the operation of portfolio companies. Each year Health & Safety reviews are carried out to ensure appropriate procedures and policies are in place and being adhered to. Many of these reviews are supplemented by the support of external Health & Safety consultants.

RIDDORs (incidents under the UK's "Reporting of Injuries, Diseases and Dangerous Occurrences Regulations") that occur are typically within the workforce of portfolio company subcontractors, rather than in the portfolio companies themselves. The Investment Manager monitors RIDDORs, and equivalent incidents in countries other than the UK, for evidence of systematic issues and, where appropriate, lessons learned are shared across portfolio companies. Each RIDDOR, or equivalent, is reported to the Risk Committee, which in turn provides a Health & Safety update to the Board each quarter. Their frequency is low across a portfolio of 117 investments with thousands of individuals employed across the subcontractor base. In the year ended 31 March 2020, total RIDDORs across the HICL portfolio and its subcontracts numbers 48 (2019: 46). Portfolio companies seek to influence their subcontractors to continuously improve the Health & Safety conditions of their own workforce, particularly where trends are observed at one particular facility or across the facilities operated by a single counterparty.

Case studies
As noted above, although HICL contributes to multiple SDGs, the nature of HICL's investment proposition means the Company inherently contributes, in particular, to addressing the following UN SDGs: develop industry, innovation and infrastructure (SDG 9); and build sustainable cities and communities (SDG 11).

The following case studies demonstrate how the infrastructure in HICL's portfolio intrinsically supports social, environmental and economic sustainability leveraging InfraRed's approach to stakeholder engagement. The Investment Manager works hard to build trusting partnerships between the public and private sectors. These are central to leveraging the flexibility available in PPP contracts to adapt facilities to the changing needs of clients, and to risk management for the Company.

03 / PERFORMANCE & RISK

https://www.un.org/sustainabledevelopment/

3.2
Sustainability Report (continued)

Environmental

The Investment Manager, project management teams and contractors seek innovative approaches to improving the environment around the infrastructure. Environmental initiatives include those that:

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

The following are other examples of environmental initiatives that took place across the portfolio in the year:

- ▲ In the year, the key 'eat and sleep' assets of the Army Basing Programme ("ABP") were completed at the Allenby & Connaught Project. The ABP provides new and improved infrastructure for 4,000 incoming service personnel at garrisons across Salisbury Plain and at Aldershot. This project includes[7]:
  - Photovoltaic panels covering 5,920m^2 of roofing on new buildings demonstrating that social infrastructure assets can increase the share of renewable energy in the energy mix;
  - Low-flush toilets and sustainable drainage systems thereby increasing water-use efficiency;
  - 100% of non-hazardous demolition waste was crushed and reused on site, which substantially mitigated waste generation; and
  - Over 600 bat bricks, boxes and cavities have been installed, representing action to reduce degradation of natural habitat.
- ▲ The disposal of clinical waste at HICL's healthcare facilities is often through incineration, and so the introduction of more efficient disposal practices not only delivers savings for clients but also reduces the adverse environmental impact of this necessary process. Such initiatives have been delivered at specific sites and are being developed elsewhere through Efficiency and Savings committees, jointly conducted between NHS clients and the private sector, across HICL's healthcare portfolio.

[7] https://aspiredefence.co.uk/wp-content/uploads/2019/11/20191022-PAC_Issue_October.pdf

Social

Social initiatives include those that:

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

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

- ▲ At the Royal Canadian Mounted Police ‘E’ Division Headquarters (Canada) a new forensics laboratory entered into service. The capital cost of c. CAD 52m was funded by the client, and construction and subsequent maintenance services are being delivered by the private sector through the partnership contract structure. The modern, expanded facilities support the justice system by enhancing the work of the Royal Canadian Mounted Police.
- ▲ At the A63 Motorway, a variation to Junction 9 of the road was completed in June 2019. The upgrade improves an important trade transport system and the investment profile for HICL’s shareholders.

A number of variations were delivered at one of the portfolio’s UK hospital projects. These included:

- – A remodelling of the Ambulatory Emergency Care department, increasing access to the NHS’s quality, essential health care services;
- – The installation of new retail facilities, supporting the well-being of users of the facility;
- – A new clinical waste processing system, that was introduced by this project’s subcontractor, is set to reduce the clinical waste disposal costs for the project’s NHS Trust client; an example of how HICL is supporting NHS Trusts’ efforts to find cost efficiencies.

- ▲ InfraRed raised over £28,000 through its annual corporate dodgeball tournament, to help fund the building of a CineGym at the Queen Alexandra Hospital, Portsmouth, PPP project (100% owned by HICL), to promote patient well-being. This is a dual-purpose room, offering children with cystic fibrosis access to specialist facilities designed to provide a suitable environment for exercise during the day and a cinema room by night.
- ▲ In addition to building partnerships with public sector clients, InfraRed has a history of developing partnerships between infrastructure projects, inside and outside the HICL portfolio, to share lessons learned and good practice. During the period, the project company chief executive of the 800-bed Royal Adelaide Hospital in Australia visited four of HICL’s projects. They held discussions with both the infrastructure project management teams and the public sector clients to help inform operational strategies. Subsequent dialogue helped facilities prepare for the impact of Covid-19.

3.2 Sustainability Report (continued)

Governance

HICL Infrastructure PLC

At a Company level, the Board recognises the importance of a culture of strong corporate governance that meets the requirements of the UK Listing Authority as well as other regulatory bodies. The Board also considers the success of HICL will include active contribution to the UN SDGs. Effective partnerships, that preserve and enhance outcomes, are essential for social sustainability and delivering long-term returns to HICL's investors.

During the year, the Board:

- Appointed an eighth Director to bring a broader diversity of expertise to the Board's discussions and oversight of the work of the Investment Manager, as well as forming an important step towards Board succession planning. In making this appointment, HICL meets the expectations of both the Hampton-Alexander Review and the Parker Review. As at 31 March 2020, 37% of the Directors were women, and 12% of the Directors were from an ethnic minority.
- Undertook site visits to Affinity Water, High Speed 1 and Queen Alexandra Hospital. At each site visit, the Directors received presentations from the management teams and were able to meet staff and subcontractors delivering the infrastructure day-to-day, encouraging a sharing of views and experience between the Board of HICL and the Company's key partners.
- Utilised the services of an external remuneration consultant to benchmark the remuneration of Directors to ensure this is at an appropriate level.

In the coming year, the Board will appoint a third-party adviser to undertake a board effectiveness assessment. The last such appraisal was completed in 2018.

The Investment Manager

The Investment Manager promotes an ethos of stewardship, responsibility and accountability.

InfraRed has improved the integration of sustainability considerations into its investment process. The consideration of sustainability in InfraRed's investment processes, as they apply to HICL, is set out above in the section "Incorporation of sustainability in the investment process".

During the year, sustainability considerations resulted in value enhancements for investors and other stakeholders, as set out above in this Review of the Year. Sustainability considerations also resulted in two transactions not being delivered for HICL:

- Rejecting one transaction in due diligence when it was discovered that whilst the building materials used were in compliance with local building regulations, they were not considered adequate by the Investment Manager in respect of fire safety and expectations of future regulations; and
- Being unsuccessful on a gas distribution related opportunity due to the inclusion of forecast costs associated with the transition to a net zero carbon economy into the investment valuation, which adversely impacted HICL's competitiveness.

A sustainable approach to the management of the core infrastructure in HICL's portfolio, together with positive stakeholder engagement, is core to HICL and InfraRed's asset management strategy. Effective partnerships, that preserve and enhance outcomes, are essential for social and economic sustainability, and for delivering long-term returns for society and to HICL's investors. A case study on InfraRed's approach to stakeholder engagement has been provided later in this section.

The Portfolio

Establishing a strong governance framework for each portfolio company is a cornerstone of active asset management and important to ensuring long-term sustainability. HICL has a shareholding of at least 50% across 60% of the portfolio by value. This rises to 72% when taking into account other funds managed by InfraRed. Governance rights are established across the remaining portfolio companies where HICL has an equity interest through negative control, whereby InfraRed appointed portfolio company directors have veto rights over key decisions.

In the portfolio[8]:

- ▲ 97% of portfolio companies reported using a risk register (prior year: 96%).
- ▲ 68% of portfolio companies reported making voluntary contributions to charitable or community activities (prior year: 60%).
- ▲ 95% and 94% of portfolio companies reported monitoring energy usage and water usage, respectively.
- ▲ 87%, 80% and 78% of portfolio companies reported having energy usage, water usage and waste reduction initiatives, respectively.
- ▲ Governance policy adoption was good with:
  - 100% of portfolio companies providing operational services to and / or undertaking maintenance for public sector clients or, as in the case of toll roads and Affinity Water, end users reported having a health & safety policy;
  - 97% having a cyber security policy;
  - 90% having an ESG policy;
  - 99% having an anti-bribery policy;
  - 98% having a conflict of interests policy;
  - 96% having an anti-discrimination policy;
  - 97% having a whistleblower policy; and
  - 97% having an anti-modern slavery related policy.

It is not always possible to achieve 100% adoption, particularly if there is resistance from co-shareholders to implement policies and initiatives. For example, as PPP concession portfolio companies may often have no employees, there may be reluctance to implement policies that relate to staff. However, such policies are still important as they set the tone for engaging with the portfolio company's supply chain. As such, the Investment Manager's Asset Management team uses its influence through directorships on the boards of the portfolio companies to increase these percentages.

[8] Prior year comparatives provided where reported in the 2019 Annual Report and Accounts of HICL Infrastructure Company Limited

Case Study: Affinity Water's Water Resource Management Plan

The largest water-only supplier in the UK

Key Facts[1]

>3.6m people served across the UK	950m litres water supplied per day	64% water supplied sourced from groundwater sources
16,700km of mains pipes	£1.37bn investment in the business over the period from 2020 to 2025	87 ecological surveys completed under programme to promote biodiversity

Overview

Affinity Water is the UK's largest water-only company. It serves three geographically separate regions in the South East of England.

Affinity Water generates income from supplying water to both residential and, via intermediaries, commercial consumers within a 4,515km^2 supply area. In doing so, Affinity Water maintains 95 water treatment works and over 100 reservoirs.

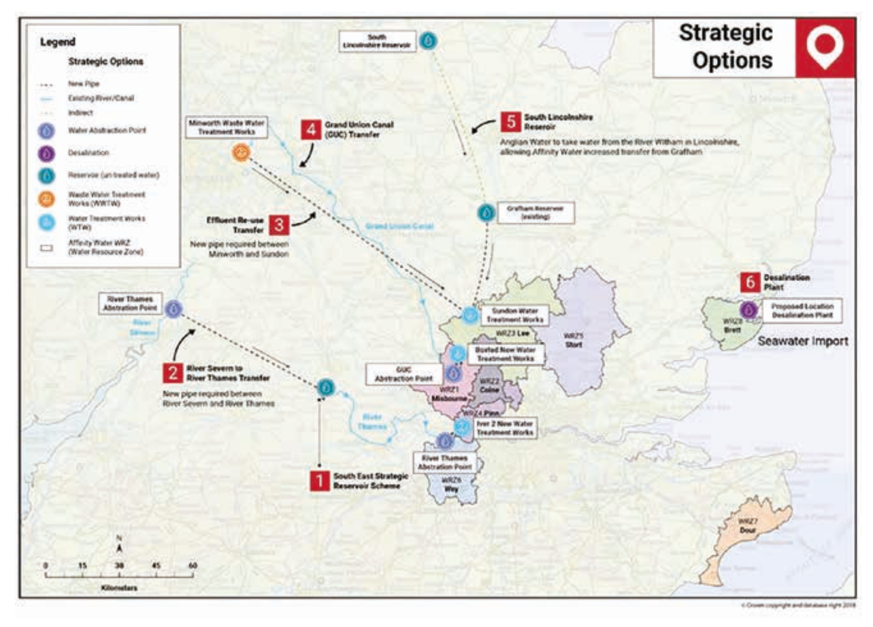
Affinity Water's 60-year water resource management plan addresses the key themes of resource constraints as a result of climate change[2], environmental protection of natural habitats and increasing demand due to a growing population[3].

Water Resource Management Plan

The water resource management plan is based on three key principles:

- ▲ Manage existing resources and develop strategic options to secure additional water supply;
- ▲ Partner with neighbouring water companies to form part of a coherent strategy in each region; and
- ▲ Enhance ability to cope with different types of weather and climatic events including drought.

[1] As reported by Affinity Water in its latest published accounts for the year ended 31 March 2019
[2] The Affinity Water supply area is in one of the driest parts of the UK, receiving 33% less rainfall than average for the period from July 2016 to April 2017
[3] Population forecast to increase by 23% by 2045



Strategic supply options identified by Affinity Water

Affinity Water has identified a number of potential strategic alternatives, as shown on the chart to reduce its significant reliance on groundwater sources including:

- ▲ The development of a new strategic resource. The current preference is for a reservoir in Oxfordshire – the South East Strategic Reservoir Scheme, although the final choice of scheme depends on the findings of the ongoing assessment programme; and
- ▲ The expansion of its share of the Grafham reservoir in Cambridgeshire.

In addition, Affinity Water aims to reduce demand on its network through significant investment to reduce leakage.

Affinity Water invests in infrastructure to ensure efficient distribution of water to its consumers. It plans to spend c. £110m developing additional water treatment capabilities, including evaluating new strategic resources, that could provide up to an extra 100 million litres of potable water per day.

Affinity Water has identified potential supply transfer schemes as a means to secure additional water supply for customers within its supply area. For example, water from the Minworth Treatment Works via the Grand Union Canal could, if developed, supply Affinity Water's central region with an additional 50 million litres per day.

Affinity Water plans to invest £59m in order to deploy meters across 80% of customer sites by 2025 and 90% of sites by 2045. Meters give customers the opportunity to reduce their costs if they use less water. It is estimated that the metering programme can deliver an 18% reduction in demand.

Affinity Water is also supporting and encouraging customer side demand management by providing and installing free water savings devices to metered customers as well as providing individuals with advice on how to reduce water consumption during their daily routine.

Affinity Water plans to spend c. £53m on projects to protect the environment and increase the region's resilience to drought.

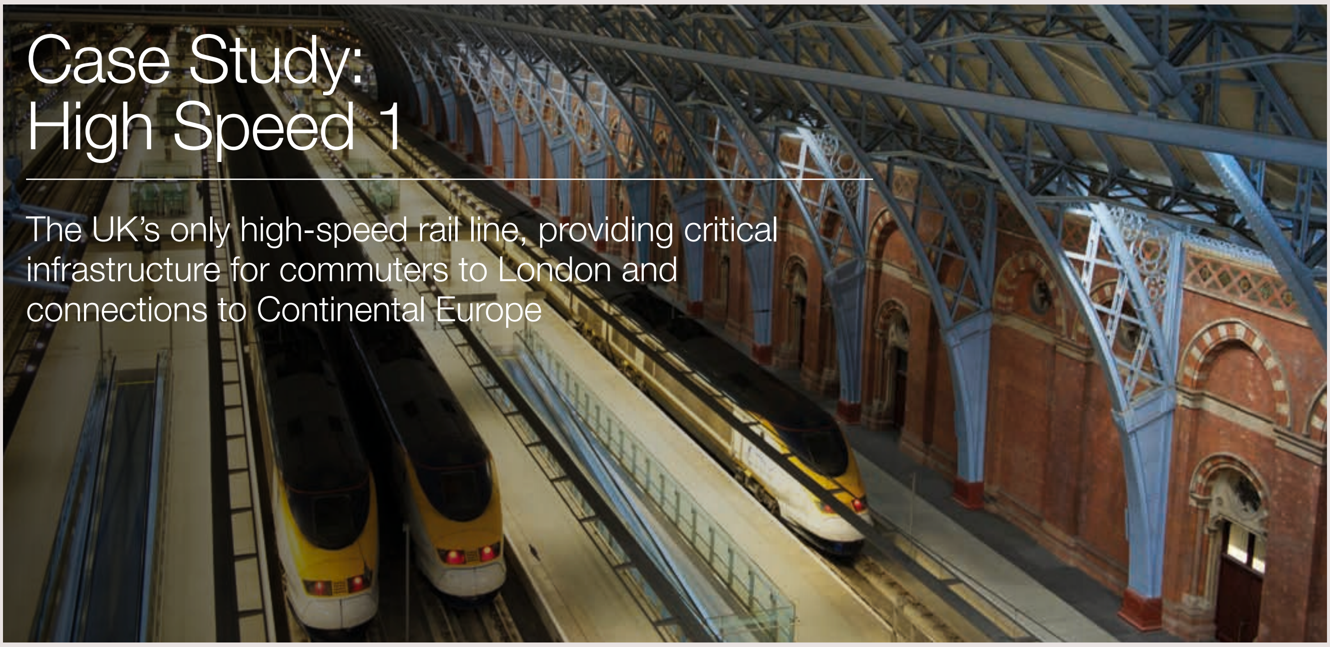
Affinity Water remains committed to restoring the natural flow of chalk streams and creating a sustainable habitat for life within and surrounding its chalk streams. For example, in partnership with the Environment Agency, the Luton Lea River Catchment partnership and Luton and Dacorum Borough councils, Affinity Water completed restoration projects at three chalk streams in 2019, which reduce flooding and promote biodiversity, including native species of plant and wildlife.

The Water Resource Management Plan prioritises water supply solutions with the focus on sourcing water from rivers and transfer of water via canals instead of water from chalk catchments.

03 / PERFORMANCE & RISK

Links

https://www.affinitywater.co.uk/
https://www.affinitywater.co.uk/docs/corporate/plans/water-resources/latest/Draft_Final_Water_Resources_Management_Plan_2019_Published_June_2019.pdf



Case Study: High Speed 1

The UK's only high-speed rail line, providing critical infrastructure for commuters to London and connections to Continental Europe

Key Facts[1]

109km of track infrastructure connecting the UK to Europe	**26m** journeys on the network in 2018	**c.75k** train services per annum
£400m+ in economic benefits to the UK and Europe annually	**c.60k** short haul flights annually; equivalent carbon reduction	**47k** households established in HS1 catchment area outside London

Overview

High Speed 1 ("HS1") is the UK's only high-speed rail line running 109km from St Pancras International to the Channel Tunnel that connects the UK with France. HS1 operates, manages and maintains the track and four stations along the route, including St Pancras, under a 30-year concession with the Department for Transport (DfT) through to December 2040.

HS1 generates income from track access charges from domestic and international train operating companies and from retail and car parking at stations. The Project benefits from both demand risk[2] mitigation and inflation-linked tariffs. Major maintenance and asset renewal are regulated with the costs ultimately passed through to the train operating companies.

Eurostar services have been operating on HS1 since 2007, while domestic high-speed services under the Southeastern Highspeed brand became fully operational in December 2009.

In 2019, HS1 commissioned an impact study, undertaken by a third-party consultant: Steer. The report can be downloaded from the link on the next page and data from the report has been used throughout this case study.

[1] https://highspeed1.co.uk/media/vemkxmot/delivering-for-britain-and-beyond-the-economic-impact-of-hs1-march-2020.pdf
[2] As measured by train paths along the line

HS1 generates economic growth. HS1 supports more than £400m of UK and European economic benefits per year compared to £312m per annum in costs borne by the train operating companies. The project, which cost £5.8bn to build, has been found to have delivered cumulative benefits of £4.5bn in the 16 years since the first section of the line opened. The majority of this benefit is derived from significantly improved productivity improvements for international customers as well as shorter travel times for the 11 million international and 15 million domestic passengers that use HS1 each year.

The 11 million international travellers each year via HS1 spend £2bn in the UK economy annually, supporting c. 3,600 jobs in businesses that benefit from this spending.

HS1 creates employment opportunities. 400,000 workers in Kent now live within a one-hour commute to central London, ensuring greater access to employment and, for London's labour market, access to an additional 63,000 highly skilled individuals.

HS1 creates sustainable communities through improved connectivity. The provision of a high-speed service into Kent has been transformative. HS1 has reduced the travel time for the 90km train journey between London St Pancras and Ashford (Kent) to only 37 minutes, compared to the 84 minute journey on the non-high speed London route. The 12% year-on-year annual growth for domestic journeys in the six years between 2010 – 2016 is testament to the value that commuters, business travellers and regional tourists place on services provided on the HS1.

Internationally, the 109km rail line enables train operating companies to deliver passengers between central London and Paris in only 2 hours and 20 minutes, a saving of 33 minutes compared to the old Waterloo line.

HS1 reducing net carbon emissions. Train travel performs an important role in the decarbonisation agenda. In the UK, HS1 reduces net emissions which are equivalent to removing c. 6,000 cars from the road each year. Additionally, for international travellers the transition away from air travel reduces annual emissions by the equivalent of 60,000 short haul flights each year.

Links

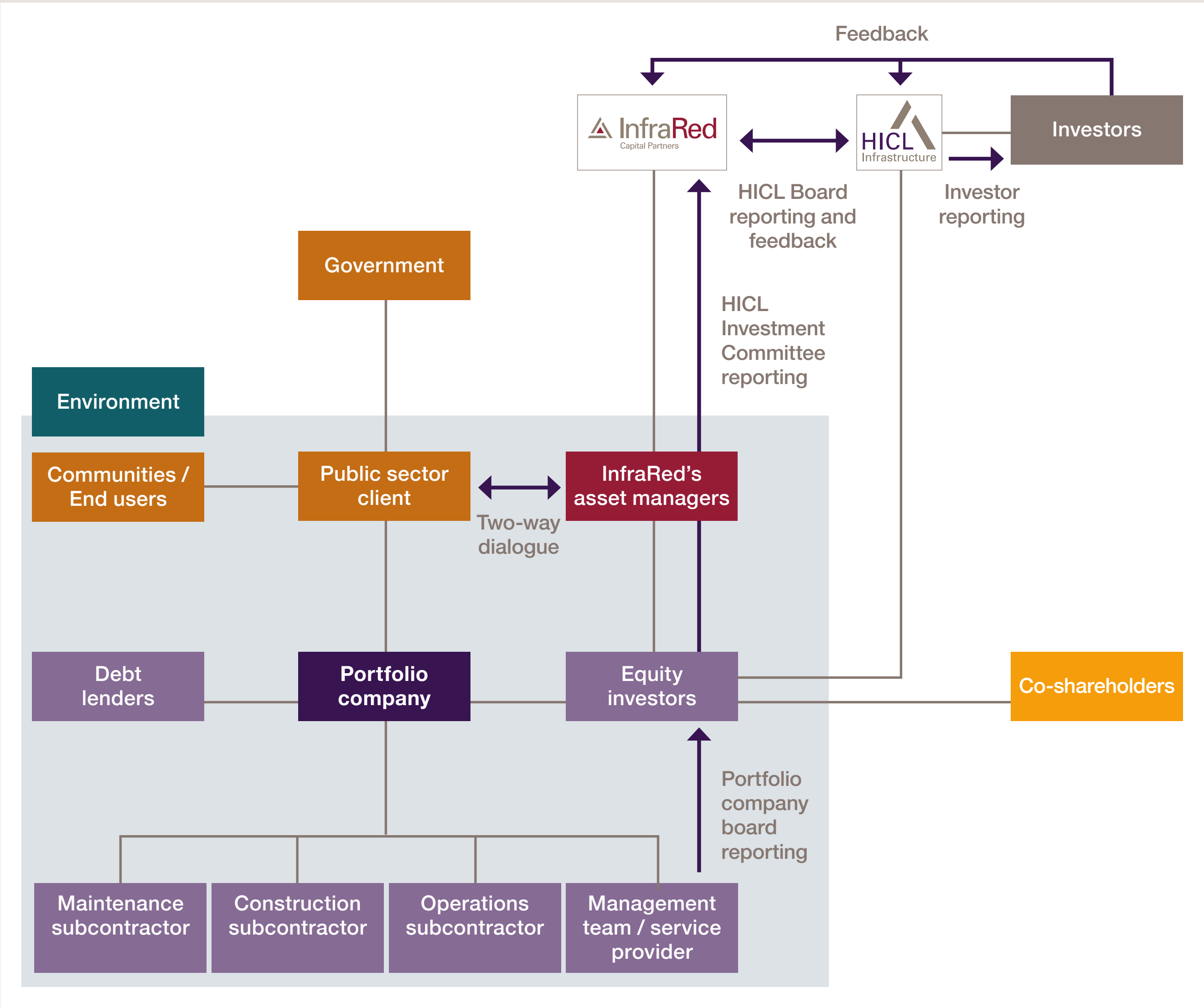
https://highspeed1.co.uk/
https://www.gov.uk/government/organisations/department-for-transport
https://highspeed1.co.uk/media/vemkxmot/delivering-for-britain-and-beyond-the-economic-impact-of-hs1-march-2020.pdf

03 / PERFORMANCE & RISK

Case Study: Stakeholder engagement

Key stakeholder relationships critical to ensuring successful management of HICL's portfolio

Portfolio company stakeholders



Overview

HICL has a diversified portfolio with respect to geography, operational status, revenue risk, sector and asset complexity. In order to continually improve its strategies to preserve and enhance both shareholder and stakeholder value, the Investment Manager has evolved its asset management strategy specifically around four key initiatives:

- Stakeholder mapping and strategic engagement;
- An industry knowledge centre;
- Database of project history; and
- Critical issue management framework.

Stakeholder mapping and strategic engagement

Efficient and effective engagement with key stakeholders is crucial to the successful, long-term management of HICL's assets. In partnership with the project / business management teams, the Investment Manager has developed plans to assist in enhancing interactions with key stakeholders across the projects and businesses within the HICL portfolio. InfraRed has utilised such stakeholder engagement plans across the portfolio.

The stakeholder engagement plan is based on three pillars:

- Identification of key stakeholders to identify the most effective routes for stakeholder communication.
- Analysis of the relative level of authority and interest each stakeholder has in each project. The project / business management teams also assess the strength of relationships and articulate the key routes to resolution of project-related issues prior to enforcing contractual measures.
- Using a meeting efficiency framework that includes key items such as meeting agenda, roles and responsibilities, venue and the process taken to resolve project-related issues. The Investment Manager's tool assists the project / business management teams in streamlining meetings and to ensure relevant personnel are included.

Industry Knowledge Centre

As a responsible investor, HICL is committed to ensuring the best-practice approach is adopted for the management of its assets. The Investment Manager has partnered with HICL's project management teams to develop a database: an encyclopaedia for project-related issues. The database is kept up-to-date with industry alerts such as the UK government's guidance with respect to cladding, issued as a result of the fire at Grenfell Tower. Best-practice guidelines are developed, and lessons are learned, from both within HICL's portfolio of assets and the portfolio's management service providers who altogether manage a portfolio of over 400 assets[1].

Database of project history

HICL is committed to maintaining a successful partnership with its public sector clients. On behalf of HICL and its stakeholders, the Investment Manager has developed a database which captures important events during a project's life, which includes for example, details of planned maintenance undertaken, ESG initiatives, and key lender interaction.

The portal can be made available to a range of stakeholders, including public sector clients. This ensures the retention of institutional knowledge over the long term partnerships typical of infrastructure projects, including when key individuals change or new project parties become involved with an asset.

Critical issue management framework

The Investment Manager is committed to a culture of continuous improvement by distilling and leveraging the collective experiences of InfraRed's team and partners to the benefit of project stakeholders. This is especially vital in the context of critical issues affecting the portfolio. A framework has been developed by the Investment Manager to support proactive action by providing support and resources to tackle critical project-related issues. The framework is based on three key initiatives:

- An online critical issues toolbox: a consolidated resource of experience-based resolution strategies.
- A critical issues forum: supporting communication across InfraRed's team of experienced asset managers to support development and deployment of issue resolution strategies and tactics.
- Training: tailored workshops and seminars to support the development of InfraRed asset managers.

[1] Includes HICL projects

3.3 Financial Review

Accounting

HICL Infrastructure PLC ("the Company", also referred to in this section as "HICL UK") applies IFRS 10 and qualifies 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. The Company's single, direct subsidiary is the ultimate holding company for all HICL's investments. It is, itself, an investment entity and is therefore measured at fair value.

On 1 April 2019, HICL's entire investment business was transferred from HICL Infrastructure Company Limited ("HICL Guernsey") to HICL UK, by way of a scheme of arrangement (the "Scheme") as detailed in the Company's Prospectus dated 4 March 2019 (see Notes 1 and 14 of the financial statements). To enable an improved assessment of the Company's investment business, comparative data in the below section (for the year to 31 March 2019, and as at 31 March 2019) relates to HICL Guernsey, being the owner of HICL's investment business prior to 1 April 2019. All financial information from 1 April 2019 relates to HICL UK.

Further, on 12 March 2020, the Company's single, direct subsidiary (HICL Infrastructure 1 S.a.r.l or "Luxco 1") merged with its single, direct subsidiary (HICL Infrastructure 2 S.a.r.l or "Luxco 2"). References to the "Corporate Group" in this section refer to the Company and its Corporate Subsidiaries (Luxco 1, Luxco 2 and Infrastructure Investments Limited Partnership ("IILP") until 12 March 2020, and Luxco 2 and IILP thereafter).

Investment Basis

The Company and its advisers have concluded that to report the relevant financial performance and position to stakeholders, it will prepare pro forma summary financial information on the basis that the Company consolidates the results of the Corporate Subsidiaries. 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.

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

			HICL UK			HICL Guernsey
		For the year ended 31 March 2020			For the year ended 31 March 2019	
£m	Investment Basis	Consolidation adjustments	IFRS Basis	Investment Basis	Consolidation adjustments	IFRS Basis
Total income[1]	86.7	(35.1)	51.6	324.1	(33.7)	290.4
Expenses & finance costs	(36.7)	34.6	(2.1)	(38.4)	33.4	(5.0)
Profit/(loss) before tax	**50.0**	**(0.5)**	**49.5**	**285.7**	**(0.3)**	**285.4**
Tax	(0.5)	0.5	–[2]	(0.3)	0.3	–
Earnings	**49.5**	**–**	**49.5**	**285.4**	**–**	**285.4**
Earnings per share	**2.7p**	**–**	**2.7p**	**15.9p**	**–**	**15.9p**

[1] Includes net foreign exchange gain of £14.4m (2019: £8.1m gain)
[2] Please refer to Note 10 of the financial statements

On an IFRS Basis, Total income of £51.6m (2019: £290.4m) comprises income received by the Company and valuation movements in its investments. Expenses and finance costs on an IFRS Basis were £2.1m (2019: £5.0m) as they exclude costs incurred by the Corporate Subsidiaries where the main expenses are incurred – see Investment Basis Cost Analysis table below. Both Total income and Expenses & finance costs are lower on an IFRS Basis than on the Investment Basis, as costs incurred by the Corporate Subsidiaries are included within Total income under IFRS, not under Expenses & finance costs.

On an Investment Basis, Total income of £86.7m (2019: £324.1m) represents the return from the portfolio recognised as income comprising dividends, sub-debt interest and valuation movements. The 73% (£237.4m) decrease in Total income reflects a £135.1m lower contribution from discount rate reductions, Carillion writeback and changes in economic assumptions in the period compared to the prior period, combined with a £72.0m adverse impact from COVID-19 and a £39.9m value reduction on Affinity Water, as previously announced in the Company's September Interim Report. Further detail on the valuation movements is given in Section 3.4 – Valuation of the Portfolio.

The £14.4m net foreign exchange gain (2019: £8.1m), which is included in Total income, comprises a £20.1m foreign exchange gain (2019: £5.6m gain) on revaluing the non-UK assets in the portfolio using 31 March 2020 exchange rates, partly offset by a £5.7m foreign exchange hedging loss (2019: £2.5m gain).

Earnings on an IFRS Basis and Investment Basis were £49.5m, a decrease of £235.9m against the prior year due to the factors stated above.

Earnings per share were 2.7p (2019: 15.9p), the decrease reflecting lower Earnings.

Investment Basis Cost Analysis

£m	For the year ended 31 March 2020	For the year ended 31 March 2019
Finance costs	4.0	4.2
Investment Manager fees	29.2	28.7
Auditor – KPMG – for the Corporate Group	0.3	0.3
Non-audit fee – KPMG – Interim review	0.1	0.1
Directors' fees and expenses	0.5	0.4
Acquisition bid costs	1.0	–
Professional fees	1.4	4.2
Other expenses	0.2	0.5
Expenses & finance costs	**36.7**	**38.4**

Total fees accruing to the Investment Manager were £29.2m (2019: £28.7m) 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, the £0.1m p.a. management fee, (and a 1.0% fee on acquisitions made from third parties until 1 April 2019).

The increase in the Investment Manager's fees is due to a higher average portfolio valuation than in the prior year.

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

During the year, the Corporate Group incurred £1.0m of acquisition bid costs (2019: £Nil), mainly being legal, technical and tax due diligence, on unsuccessful bids and bids in progress.

Professional fees have decreased primarily 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 in the prior year.

On an IFRS Basis, expenses and finance costs were £2.1m (2019: £5.0m) as they exclude those incurred by the Corporate Subsidiaries. The decrease reflects the one-off costs incurred in moving HICL's investment business from Guernsey to the UK in the prior year.

Investment Basis Ongoing Charges

£m	For the year ended 31 March 2020	For the year ended 31 March 2019
Investment Manager fees[1]	28.5	27.7
Fees paid to Auditor for the Corporate Group	0.3	0.2
Non-audit fee – KPMG – Interim review	0.1	0.1
Directors' fees and expenses	0.5	0.4
Other ongoing expenses	1.5	1.3
Total expenses	30.9	29.7
Average NAV	2,791.7	2,742.0
Ongoing charges	**1.11%**	**1.08%**

[1] Excludes acquisition fees of £0.7m (2019: £1.0m) in line with AIC calculation methodology

Ongoing charges, in accordance with the 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 year.

The Ongoing charges percentage is 1.11%, with the increase driven by irrecoverable VAT arising from HICL being domiciled in the UK.

3.3 Financial Review (continued)

Investment Basis Summary Balance Sheet

			31 March 2020			31 March 2019
£m	Investment Basis	Consolidation adjustments	IFRS Basis	Investment Basis	Consolidation adjustments	IFRS Basis
Investments at fair value[1]	**2,811.5**	**26.4**	**2,837.9**	**2,909.6**	**1,911.6**	**4,821.2**
Working capital[2]	(2.2)	1.7	(0.5)	(3.6)	(1,998.4)	(2,002.0)
Net cash/(debt)	28.7	(28.1)	0.6	(84.3)	86.8	2.5
Net assets attributable to Ordinary Shares	**2,838.0**	**–**	**2,838.0**	**2,821.7**	**–**	**2,821.7**
NAV per share (before dividend)	152.3p	–	152.3p	157.5p	–	157.5p
NAV per share (post dividend)	150.2p	–	150.2p	155.5p	–	155.5p

[1] At 31 March 2019, Investments at fair value on the IFRS Basis includes HICL Guernsey's £2,000.1m investment in HICL UK. On the Investment Basis, HICL Guernsey's investment in HICL UK is eliminated on consolidation, as is the obligation to HICL UK (see Note 2 below)
[2] At 31 March 2019, Working capital on the IFRS Basis includes a £2,000.1m investment obligation to HICL UK, which 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 IFRS Basis, Investments at fair value decreased 41% to £2,837.9m (2019: £4,821.2m) as HICL Guernsey's £2,000.1m investment in HICL UK at 31 March 2019 was eliminated through the Scheme on 1 April 2019, alongside settlement of HICL Guernsey's £2,000.1m investment obligation to the Company, which was included in Working capital. On an IFRS Basis, Net cash was £0.6m (2019: £2.5m). The Group's cash and debt management is undertaken through the Corporate Subsidiaries.

On an Investment Basis, Investments at fair value decreased 3% to £2,811.5m (2019: £2,909.6m), which is the Directors' Valuation of £2,888.5m (2019: £2,998.9m) net of £77.0m of future investment obligations (2019: £89.3m). Further detail on the movement in Investments at fair value is given in Section 3.4 – Valuation of the Portfolio.

The Corporate Group had Net cash, on an Investment Basis, at 31 March 2020 of £28.7m (2019: Net debt of £84.3m); the movement in the year reflecting cash generated through tap issuances in December 2019 and January 2020. Cash drawings from the Corporate Group's Revolving Credit Facility at the end of the year were £Nil (2019: £90.0m).

An analysis of the movements in Net cash/(debt) is shown in the cash flow analysis overleaf.

NAV per share was 152.3p (2019: 157.5p) before the 2.07p fourth quarterly distribution. NAV per share has decreased 5.2p, reflecting dividends paid in excess of earnings and 0.3p accretive tap issue.

Analysis of the decline in NAV per Share

Pence per share			
HICL Guernsey NAV per share at 31 March 2019			**157.5p**
Valuation movements			
Reduction in discount rates	0.6p		
Change in economic assumptions	(3.3p)		
Forex gain	0.8p		
		(1.9p)	
Portfolio performance			
Value enhancement	1.6p		
Covid-19	(4.0p)		
Affinity Water	(2.2p)		
Expected NAV growth[1]	1.0p		
		(3.6p)	
Accretive issuance of shares		0.3p	
Total		**(5.2p)**	
HICL UK NAV per share at 31 March 2020			**152.3p**

[1] Expected NAV growth is HICL's budgeted EPS less target dividend

Investment Basis Summary Cash Flow

£m	For the year ended 31 March 2020 Investment Basis	Consolidation adjustment	IFRS Basis	For the year ended 31 March 2019 Investment Basis	Consolidation adjustment	IFRS Basis
Cash from investments	205.9[1]	(57.5)	148.4	212.8[1]	(63.7)	149.1
Operating and finance costs outflow	(36.8)	35.2	(1.6)	(33.9)	31.6	(2.3)
Net cash inflow before acquisitions/financing	**169.1**	**(22.3)**	**146.8**	**178.9**	**(32.1)**	**146.8**
Net cost of new investments and divestments[2]	(16.0)	(97.0)	(113.0)	(6.7)	4.1	(2.6)
Share capital raised net of costs	115.2	–	115.2	(0.2)	–	(0.2)
Forex hedging movements and other items[3]	(6.9)	6.9	–	(0.5)	(1.1)	(1.6)
Distributions paid	(148.4)	–	(148.4)	(140.6)	–	(140.6)
Movement in the year	113.0	(112.4)	0.6	30.9	(29.1)	1.8
Net cash/(debt) at start of year[4]	(84.3)	84.3	–	(115.2)	115.9	0.7
Net cash/(debt) at end of year	**28.7**	**(28.1)**	**0.6**	**(84.3)**	**86.8**	**2.5**

1 Includes £16.4m profit on disposals of underlying investments (2019: £34.0m) based on historic cost
2 Divestments includes historic cost of £40.0m (2019: £113.5m) and profit on disposals of £16.4m (2019: £34.0m) giving disposal proceeds of £56.4m (2019: £147.5m)
3 Other items includes deduction of capitalised debt issue costs of £2.4m within opening net debt balance (2019: Included £1.6m of domicile move costs paid and amortisation of capitalised debt issue costs of £0.5m)
4 Net cash at the start of the year on IFRS basis for current year is different to the closing balance in the prior year because current year is for HICL UK and prior year is HICL Guernsey. On 1 April 2019, HICL Guernsey retained £1.9m cash to settle outstanding costs of the Scheme and liquidation

On an IFRS Basis, the Company received £148.4m from its direct Corporate Subsidiary (2019: £149.1m). These payments are sized to pay shareholder dividends and the Company's operating costs. On an IFRS Basis, Net cost of new investments and divestments of £113.0m (2019: £2.6m) reflected loans extended by the Company to its Corporate Subsidiaries during the year, reflecting share capital raised net of costs.

Cash inflows from the portfolio and divestments on an Investment Basis were £205.9m (2019: £212.8m) or 3% lower due to lower profits from disposals. Underlying cash generation excluding profits on disposal increased 6% in the year.

Net cost of new investments and divestments on an Investment Basis of £16.0m (2019: £6.7m) represents the cash cost of investments in the Blankenburg Connection PPP (the Netherlands), Helicopter Training Facility, North West Anthony Henday (Canada), Race Bank OFTO and Galloper OFTO projects, disposals of Enniskillen Hospital (UK), Health & Safety Laboratories (UK) PPP and Rhondda Schools projects and acquisition costs of £1.2m (2019: £1.4m).

Hedging and borrowing is undertaken by a Corporate Subsidiary and therefore the Company had no cash flows for this on an IFRS Basis during the year. The comparative year reflects a £1.6m one-off cost paid on the domicile move to the UK. On an Investment Basis, the £6.9m cash outflow (2019: £0.5m) comprised £4.5m from foreign exchange rate hedging settlements in the year due to the weakening of Sterling against the Euro, US Dollar and Canadian Dollar, and £2.4m deduction in capitalised debt issue costs. The Corporate Group enters into forward sales to hedge FX exposure in line with the Company's hedging policy set out below.

The issue of 62.5 million shares in December 2019 and 10 million shares in January 2020 at a premium to the prevailing NAV per share provided net cash receipts in the year of £115.2m (2019: net costs of £0.2m).

Dividends paid in the year increased 6%, or £7.8m, to £148.4m (2019: £140.6m). Dividend cash cover, which compares operational cash flow on an Investment Basis, excluding profits on disposal, of £152.7m (2019: £144.8m) to dividends paid, was 1.03 times[3] (2019: 1.03 times) demonstrating cash covered yield. As communicated in the Company's Covid-19 update in March 2020, cash cover reduced from 1.05x at September 2019 due to a proactive decision to leave some cash in certain project companies, ensuring an additional level of resilience at asset level.

3 Including profits on disposal of £16.4m (2019: £34.0m), dividend cash cover was 1.14 times (2019: 1.27 times)

3.3 Financial Review (continued)

Group Drawings and Gearing Levels

The Board's policy is that the Company should not hold material amounts of un-invested cash beyond what is necessary to meet outstanding equity commitments for existing investments or to fund potential acquisitions in the near term.

The Corporate Group has a £400m RCF with HSBC, RBSi, NAB, Lloyds, SMBC, Santander, ING and Crédit Agricole, with an expiry date of 31 May 2023. On 3 April 2020, a one-year extension to 31 May 2023 was signed with seven out of eight existing lenders (minus Lloyds) totalling c. £360m, on the same commercial terms. The Company is therefore able to confirm that sufficient working capital is available for the financial year ending 31 March 2021, without needing to refinance.

Periodically, the Investment Manager will consider refinancing options aligned to the pipeline of potential transactions. As at 31 March 2020, the Corporate Group had cash drawings on its RCF of £Nil and drawings of £79.1m by way of letters of credit. Sufficient capacity is retained on the RCF for the Corporate Group to fund additional investments as and when further attractive opportunities arise.

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 2020 compared to non-Sterling portfolio values were:

	Non-UK assets £m	FX Hedge £m	FX Hedge as % of non-UK assets
Euro	389	290	75%
North America	208	152	73%
Total	**597**	**442**	**74%**

3.4
Valuation of the Portfolio

Valuation Methodology and Approach Overview

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

The Group's investments are predominantly non-market traded investments, such that these investments are valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The exception to this is the listed senior debt in the A13 Road project which is valued 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 Manager makes forecast assumptions for each of these external metrics, based on market data and economic forecasts. The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment based on the detailed financial models produced by each portfolio company and adjusting where necessary to reflect the Group's economic assumptions as well as any specific operating assumptions.

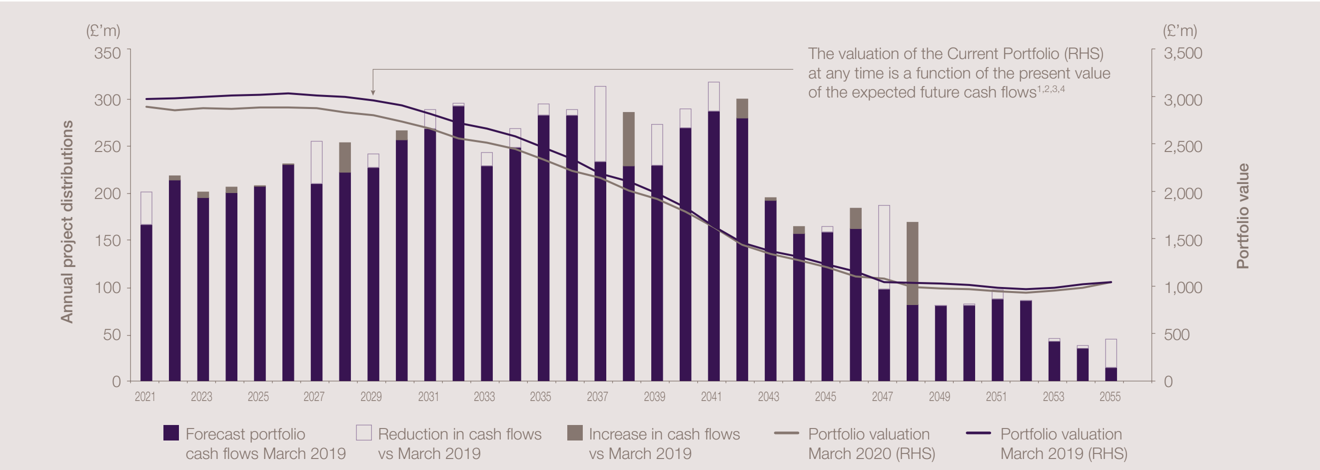
The fair value for each investment is then derived from the application of an appropriate market discount rate and year end currency exchange rate. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market appetite) and any risks to the investment's earnings (e.g. predictability and covenant of the revenues and service delivery challenges), all of which may be differentiated by the phase of the investment's life (e.g. in construction or in operation). The Investment Manager 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 investment 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 Net Asset Value ("NAV") and so the Directors seek, from a third-party valuation expert, an independent report and opinion on the valuation provided by the Investment Manager. The Directors' Valuation is the preferred valuation measure of the portfolio because it is the total value at risk for the Group, as compared to investments at fair value through profit or loss which excludes future commitments. A reconciliation of the Directors' Valuation to investments at fair value as per the balance sheet and on an Investment Basis is provided in Note 14 to the financial statements.

Investment Portfolio: Cash Flow Profile

The chart below shows the expected future cash flows to be received by the Group from the portfolio as at 31 March 2020 and how the portfolio valuation is expected to evolve over time using current forecasts and assumptions.

Illustration of expected future cash flows to be received by the Group from the current portfolio[1,2,3,4]



[1] The chart represents a target only and is not a profit forecast. There can be no assurance that this target will be met

[2] The cash flows and the valuation are based on a number of assumptions, including discount rates, inflation rates, interest rates, rates of gross domestic product growth, tax rates and foreign exchange rates. These assumptions and the valuation of the current portfolio may vary over time

[3] The cash flows and the valuation are from the portfolio of 117 investments at 31 March 2020 and do not include other assets or liabilities of the Group, and assumes that during the period illustrated above, (i) no new investments are purchased, (ii) no existing investments are sold and (iii) the Group suffers no material liability to withholding taxes, or taxation on income or gains

[4] Valuation considers cash flows beyond 2055, for example for Northwest Parkway 87 years of cash flows are assumed

3.4 Valuation of the Portfolio (continued)

The chart shows the steady long-term nature of the cash flows from the portfolio, coupled with a stable portfolio valuation in the medium term. Where cash flows have reduced, as signified by the hollow boxes in the chart above, this is largely due to the revised assumptions in the demand-based assets, including the deferral of refinancing events from 2027, 2037 & 2047 to 2028, 2038 & 2048, respectively. The valuation over time is also shown. Based on current forecasts over the long term, the portfolio will move into a repayment phase when cash receipts from the portfolio will be paid to 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. By acquiring accretive investments, the intention is that the capital repayment phase is pushed further into the future.

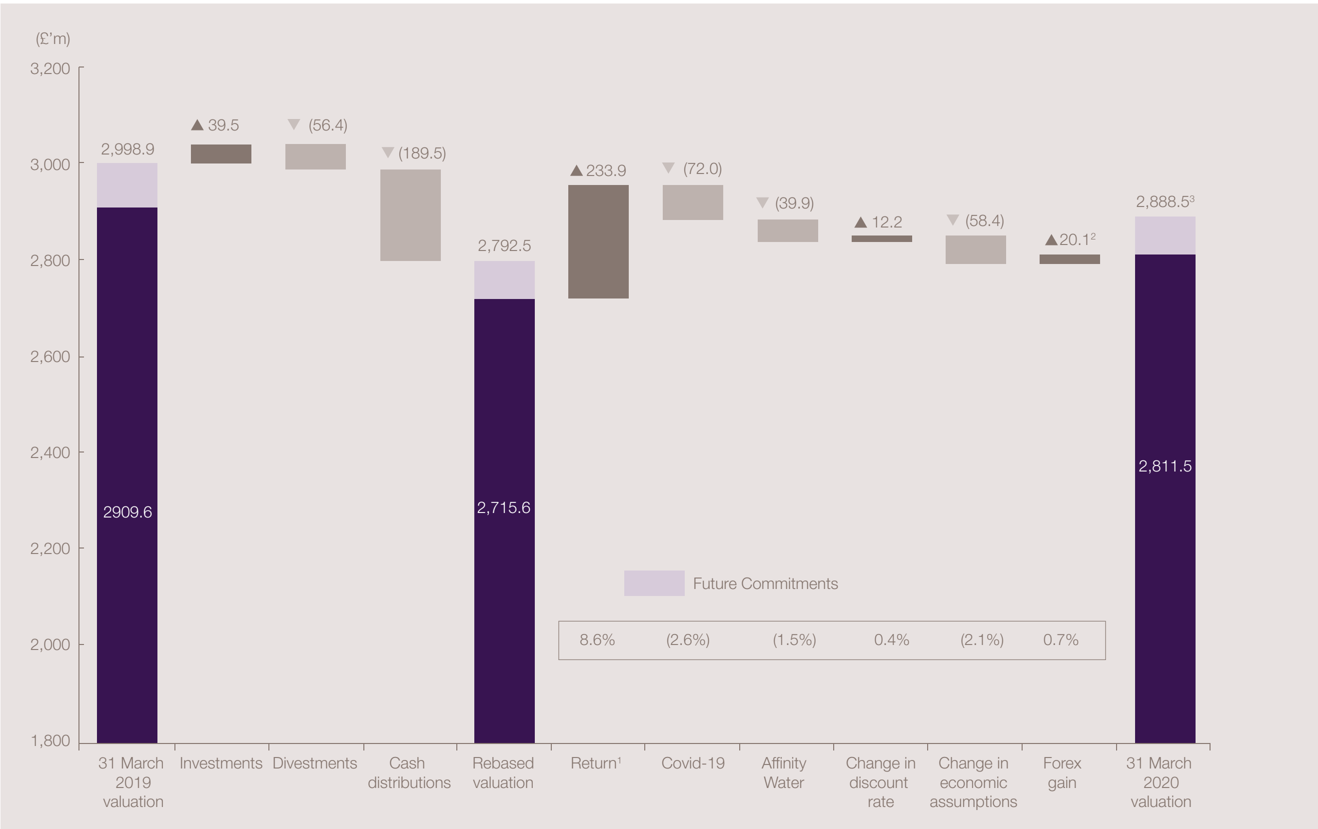
It is these forecast cash flows from the Group's current portfolio of investments that give the Board the comfort to provide the target dividend guidance set out in the Chairman's Statement of 8.25p per share for the year to 31 March 2021. The chart shows the one-off reduction in forecast cashflows in the year ending March 2021 due to Covid-19, such that the target dividend in that year is expected to be majority cash covered, with the shortfall supported by utilising the RCF.

Directors' Valuation at 31 March 2020

The Directors' Valuation of the portfolio at 31 March 2020 was £2,888.5m – a decrease of 3.7% compared to the valuation of £2,998.9m at 31 March 2019. A reconciliation between the Directors' Valuation at 31 March 2020 and that shown in the financial statements is given in Note 14 to the financial statements, the principal differences being that the Directors' Valuation includes the £77m outstanding equity commitments in respect of the Blankenburg Connection (Netherlands) and Paris-Sud University (France).

A breakdown of the movement in the Directors' Valuation in the year is shown in the chart and table below.

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



[1] 'Return' comprises the unwinding of the discount rate and project outperformance
[2] FX movement net of hedging is a gain of £14.4m
[3] £2,888.5m reconciles, on an Investment Basis, to £2,811.5m Investments at fair value through £77.0m of future commitments

Rebased Net Valuation

Valuation blocks (purple) have been split into investments at fair value[1] and future commitments. The percentage movements have been calculated on investments at fair value of £2,715.6m as this reflects the returns on the capital employed in the year.

Valuation Movements for the year ended 31 March 2020 (£m)

			% Change
Directors' Valuation at 31 March 2019		2,998.9	
Investments	39.5		
Divestments	(56.4)		
Net Investments/Divestments		(16.9)	
Cash receipts from investments		(189.5)	
Less future commitments		(76.9)	
Rebased valuation of the portfolio		**2,715.6**	
Return from the portfolio	233.9		8.6%
Covid-19	(72.0)		(2.6%)
Affinity Water	(39.9)		(1.5%)
Change in discount rate[1]	12.2		0.4%
Economic assumptions	(58.4)		(2.1%)
Forex movement on non-UK investments	20.1		0.7%
		95.9	3.5%
Future commitments		77.0	
Directors' Valuation at 31 March 2020[2]		**2,888.5**	

[1] Excludes the discount rate changes of Covid-19 and Affinity Water
[2] A reconciliation between the Directors' Valuation and the financial statements is given in Note 14 to the financial statements

Allowing for the investments during the year of £39.5m, divestments of £56.4m and investment receipts of £189.5m, the rebased net valuation was £2,715.6m. The growth in the valuation of the portfolio at 31 March 2020 over the rebased value was 3.5%.

The increase arises from a £233.9m return from the portfolio, a reduction in reference discount rates of £12.2m and positive impact of movement in foreign exchange rates of £20.1m which are partially offset by a £72.0m reduction due to the impact of Covid-19, a writedown in H1 on Affinity Water of £39.9m to reflect the impact of the regulatory Price Review process across the water sector, and a change in certain economic assumptions (described below) resulting in a reduction of £58.4m. The negative movement in economic assumptions includes higher tax rates in the UK, as a result of the reversal of a decision to cut corporation tax by the Conservative Government in the February 2020 Budget, and lower forecast deposit rates in all jurisdictions.

Return from the Portfolio

The return from the underlying portfolio of £233.9m (2019: £227.1m) represents an 8.6% (2019: 8.8%) increase in the rebased value of the portfolio versus the discount rate, or expected annualised return, of 7.2%. This demonstrates outperformance of the portfolio.

Incremental value was generated from operational outperformance across various cost savings, efficiency initiatives, disposals and refinancings that have occurred in the period which have delivered additional value over and above the base case. Further detail on these factors is outlined in Section 3.1 – Operating Review.

[1] On an Investment Basis

Covid-19

HICL has six demand-based assets in the portfolio representing 20% of the portfolio value at 31 March 2020. During the first quarter of 2020, the Covid-19 pandemic has resulted in reduced usage of these facilities,impacting on revenues and therefore their valuation.

Four of these demand-based assets, namely High Speed 1, A63 (France), Northwest Parkway (USA) and M1-A1, are sensitive to GDP which means their valuations are more significantly affected by the Covid-19 pandemic. The impact has been assessed, and adjustments made in three areas; short-term traffic reduction, longer term recovery and discount rates, using a variety of information sources including actual traffic figures, management assessments, consensus GDP forecasts and sensitivity analysis.

This analysis has resulted in a reduction in valuation of £72.0m, of which £51.4m is taken through cash flow adjustments and £20.6m is taken through an increase in discount rates. The Investment Manager continues to work closely with management teams to monitor and manage the situation.

More information on the affected assets is included in a Case Study which can be found on page 60. For further information on HICL's approach to Covid-19 refer to Section 3.1 – Operating Review.

Affinity Water

As announced in the Interim Update Statement on 28 February 2020, Affinity Water has accepted the Final Determination ("FD") for Price Review 19 ("PR19") from the regulator ("Ofwat") on its business plan for Asset Management Period 7 (April 2020 to

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3.4 Valuation of the Portfolio (continued)

March 2025) ("AMP7"). Overall, the FD for PR19 moved the key metric of total expenditure towards the proposals made in Affinity Water's final business plan submission in August 2019 which was reflected in the valuation of Affinity Water at 30 September 2019 with a recognition of a £39.9m value reduction at that time.

The valuation of Affinity has been reassessed at 31 March 2020 with recognition of a more positive political environment for UK regulated assets, which has been offset by reduced forecast cash flows from the lower allowed regulated returns in the FD. This has resulted in maintaining the £39.9m valuation reduction of which £29.6m has been taken through cash flow adjustments and £10.3m taken through an increase in discount rates. The valuation represents a 1.25x (March 2019: 1.29x) multiple of Regulatory Capital Value.

For further information on this please refer to Section 3.1 – Operating Review.

Discount rates

The main method for determining the appropriate discount rate used for valuing each investment is based on the Investment Manager'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 and service delivery challenges), 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 2020, 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:

	31 March 2020				
Country	Long-term government bond yield	Risk premium	Discount rate	31 March 2019 Discount rate	Movement
UK	0.8%	6.3%	7.1%	7.0%	**0.1%**
Eurozone	0.4%	6.8%	7.2%	7.3%	**-0.1%**
North America	1.1%	6.9%	8.0%	8.0%	**0.0%**
Portfolio	**0.7%**	**6.5%**	**7.2%**	**7.2%**	**0.0%**

Generally, sufficient market data on discount rates is available and therefore 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 the Group'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 Manager'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.

Since September 2019, the Investment Manager has seen increased market activity, particularly following the UK general election result in December 2019, with a significant easing of the political risk hanging over the sector. The Investment Manager has also noted increased asset pricing in a number of recent Eurozone and North American auction processes. Both these factors were expected to create downward pressure on the respective UK, Eurozone and North American discount rates as at 31 March 2020.

However, since the Covid-19 pandemic moved to Europe (late February 2020), there has been a slowdown in transaction activity as market participants pause to reflect on the current situation. As both the pandemic and its consequential impact are at a relatively early stage, there are limited PPP transaction data points since the pandemic emerged to support a movement in discount rates. A decision was therefore taken to maintain discount rates for HICL's PPP portfolio at the same level as September 2019.

The Investment Manager has considered the possibility that cash flow risk to PPP projects could be temporarily heightened; however it judged this to be offset by a) in all markets, the stability of availability revenues sourced from government counterparties relative to other sectors in the economy that have been impacted to a greater extent by the pandemic, b) in the UK, by the reduction in political risk, c) in the Eurozone, by the foregone discount rate reductions and d) in Canada, by the 0.3% implied increased risk premium.

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Priority School Building Programme NE Batch, UK

Case Study: Demand-Based Assets

Key Points

- As at 31 March 2020 HICL holds interests in six demand-based assets with a combined valuation of £551m and constituting 20% of the portfolio.
- Of this, 18% is correlated to GDP, accounted for predominantly by three assets, set out to the right.
- In the final month of the year to 31 March 2020, these assets were impacted by the onset of the Covid-19 pandemic, principally due to the widespread restrictions placed by national governments on the movement of people and goods across developed markets.
- Asset usage has declined, and is expected to remain affected before gradually returning to normal operating conditions from 1 January 2021.
- HICL has incorporated new forecasts for demand-driven revenues into its valuation models, including assumptions regarding a recovery of economic activity in developed markets. As a result it is now assumed that underlying traffic takes approximately two and a half years on average across the three assets to reach the pre-Covid-19 level of traffic.

High Speed 1, UK

A63 Motorway, France

Northwest Parkway, USA

Key Facts as at 31 March 2020

8.0%
weighted average discount rate (portfolio 7.2%)

41.5yrs
weighted average remaining asset life (portfolio 27.8 yrs)

1.0x
inflation correlation (portfolio 0.8x)

4%
cumulative revenue outperformance vs acquisition cases of the three largest demand assets

Impact of Covid-19

Each of the three key transport assets currently impacted by Covid-19 benefits from strong strategic positioning:

- High Speed 1 being the UK's only high-speed rail link and the only rail connection between London and Europe;
- the A63 Motorway in southwest France which forms part of the TEN-T[1] trans-European network; and
- the Northwest Parkway which forms part of the orbital road around Denver, Colorado.

However, systemic reductions in demand due to restrictions on the movement of people and goods ("lockdowns") across HICL's core geographies have materially reduced revenues on the projects (see right). Accordingly, the Investment Manager has adjusted its forecasts for the underlying performance of these assets to reflect firstly the near-term impact of Covid-19; and secondly projections regarding the recovery in their revenues in the medium term. This case study discloses to shareholders sufficient information to understand the assumptions that HICL has incorporated in its valuation of the investments as at 31 March 2020. It is the intention of the Company to report against these revenue assumptions as part of its regular reporting cycle.

Notwithstanding this, the projects remain strategically important and are expected to see a marked recovery in revenues as lockdowns are eased and economic activity resumes.

	Covid-19 Revenue impact[1]	
	2 weeks to 31-Mar-20	5 weeks to 5-May-20
High Speed 1	-11%	-14%[2]
A63 Motorway	-40%	-50%
Northwest Parkway[3]	-70%	-71%

[1] average % decrease in revenue in the specified time window
[2] estimate based on latest available management information
[3] traffic volumes used as a proxy for revenue over these time frames for NWP

HICL Valuation Approach

The approach taken to value the assets at year end reflects two key components:

1. Detailed asset-specific assessments of forecast cash flows to reflect the near-term impact of Covid-19 and assumptions regarding a recovery in revenues; combined with

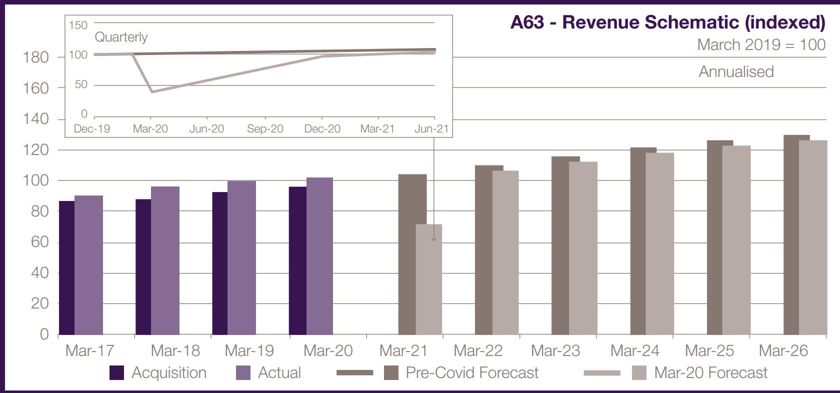
2. A discount rate adjustment reflecting that at a time of heightened uncertainty regarding the trajectory of a recovery in economic activity, there is a wider range of potential outcomes compared to forecasts.

Assumptions have been calibrated based on a number of inputs, principally: (i) the observable data and patterns of usage that are collected from the assets on a regular basis; and (ii) economist/analyst assessments of GDP over the next two years, from which median economic forecasts from over 30 institutions have been adopted. The sections opposite illustrate the asset-specific cash flow modelling in greater detail.

[1] Trans-European Transport Network (TEN-T) is a planned network of roads, airports, railways and water infrastructure in the EU. The initiative seeks to establish intermodal, long-distance and high-speed corridors

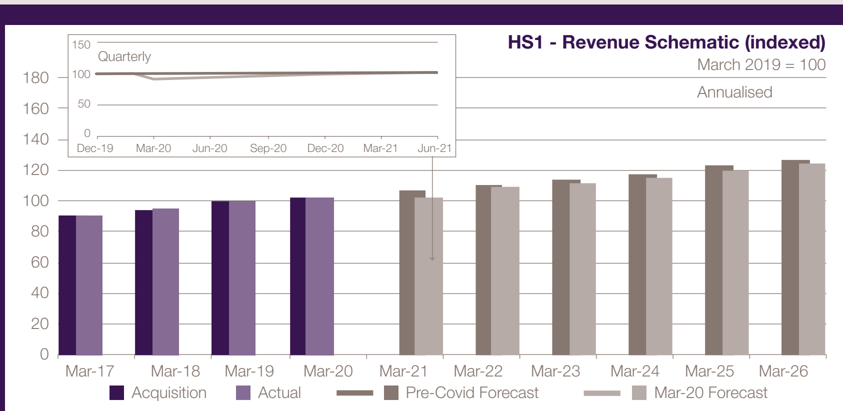
A63, France

The valuation for the A63 Motorway assumes that lockdown conditions that were current as at 31 March 2020 persist until 30 June 2020. After this date, revenues recover gradually each quarter, returning to normal operating conditions from 1 January 2021. From here traffic levels are effectively rebased using median economic forecasts for calendar years 2020 and 2021[2] (cumulative -1.0% for France) to reflect the expectation of lower economic activity in FY2022 compared to FY2020, and then revert to HICL's pre-Covid-19 growth rates. The effect of this recasting of the growth profile is that underlying traffic takes approximately eight quarters to reach pre-Covid-19 levels. Note that the project has sufficient liquidity to support the cash flow impact of this scenario, with ample cash from operations and reserve accounts to ensure that senior debt is serviced.



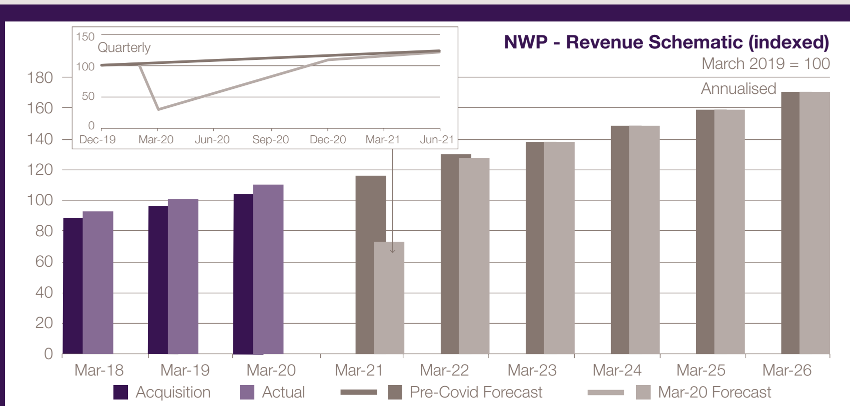
High Speed 1, UK

High Speed 1 ("HS1") has contracted bookings for domestic and international train paths which provides significant mitigation from the immediate impact of Covid-19 on the concessionaire. However, lockdown conditions have materially impacted non-regulated revenues (from retail units and car parking) which accounted for c.16% of pre-Covid-19 revenues. The valuation assumes the lockdown conditions that were current as at 31 March 2020 persist until 30 June 2020 with a consequent impact on non-regulated revenues. After this date, non-regulated revenues recover gradually each quarter, returning to steady-state from 1 January 2021. Assumed train paths for international travel are effectively rebased according to median GDP forecasts for calendar years 2020 and 2021[3] (Cumulative -1.5% for the UK), as are unregulated revenues, after which revenue growth rates (percentage increase year-on-year) are in line with HICL's pre-Covid-19 assumptions. Additionally, planned domestic growth in train paths has been assumed to be pushed back two years. The effect of this recasting of the traffic profile is that total underlying train paths take approximately 13 quarters before exceeding pre-Covid-19 levels. The longer recovery time compared to the two toll roads can be attributed to the lower cumulative GDP forecast and the inherent and assumed lag of passenger numbers converting to train paths. Contracted track access charges alone are sufficient to cover debt service payments in this scenario.



Northwest Parkway

The valuation of Northwest Parkway assumes that the prevailing lockdown restrictions current as at 31 March 2020 continue until 30 June 2020. Beyond this, revenues gradually recover each quarter, returning to normal operating conditions from 1 January 2021. After this date, traffic levels are effectively rebased using median economic forecasts for calendar years 2020 and 2021[4] (cumulative -0.5% for the USA) and then revert to HICL's pre-Covid-19 growth rates. The effect of this recasting of the growth profile is that underlying traffic takes approximately eight quarters to reach pre-Covid-19 levels.



The project benefits from significant liquidity sufficient to fund debt service out to the quarter ending June 2023.

Conclusion

The impact of Covid-19 is being faced by over 200 countries globally[5]. These HICL assets, that perform the strategically important role of connecting economies and communities, have been impacted by temporary, emergency policies designed deliberately to sever those connections. The market positioning of these core infrastructure assets means that they will facilitate future economic recovery and growth: the associated cash flow modelling reflects HICL's assessment of a gradual path back to normal operating conditions by 2021.

[2] Median of 35 forecasts published between 20 March and 27 April 2020
[3] Median of 51 forecasts published between 20 March and 27 April 2020
[4] Median of 77 forecasts published between 20 March and 27 April 2020
[5] European Centre for Disease Prevention and Control (April 2020), Situation update worldwide, as of 21 April 2020

03 / PERFORMANCE & RISK

3.4 Valuation of the Portfolio (continued)

It is also noted that, in holding PPP discount rates steady, the implied risk premium of 6.5% over long-term government bond yields is the highest it has been since HICL's original IPO, which we expect to be supportive of continued strong demand for PPPs. Similarly we note that PPP listed bond pricing is broadly unchanged since September 2019. Operational PPP and regulated assets continue to perform in line with expectations.

For demand based assets, as described above, an increase in discount rate has been applied where Covid-19 has introduced greater risk to the forecasting of the assets' cash flows.

Valuation Assumptions

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

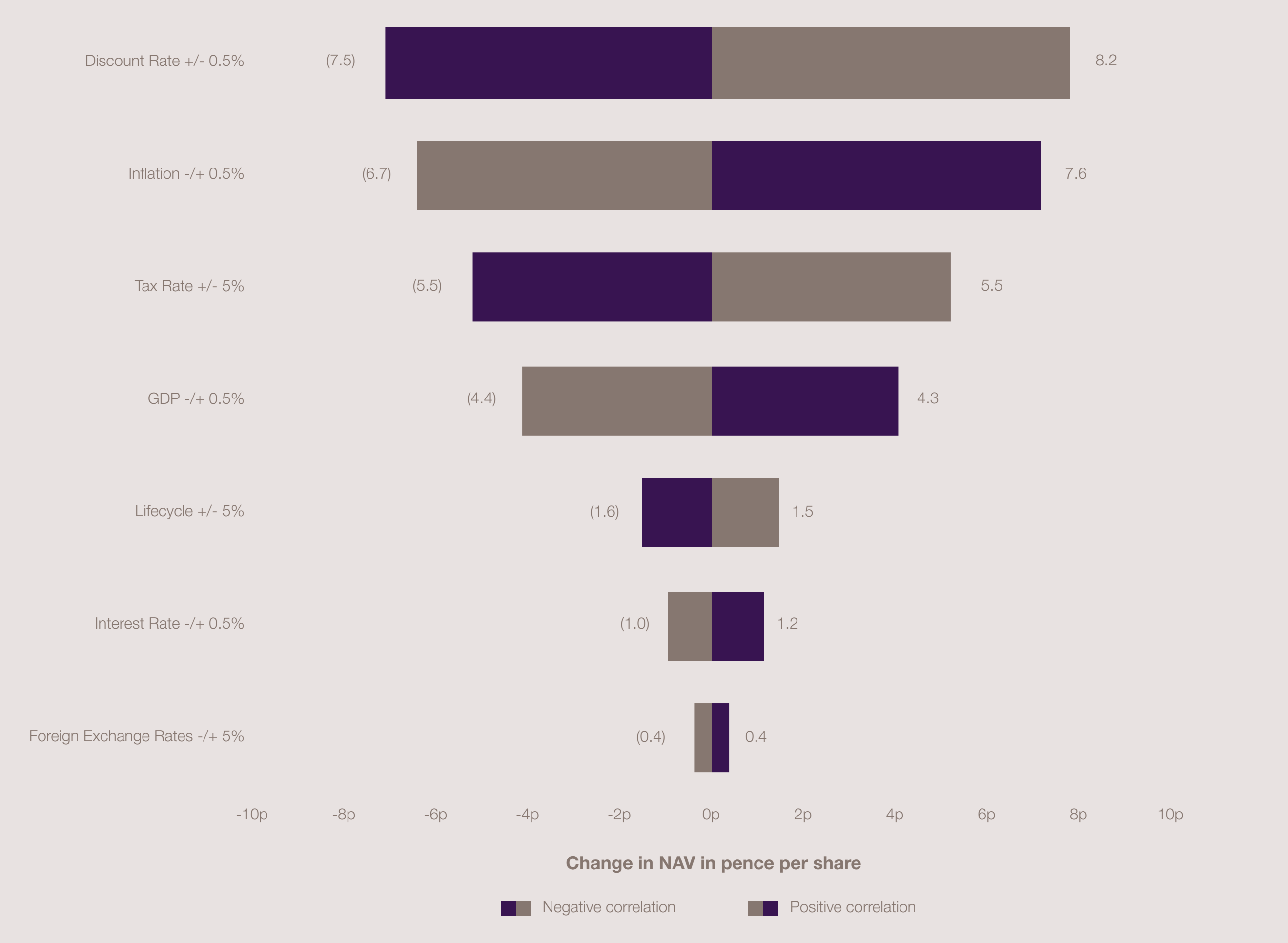
		31 March 2020	31 March 2019
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	2.75% p.a. 2.0% p.a.	2.75% p.a. 2.0% p.a.
	Eurozone (CPI)	2.0% p.a.	1.0% p.a. to 2019, 2.0% p.a. thereafter
	Canada (CPI)	2.0% p.a.	2.0% p.a.
	USA (CPI)	2.0% p.a.	2.0% p.a.
Interest Rates	UK	0.5% p.a. to March 2023, 1.5% p.a. thereafter	1.0% p.a. to March 2022, 2.0% p.a. thereafter
	Eurozone	0.0% p.a. to March 2023, 1.0% p.a. thereafter	0.5% p.a. to March 2022, 1.5% p.a. thereafter
	Canada	1.0% p.a. to March 2023, 2.25% p.a. thereafter	2.0% p.a. to March 2021, 2.5% p.a. thereafter
	USA	1.0% p.a. to March 2023, 2.25% p.a. thereafter	2.0% p.a. with a gradual increase to 2.5% p.a. long-term
Foreign Exchange Rates	CAD/GBP	0.57	0.57
	EUR/GBP	0.89	0.86
	USD/GBP	0.81	0.77
Tax Rates	UK	19%	19% to March 2020, 17% thereafter
	Eurozone	Ireland 12.5% France 25% – 33.3% Netherlands 21.7% – 25%	Ireland 12.5% France 25% – 33.3% Netherlands 20.5% by 2025
	USA	21% Federal & 4.6% Colorado State	21% Federal & 4.6% Colorado State
	Canada	26% and 27%	26% and 27%
GDP Growth	UK	(5.5%) in 2020, 4.0% in 2021, 2.0% p.a. thereafter	2.0% p.a.
	Eurozone	(5.0%) in 2020, 4.0% in 2021, 1.8% p.a. thereafter	1.8% p.a.
	USA	(3.5%) in 2020, 3.0% in 2021, 2.5% p.a. thereafter	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.

Valuation Sensitivities



[1] NAV per share based on 1,863 million Ordinary Shares as at 31 March 2020
[2] Sensitivities for inflation, interest rates, tax rates and lifecycle are based on the 35 largest investments extrapolated for the whole portfolio
[3] Foreign exchange rate sensitivity is net of Group hedging at 31 March 2020

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.

3.4
Valuation of the Portfolio (continued)

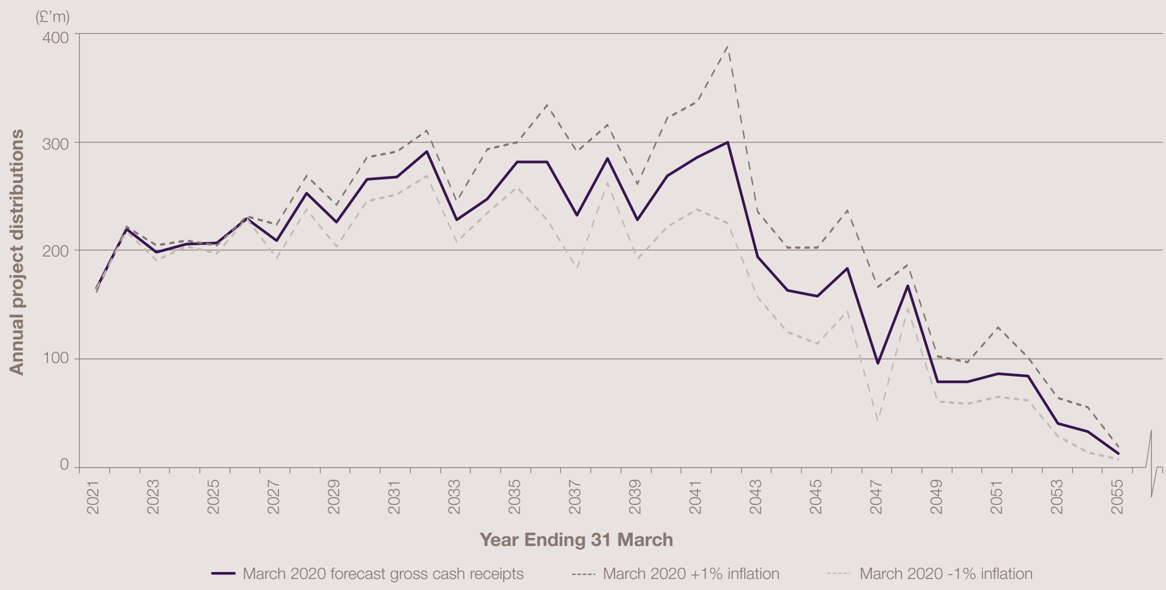
For the demand-based assets, the concession agreement usually prescribes how user fees are set, which is generally reset annually for inflation. Similarly to PPP projects in the UK, this is typically RPI, while non-UK projects use CPI. On Affinity Water, one of HICL's regulated assets, revenues are regulated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

The chart shows that the Directors' Valuation and NAV per share are both positively correlated to inflation. The portfolio's inflation correlation at 31 March 2020 was 0.8 (2019: 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 2020 forecasts for RPI out to December 2020 range from 2.0% to 3.2% from 10 independent forecasters as compiled by HM Treasury, with an average forecast of 2.6%.

On 4 September 2019, the UK Government published its response to the UKSA's proposed reform of RPI to potentially align it to CPIH. This could result in a material reduction in the level of RPI from 2025 or 2030. The historical difference between RPI and CPIH has averaged 0.8% – 0.9%. The UK Government released the "Consultation on the Reform to Retail Prices Index Methodology" on 11 March 2020. Market reaction has been limited and the market volatility has been mainly driven by Covid-19. The 25-year RPI swap rate at 31 March 2020 was 2.8%, 0.1% above HICL's UK RPI forecast assumption of 2.75%; therefore we have not made a downward adjustment to the long term UK RPI forecast assumption.

Cash Flow Sensitivity to Inflation

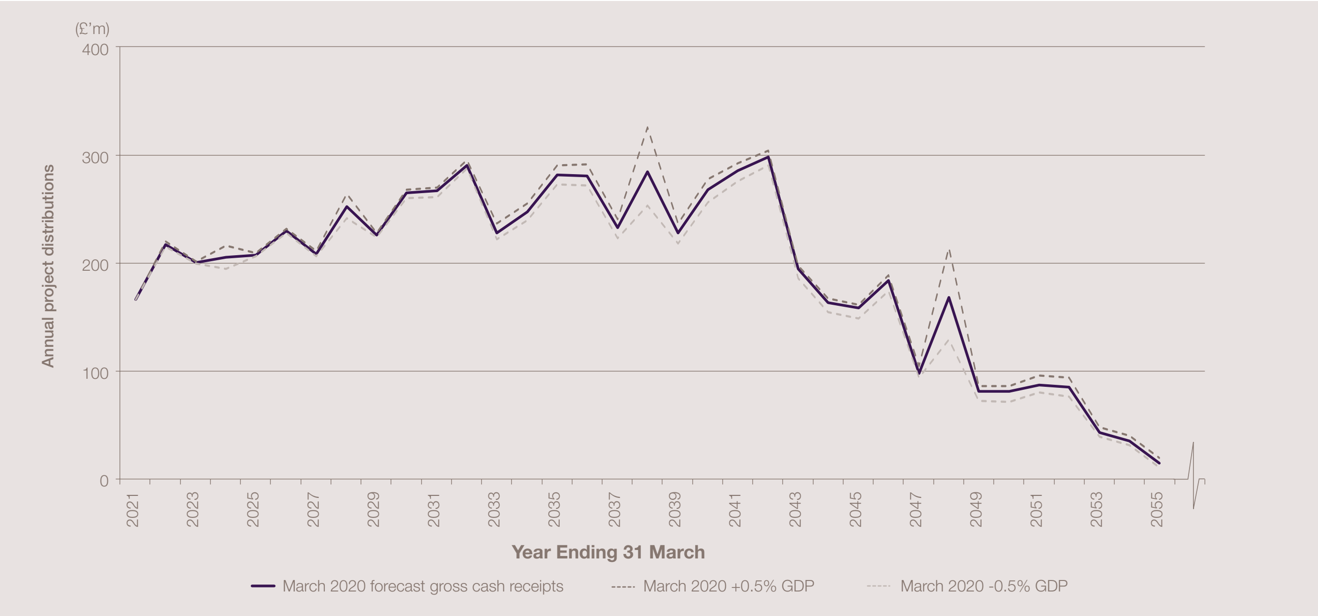


Gross Domestic Product ("GDP") Sensitivity
At 31 March 2020, the portfolio had four investments which are considered sensitive to GDP, comprising 20% of the portfolio value (21% at 31 March 2019) namely the A63 Motorway (France), M1-A1 Road, Northwest Parkway (USA) and High Speed 1. At times of higher economic activity there will be greater traffic volumes using these roads and railways generating increased revenues for the projects than compared to periods of lower economic activity and therefore we assess these as GDP sensitive investments.

If outturn GDP growth was 0.5% p.a. lower for all future periods than those in the valuation assumptions set out on page 62 for all future periods, expected return from the portfolio (before Group expenses) would decrease 0.2% from 7.2% to 7.0% (7.0% at 31 March 2019).

As detailed in the Case Study on pages 60 and 61, the medium- to long-term traffic and revenue projections for the three largest demand-based assets in the portfolio have been 'rebased' using a median of GDP forecasts for the next two years. If, in each relevant country, the cumulative GDP growth forecast over the next two year period is 1% lower than in our base case, the valuation would decrease by £14.3m (0.8p). Alternatively, if cumulative GDP over the two years is 1% higher than in our base case the valuation uplift would be £12.2m (0.7p).

Cash Flow Sensitivity to GDP

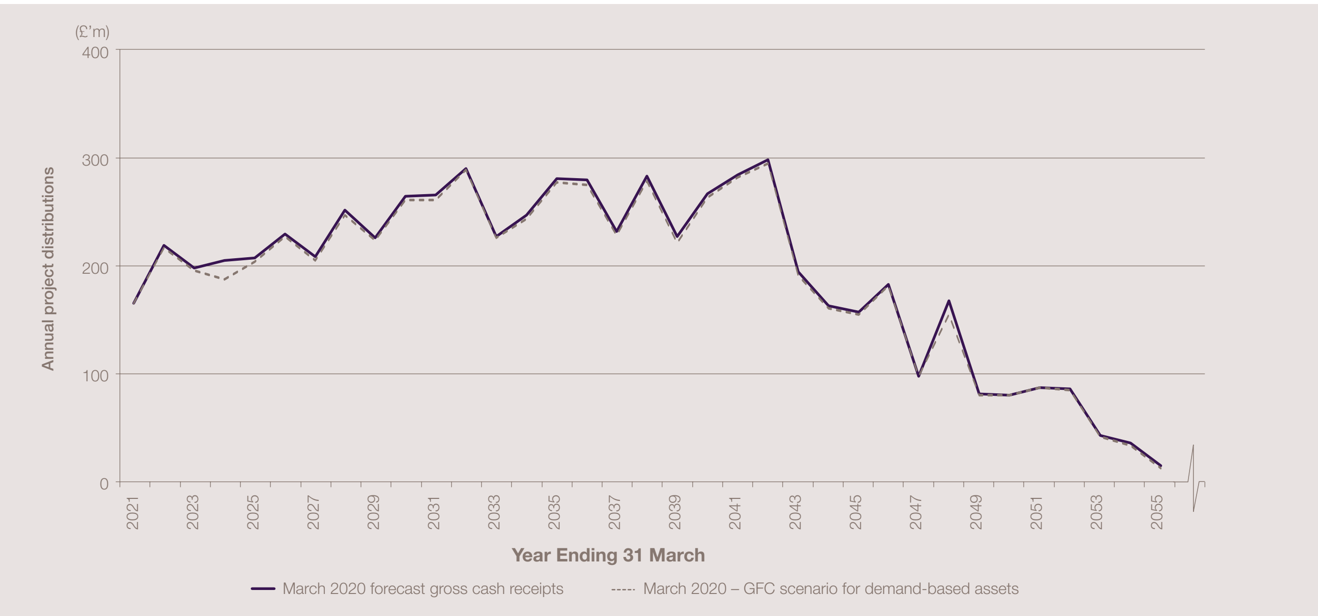


Furthermore, we have made detailed, asset-specific adjustments to the underlying cash flows to reflect the near-term impact of Covid-19. In our base case, we assume that significantly reduced levels of traffic and revenue persist until the end of June 2020, after which there is a recovery. If the recovery is delayed by three months, such that the current reduced levels of traffic and revenue persist until the end of September 2020, the valuation would decrease by £4.6m (0.3p).

Cash Flow Sensitivity to GFC

In the event that there is a second Global Financial Crisis ("GFC"), similar to that experienced in 2008, where there is a short-term contraction in the economy followed by HICL's assumed growth rates thereafter, we estimate the NAV impact to be c. £36m (1.9p) The impact on distributable cash flows is illustrated in the below chart.

Cash Flow Sensitivity to GFC



3.4 Valuation of the Portfolio (continued)

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 2020, cash deposits for the portfolio were earning interest at a rate of 0.7% 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 March 2020 of 0.1% during 2020.

The portfolio valuation assumes UK deposit interest rates are 0.5% p.a. to March 2023 and 1.5% p.a. thereafter (March 2019: 1.0% to March 2022 and 2.0% thereafter). This reduction in the UK alongside decreases in deposit interest rates in all other jurisdictions has resulted in a decrease to the portfolio valuation of £25.1m which is included within the £58.4m aggregate reduction 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 117 investments, 50 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.

The UK corporation tax assumption for the portfolio valuation is 19%, which is up from 17% at September 2019, in line with the budget announcement made in March 2020. These changes have resulted in a decrease to the portfolio valuation of £29.9m which is included within the £58.4m aggregate reduction in portfolio value attributable to changes in economic assumptions.

Discounted Cash Flow Key Assumptions and Principles

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

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

In forming the above assessments, the Investment Manager 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

The valuation drivers and metrics for certain regulated assets are different in certain aspects from the Company's other market segments – in particular, it is necessary to forecast future regulatory outcomes as well as operational performance against targets and allowances agreed with the regulator.

The Regulated Capital Value ("RCV") multiple, which measures a company's enterprise value as a multiple of RCV, is the most widely used valuation metric for UK regulated assets and forms a useful cross-check to the DCF-derived valuation. An RCV multiple will vary depending on a company's risk profile and operational performance, influenced by factors such as whether the business is listed, its level of gearing, whether it is responsible for funding a pension deficit, and its business scope and complexity.

Affinity Water's RCV multiple, based on the 31 March 2020 valuation, is 1.25x[1] (March 2019: 1.29x) which is in line with the expected multiple premium of the unlisted sector to the listed water sector.

[1] Based on Affinity Water's Regulated Capital Value of £1,232.6m as at March 2020 (source: Ofwat)

3.5
The Investment Portfolio

Portfolio of 117 assets as at 31 March 2020

Education 14%

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

Health 30%

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

Fire, Law & Order 7%

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

Transport 30%

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

Accommodation 11%

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

Electricity, Gas & Water 8%

- Affinity Water
- Burbo Bank OFTO
- Race Bank OFTO
- Galloper OFTO

Key

▲ New investment since 31 March 2019

▲ Disposal since 31 March 2019

▲ Handed back to the public sector client following the voluntary termination notice served in the year ended 31 March 2016

03 / PERFORMANCE & RISK

3.6
Portfolio Analysis

as at 31 March 2020

MARKET SEGMENT

March 2020

March 2019

	Mar 20	Mar 19
▲ PPP projects	72%	71%
▲ Demand-based assets	20%	21%
▲ Regulated assets	8%	8%

GEOGRAPHIC LOCATION

March 2020

March 2019

	Mar 20	Mar 19
▲ UK	76%	77%
▲ EU	17%	15%
▲ North America	7%	8%

OWNERSHIP STAKE

March 2020

March 2019

	Mar 20	Mar 19
▲ 100% ownership	26%	25%
▲ 50%–100% ownership	34%	32%
▲ Less than 50% ownership	40%	43%

SECTOR

March 2020

March 2019

	Mar 20	Mar 19
▲ Accommodation	11%	11%
▲ Education	14%	15%
▲ Electricity, Gas & Water	8%	8%
▲ Health	30%	28%
▲ Fire, Law & Order	7%	7%
▲ Transport	30%	31%

INVESTMENT STATUS

March 2020

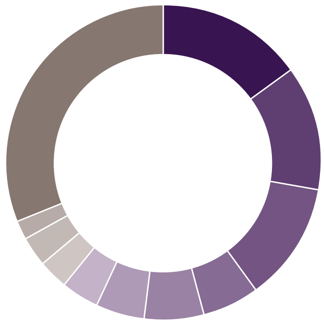
March 2019

	Mar 20	Mar 19
▲ Fully operational	97%	97%
▲ Construction	3%	3%

TEN LARGEST INVESTMENTS

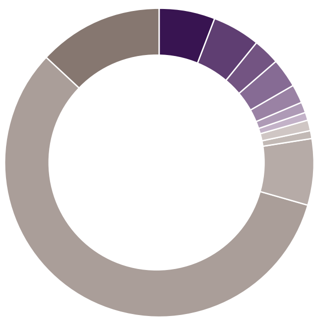
Affinity Water	6%
High Speed 1	6%
A63 Motorway	6%
Northwest Parkway	5%
Southmead Hospital	4%
Pinderfields & Pontefract Hospitals	4%
Home Office	4%
Dutch High Speed Rail Link	3%
Queen Alexandra Hospital	3%
Blankenburg	3%
Remaining Investments	56%

TEN LARGEST FACILITIES MANAGEMENT COUNTERPARTY EXPOSURES



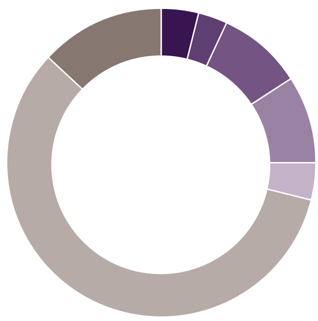
Bouygues	15%
Engie	13%
In House	12%
Network Rail	6%
EGIS	6%
Mitie	5%
Sodexo	4%
Siemens	3%
DEME	3%
Integral	2%
Other	31%

TEN LARGEST CONSTRUCTION COUNTERPARTY EXPOSURES[1,2]



Colas	6%
Balfour Beatty	5%
Laing O'Rourke	3%
DEME	2%
Bouygues	2%
Bilfinger	1%
Morgan Sindall	1%
Strabag	1%
Galliford Try	1%
Other contractors	7%
Latent defects limitation/ warranty period expired	58%
Affinity Water and High Speed 1	13%

LATENT DEFECTS WARRANTY PERIODS COUNTERPARTY EXPOSURES[1,2]



Within 1 year	4%
1–2 years	3%
2–5 years	9%
5–10 years	9%
10+ years	4%
Latent defects limitation/ warranty period expired	58%
Affinity Water and High Speed 1	13%

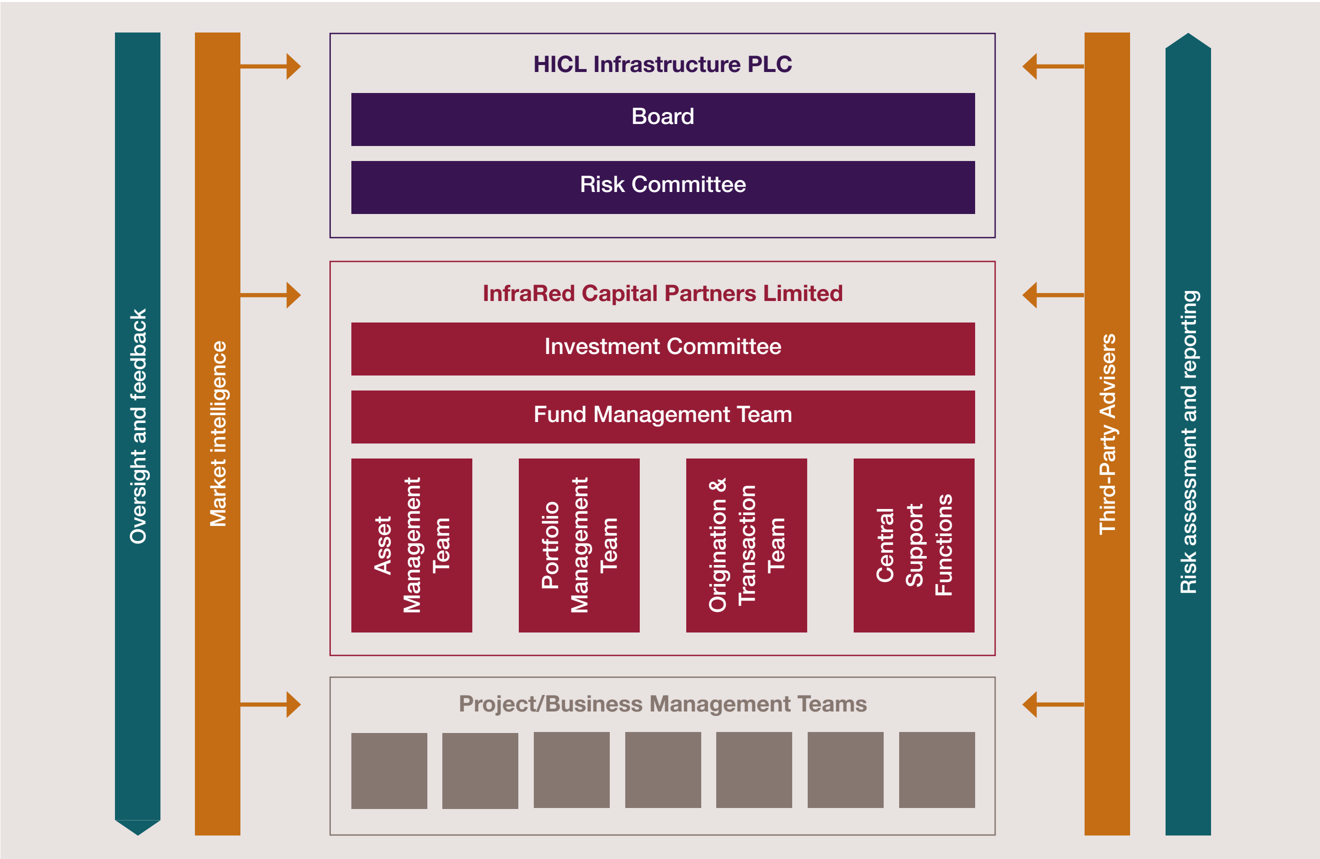
[1] By value, at 31 March 2020, using Directors' Valuation excluding A13 senior bonds. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by the Investment Manager). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation

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

3.7 Risk & Risk Management

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

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



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

Day-to-day monitoring, evaluation and management of risk is undertaken by InfraRed as HICL's Investment Manager. The Investment Manager is monitored, evaluated and challenged by the Risk Committee, which reports to the Board.

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

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

Risk classes

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

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

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

The year to 31 March 2020 was characterised by a reduction in political uncertainty following the UK general election in December 2019 as the risk of a government seeking to implement nationalisation policies receded. In light of this, the Investment Manager reduced the political risk residual rating[1] from 'high' to 'medium' and refreshed the associated low-probability, yet possible, downside scenario.

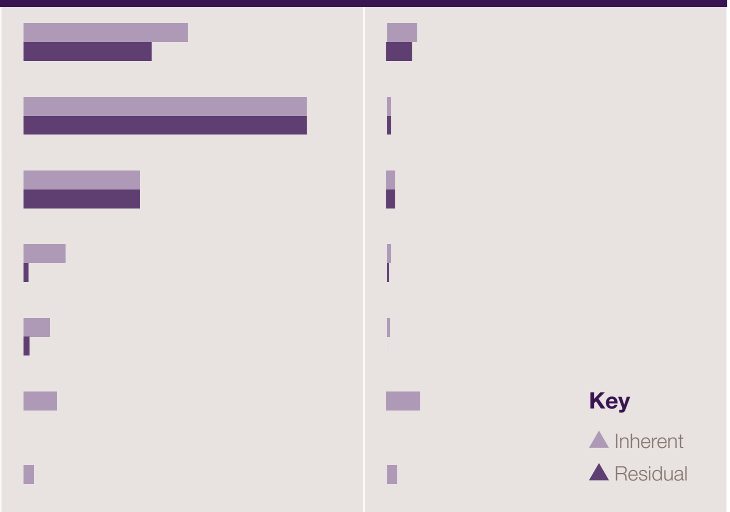
February and March 2020 saw the start of a global economic downturn, primarily resulting from governments' response to the Covid-19 pandemic. As noted in Section 3.4 – Valuation of the Portfolio, the valuation of the demand-based assets with returns correlated to GDP reflects lower short-term GDP assumptions. Nonetheless, the residual risk rating for the portfolio performance risk class has been increased from 'medium' to high' and the financial / market risk class has been increased from 'low' to 'medium'. In this period of heightened uncertainty, this reflects that:

- portfolio performance is being impacted by:
  - GDP-linked demand-based projects, representing 18% of the portfolio by value at 31 March 2020, are not expected to make further distributions to shareholders in the near term, which has been reflected in the Company's dividend guidance, and
  - defects may take longer to resolve if access to the relevant areas of hospitals is restricted due to heightened operational requirements, meaning that the affected portfolio companies may take longer than expected to restart shareholder distributions; and
- the increased financial / market risk that the economic downturn may be more severe or more protracted than currently assumed.

Covid-19 specific risks have been set out against the relevant risk classes below.

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

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



[1] There are five residual risk ratings: the lowest being 'Very Low', then 'Low', 'Medium', 'High' and 'Very High'

03 / PERFORMANCE & RISK

3.7
Risk & Risk Management (continued)

Principal Risk	Risk Description	Risk Mitigation
Portfolio performance risk		
Revenue adjustments	Poor operational performance and the failure to meet the prescribed contractual or regulatory service standards, or the appearance of construction defects, may reduce the income of the portfolio company concerned, e.g. through the application of availability deductions or regulatory penalties. In addition to the financial cost of these deductions, there is the potential for an adverse reputational impact to the private sector consortium (including HICL) from any material operational issues.	Operational issues Operational issues can be caused by a number of factors, e.g. for PPP projects the most likely cause is the underperformance of a service delivery partner. The Investment Manager's Asset Management team plays a pro-active oversight role, to ensure any trends in performance are identified early and, if necessary, corrected accordingly. When problems do arise, the relevant InfraRed asset manager will work on the corrective steps and relevant actions in order to preserve good working relations with the client and thereby minimise any potential financial and reputational damage. Payment deductions for periods of unavailability or poor service delivery are typically contractually passed down to the subcontractor who is at fault. In a severe case, the project company can terminate a subcontractor who fails to perform and either self-manage the services or tender for a new service provider. The cost of this action would, where possible, also be recovered from the previous supplier. Penalties levied against regulated assets could result in lower investment returns. Some mitigation is achieved through the regulatory price control process through setting reasonable targets that are both stretching and achievable. The compensation of the portfolio company's management team is linked to financial performance and against regulatory plan outcomes. Construction defects Typically, PPP project companies have a right (either in law, or expressly under the terms of a construction subcontract) to make claims against the relevant construction subcontractor in relation to defects in the design, construction or commissioning of the project assets. This right persists for a defined period of time following the completion of construction (the 'statutory limitations period'). In England and Wales, for example, the statutory limitations period is typically 12 years. Construction defects are in most cases revealed through the regular programme of operations and maintenance activities or as a result of surveys that are commissioned. Defects detected within the statutory limitations period have been lodged with the relevant construction subcontractor for remediation. The cost of remediation is the responsibility of the construction subcontractor and not borne by the PPP project company. An arbitration or court process is used where disputes arise and cannot be commercially resolved. Following the expiry of the statutory limitations period, the risk of remediation of construction defects that are subsequently detected typically falls to the PPP project company itself and is an equity risk (for which the lifecycle budget can in some cases be a source of mitigation). In addition, there are certain other circumstances, for example if a subcontractor becomes insolvent, where the construction counterparty may no longer be able to fulfil its obligations to correct construction defects. Management of counterparty credit risk is discussed later in this section.

Principal Risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Revenue adjustments (continued)	Covid-19: Potential operational performance risk, resulting in potential revenue adjustments (see below) and reputation risk of projects, particularly healthcare related projects, should a high proportion of facilities management staff not be fit for work or be unable to travel. Risk of significant delay to the delivery of construction assets, resulting in liquidated damages being charged to the portfolio company.	Covid-19: Across the portfolio, business continuity plans have been implemented, and management teams, subcontractors and counterparties (such as the public sector clients) have responded proactively, coming together in a co-operative and pragmatic way to ensure the continuing operation and delivery of essential facilities and services. The provision of the infrastructure in the portfolio, to the public sector and / or end users, has not been significantly impacted by Covid-19. Where construction timetables are impacted by Covid-19, resulting delays are expected to be either accommodated within current construction timetables or will trigger force majeure events that are expected to result in relief action by clients to minimise losses to portfolio companies and construction counterparties. Risks arising from the economic impact of Covid-19 on demand-based assets with returns correlated to GDP growth are set out below under the Financial / market risk class summary.
Demand	The revenue generated by demand-based assets is dependent on the usage of the associated infrastructure. For some of these demand-based assets, usage may be correlated to the rate of economic growth. Usage below acquisition assumptions could lead to adverse financial performance of the portfolio company, with significant underperformance potentially resulting in default of the financing arrangements.	Demand risk is extensively considered by the Investment Manager as part of the due diligence process at the time of acquisition. Usage history is considered and, where appropriate, third-party experts are used to assess demand projections. HICL publishes an analysis of the portfolio's sensitivity to changes in demand as a result of changes in GDP in Section 3.4 – Valuation of the Portfolio. Risks arising from the economic impact of Covid-19 on demand based assets with returns correlated to GDP growth are set out below under the Financial / market risk class summary.

3.7
Risk & Risk Management (continued)

Principal Risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Construction, operations and maintenance counterparties	The PPP project companies and demand-based asset concessionaires in which the Group invests typically subcontract the provision of the services to specialist providers (construction, operations or maintenance companies). The failure of a supply chain provider could negatively impact the project company's ability to fulfil its contractual obligations with the client. Availability-based payment deductions could be made which may impact HICL's cash flow and therefore the valuation of the Group's portfolio.	As one of its key objectives, HICL provides investors with access to a balanced, well-diversified portfolio of investments (in terms of clients, funders and supply chain contractors), thereby mitigating concentration risk and the impact of the default/non-performance by any single counterparty. HICL publishes an analysis of the portfolio's counterparty exposure in Section 3.6 – Portfolio Analysis. In addition, counterparty credit risk is considered at regular intervals by the Investment Manager's internal credit risk team. If a key subcontractor was to fail, HICL's priority is the continuation of services to public sector clients and the users of the affected infrastructure. HICL has developed contingency plans that specifically contemplate a scenario in which a key subcontractor enters administration or liquidation, and the Investment Manager's wide network provides a number of potential replacement service providers. The Investment Manager maintains a lessons learned database, more detail on which is provided in the Governance case study in Section 3.2 – Sustainability Report, which includes those associated with contractor failure, to improve information sharing across its asset and portfolio management teams.
Operational costs	The budget, and therefore the risk, of certain key operational costs associated with a project lies with the portfolio company. For PPP project companies and demand-based asset concessionaires this generally relates to the management services contract, the lifecycle costs and the insurance premium. There is a risk that the budget could prove to be insufficient. For regulated assets, the regulatory price control process sets a total expenditure (capital and operational) allowance for the associated portfolio company to achieve its targets. Overspend against this allowance does not necessarily result in additional revenue, which may reduce the returns generated.	As part of the due diligence process at the time of acquisition, all operating budgets are reviewed to determine if they are adequate. In the case of insurance, there is often some protection through contractual premium risk-sharing agreements with the project company's client. The adequacy of lifecycle budgets is regularly assessed where the risk sits with the project companies. HICL publishes an analysis of the portfolio's sensitivity to lifecycle costs, which is set out in Section 3.4 – Valuation of the Portfolio. The management teams of regulated assets, with oversight from the Investment Manager, prepare detailed business plans as part of each price control process. These plans take inputs from in-house and third-party experts and are scrutinised by the regulator. Mitigation is achieved through setting reasonable expenditure allowances that are both stretching and achievable.
Clients	Reductions in revenue arising from clients facing financial difficulties and therefore failing to meet their payment obligations could have a material adverse impact on that portfolio company's cash flows.	The impact of any single client default to the overall Group is considered small, as the Group has low concentration risk associated with any individual client.

Principal Risk	Risk Description	Risk Mitigation
Portfolio performance risk (continued)		
Climate change	Climate change will impact most companies. The impact will result from the physical consequences of climate change, and also from government policy and consumer behaviour changes to arrest the pace of adverse climate change. This has the potential to impact the financial performance of Group's portfolio.	For most concessions, performance risk, including in relation to events arising from adverse climate change is mitigated through risk pass-down to subcontractors, insurance coverage and public sector client relief events. Affinity Water has a 60-year water resource management plan, which contemplates action to counter the impact of adverse climate change as set out in Section 3.2 – Sustainability Report. InfraRed has appointed a Sustainability Manager to lead their business's response to sustainability matters, including climate change. She reports directly to InfraRed's CEO. The Sustainability Manager provides training on key sustainability issues to all relevant employees on an ongoing basis. HICL's Investment Committee provides oversight and challenge throughout the investment process to ensure robust assessment of sustainability risks and opportunities, including those arising from climate change.
Cyber security	Failure to protect data appropriately could have negative legal, operational and reputational repercussions. A breach of data security could occur by accident or as a result of a deliberate cyber attack. A cyber attack could affect the IT systems of the Group, the Investment Manager or a portfolio company, causing theft or loss of data, or damage to the infrastructure's control systems and equipment.	The Group has no IT systems as it relies on those of its services providers. The Investment Manager has data management policies and its staff receive regular training to reduce the risk of an accidental data breach. The Investment Manager has IT systems designed to withstand a cyber attack and these systems have been subject to successful annual tests by a specialist third party. Portfolio companies that operate through a subcontracted management structure, such as PPP projects, tend not to have their own IT systems and rely on those subcontractors. Data is normally backed up and the risk, should data be corrupted or stolen, is considered low. Regulated assets, and those demand-based asset concessionaires that are operating companies, typically will have their own IT systems. These companies have data management policies and their staff receive regular training to reduce the risk of an accidental data breach. Typically, these companies also undergo cyber penetration testing or use the separation of critical operational systems from the internet through bespoke procedures and firewalls to support the implementation of IT systems designed to withstand a cyber attack. Data held by subcontractors or by portfolio companies themselves is normally backed up. The subcontractors or portfolio companies will also have disaster recovery plans. This reduces the potential impact of business interruption.

3.7 Risk & Risk Management (continued)

Principal Risk	Risk Description	Risk Mitigation
Financial and market risk		
Investor sentiment	Prolonged periods where the prevailing share price trades below HICL's Net Asset Value inhibits HICL's ability to issue new equity capital.	The need to issue new equity capital primarily relates to the repayment of drawings under HICL's Revolving Credit Facility ("RCF"). HICL has a number of alternative options available. Inter alia, these include: ▲ Refinancing the RCF to extend its maturity, currently May 2023, reduces the near-term urgency to repay drawings, though it is not HICL's policy to be drawn for substantial periods of time. Details on the recent refinancing of the RCF can be found in Section 2.5 – Investment Manager's Report; and ▲ Strategic management of the portfolio composition through disposals to pay down drawings under the RCF and facilitate opportunistic acquisitions without substantially increasing HICL's gearing. Two accretive disposals were made in the year.
Inflation	Investment returns from portfolio companies typically have positive inflation correlation. Inflation levels below HICL's long-term assumptions would result in the valuation of the portfolio being adversely impacted, and sustained periods of deflation could result in defaults under loan arrangements. In the UK, there is a risk that the retail price measure of inflation is reformed in 2025 or 2030 to align with a consumer price index. This could result in a reduction of the level of inflation applicable to concession revenue calculations, which could result in a reduction in the valuation of UK investments.	The Board and Investment Manager consider a number of factors in determining the Group's long-term inflation assumptions, which have been largely unchanged since launch in 2006. The Board and the Investment Manager believe HICL's assumptions for inflation remain reasonable. The 25-year UK retail price inflation swap rate is currently above the Company's assumption for UK inflation used to value the portfolio. Some mitigation against the impact of a change in inflation rate basis is provided as the inflation rate is also applied to operating costs and, for some portfolio companies, part or all of the cost of debt. HICL publishes an analysis of the portfolio's sensitivity to inflation in Section 3.4 – Valuation of the Portfolio.

Principal Risk	Risk Description	Risk Mitigation
Financial and market risk (continued)		
Discount and interest rates	A discounted cash flow methodology is used to value the majority of the Group's investments. Appropriate discount rates are key to deriving a fair and reasonable valuation for the portfolio. The rate is established by reference to comparable market transactions, which is corroborated by considering the yield on long-dated government bonds (as a reference for the risk-free rate) plus an adequate risk premium. All other things being equal, higher discount rates would result in a reduction in the portfolio valuation. The Group benefits from use of HICL's RCF and debt within the portfolio companies. Increases in interest rates would increase the cost of financing these instruments.	Interest rates and inflation are correlated over the long term, and they exhibit a positive relationship. Therefore, an increase in discount rates due to increased interest rates over the long term is likely to coincide with higher inflation – factors which materially offset one another in the portfolio valuation calculation. An interest rate increase would have a positive impact on cash deposit interest income for portfolio companies. This would partly mitigate a portfolio value reduction arising from increased discount rates. It does not necessarily follow that an increase in long-dated government bond yields would result in an increase in discount rates. As long-dated government bond yields have trended downwards since HICL's launch in 2006, the market discount rate applied to secondary transactions has remained robust. The resulting increase in risk premium may absorb potential increases in government bond yields thereby reducing the impact on the overall discount rate. To manage interest rate risk, the Group may use interest rate swaps to hedge RCF drawings. At portfolio company level, the risk of rising interest rates causing an increase in debt service cost is materially mitigated through the use of fixed rate or inflation-linked bonds or hedging instruments. HICL publishes an analysis of the portfolio's sensitivity to discount and interest rates in Section 3.4 – Valuation of the Portfolio.
Economic growth	18% of the portfolio, by value at 31 March 2020, has an exposure to GDP. There is a risk that the impact of the economic disruption and government-enforced restrictions on the movement of people caused by Covid-19 on HICL's portfolio exceeds the assumptions used in the valuation of the demand-based assets at 31 March 2020.	The Investment Manager regularly presents GDP sensitivities to the Risk Committee, which is comfortable with the Company's exposure. The Investment Manager has taken action to delay some portfolio company distributions to increase short-term asset-level resilience. The Company retains its self-imposed exposure limit of 20% of the portfolio, by value at the time of acquisition, to assets with returns correlated to GDP. The demand-based assets have debt service reserve accounts, which hold sufficient cash for these project companies to meet their debt service obligations for a number of months.
Foreign exchange	HICL is exposed to changes in foreign exchange rates where investment return is received in a currency other than Sterling from investments in jurisdictions outside the UK.	To mitigate the foreign exchange risk, the Group has used a combination of balance sheet hedging and hedging of prospective income on a short-term basis through forward currency sales. The Group has a foreign exchange policy to limit the exposure of foreign exchange rates on the Company's NAV.

3.7 Risk & Risk Management (continued)

Principal Risk	Risk Description	Risk Mitigation
Political risk		
Policy changes	With a wide range of public sector counterparties, political risk is inherent in HICL's business model and consistently has been a key risk faced by HICL. There is a risk that clients of HICL's portfolio companies or national governments choose to terminate contracts. The extreme risk that they act outside the terms of the project agreements, for example through nationalisation of assets without the payment of fair compensation, has receded in the near term. The risk that a future UK government may consider taking utilities, including water companies, back into public ownership has also receded in the near term.	Typically, public sector counterparties are entitled to voluntarily terminate a PPP contract and, if this occurs, project companies have a corresponding right to receive compensation. For the majority of HICL's investments in UK PPP projects, this compensation is contractually based on market value which would, we believe, be equal to the prevailing value of the asset in the portfolio. More detail on compensation on voluntary client termination provisions is set out in Section 3.1 – Operating Review In the case of a breach of contract, the Group may consider legal options. The legal processes and means for redress would involve expending time and money. This may impact the value of the Group's investment portfolio and could affect HICL's ability to meet its target distributions. Whilst the near-term threat of nationalisation of utilities in the UK has receded it remains incumbent on private asset owners to continually demonstrate, through performance and service quality, the benefits of private investment in infrastructure. The Investment Manager is an active member of various industry bodies, including the Global Infrastructure Investor Association and The Infrastructure Forum, which, on behalf of the infrastructure sector, engage with politicians, civil servants, other policy shapers, such as the UK National Infrastructure Commission ("NIC"), and regulators. The Investment Manager works with the Association of Investment Companies on behalf of the Company. The Investment Manager interacts directly with stakeholders of the portfolio's projects, and with policy shapers through dialogue and by responding to relevant consultations and calls-for-evidence to extol the value that the private sectors brings to the delivery of public infrastructure. During the year, the Investment Manager made submissions and was in dialogue with both the NIC's Future of Regulation Study and HM Treasury's Infrastructure Finance Review.

Principal Risk	Risk Description	Risk Mitigation
Political risk (continued)		
Legal or regulatory changes	Various legal and regulatory changes may adversely impact the Group and the portfolio companies in which the Group invests. This could take the form of legislation impacting the supply chain or contractual costs or obligations to which portfolio companies (and therefore the equity investor) are exposed. Certain investments in HICL's portfolio are subject to regulatory oversight. Regular price control reviews by the regulator determine levels of investment and service that the portfolio company must deliver and revenue that may be generated. Particularly severe reviews may result in poor financial performance of the affected investment.	HICL, the Investment Manager and their advisers continually monitor any potential or actual changes to regulations to ensure both the Group and its service providers remain compliant. Most social and transportation infrastructure concessions provide a degree of protection, through their contractual structures, in relation to changes in legislation which affect either the project asset or the way the services are provided. Regulators seek to balance protecting customer interests with making sure that each company has enough money to finance its functions. The Investment Manager participates in relevant consultation processes, to ensure that the legislature and regulators hear the concerns and views of HICL, in its capacity as a private sector investor. Acting through members of InfraRed's Asset Management team in their roles as portfolio company directors, the Investment Manager was active in the regulatory price review process for Affinity Water. Ofwat's price review process concluded in December 2019, and gives clarity on the parameters for Affinity Water's business plan for the next five years.
Taxation changes	Taxation legislation or treaty changes may adversely impact the Group and the portfolio's value. This may include changes to: ▲ Corporation tax rates; ▲ Cross-border tax rules; and ▲ Other taxation legislation such as changes to the deductibility of interest costs of debt used to finance projects arising from the implementation of the OECD's recommendations in relation to Base Erosion and Profit Shifting ("BEPS").	Certain risks, such as changes to corporation tax rates, cannot be prevented or mitigated. HICL values its portfolio based on enacted tax rates. Investors are provided with an illustration of the portfolio's sensitivity to changes in tax rates in Section 3.4 – Valuation of the Portfolio. Relevant cross-border tax rules are closely monitored for any potentially adverse changes to the Group. The Board and the Investment Manager actively monitor broader taxation legislation developments.

3.7
Risk & Risk Management (continued)

Principal Risk	Risk Description	Risk Mitigation
Operational risk – execution		
Inadequate due diligence	Poor or inadequate due diligence can result in underperformance against acquisition assumptions.	The Investment Manager's Origination and Execution team has a depth of experience in buying and selling infrastructure assets and has developed a thorough checklist approach to the due diligence phase. The Investment Manager is supported by specialist advisers (e.g. lawyers, technical consultants, sustainability advisers and tax advisers). Oversight is provided by the Investment Manager's HICL Investment Committee, and by the Board in respect of matters falling outside the Investment Manager's 'Approved Investment Parameters'. InfraRed's investment process incorporates sustainability considerations, as set out in Section 3.2 – Sustainability Report, including the impact of adverse climate change. An example of where this impacted investment decisions in the year is included in Section 3.2 – Sustainability Report.
Breach of policies	New acquisitions may cause HICL to breach its Investment Policy, its banking covenants, or other internal control policies.	This risk is mitigated by the Investment Manager's detailed internal sign off procedures involving a team independent of the acquisition reviewing it against all policies and procedures.
Operational risk – portfolio administration, asset management		
The Investment Manager	HICL is heavily reliant upon the Investment Manager to implement the strategies and deliver its objectives. The Investment Manager's team is responsible for fund, portfolio and asset management, as well as investment selection and pricing discipline. A performance deterioration of any of these functions could have a material impact on HICL's performance.	The Investment Manager has a track record of investing and managing infrastructure investments dating back to the 1990s. It has depth of resource and knowledge in the asset class, as well as appropriate and detailed policies, procedures and compliance systems. The Investment Manager's team benefits from a group of individuals possessing relevant qualifications, relationships and experience for their roles. The Board is satisfied that there is sufficient depth of expertise within the Investment Manager's team for the Group not to be reliant on any single 'key person'.
Valuations	The sensitivity analysis presented in Section 3.4 – Valuation of the Portfolio does not show a comprehensive picture of all potential scenarios. Further, variables do not tend to move in isolation, and the analysis does not show the potentially infinite number of permutations, and resultant impacts, that might arise. Financial models, either for the Group or the underlying project companies, may contain errors, or incorrect inputs, resulting in inaccurate outputs. These could adversely impact the assessment of HICL's financial position.	Sensitivity analysis is a tool with limitations. It seeks to illustrate to investors the impact that certain key variables have on the portfolio's valuation. It cannot provide a comprehensive assessment of all of the risks and should be treated accordingly. Financial models are managed by an experienced team who are adept at working with them in a manner that seeks to minimise the introduction of errors. In addition to the processes of the Investment Manager, the Group's portfolio valuation is assessed by HICL's independent valuation expert twice a year.

Principal Risk	Risk Description	Risk Mitigation
HICL central management risk		
Loss of key personnel	HICL relies on the Board of Directors and key service providers, including the Investment Manager, to manage the Group. Loss of a 'key person' could lead to gaps in the 'corporate knowledge'.	The Board is comfortable that it is not overly reliant on any one Director. Similarly, it is comfortable that the teams in all its key service providers, including the Investment Manager, have a suitable breadth and depth of resources such that if any one individual was to depart, the services can continue to be provided to the required standards by the remaining team members.
Service provider failure	The Group has no employees and relies on service providers to provide management services, the most important of which is the Investment Manager. Failure of any one service provider would lead to potential operating issues and a possible value impairment. Covid-19: Risk of disruption to the activities of the Company's key service providers resulting in reduced service quality levels to the Company.	The Board is comfortable that it is not overly reliant on any one Director. Similarly, it is comfortable that the teams in all its key service providers, including the Investment Manager, have a suitable breadth and depth of resources such that if any one individual was to depart, the services can continue to be provided to the required standards by the remaining team members. The Management Engagement Committee reviews the performance of all key service providers annually. Poor performance issues are communicated promptly back to the relevant service provider and, to date, this has had the necessary effect. Changes are made when necessary. Covid-19: InfraRed and other service providers have enacted business continuity plans, with most shifting to wholesale remote-working environment, in order to protect the delivery of their services to HICL. The Investment Manager and the Administrator have confirmed that controls relevant to the Company's business remain in place. The Investment Manager has identified key roles and processes and alternates planned to manage key person risk (see Loss of Key Personnel above).
Poor controls	Poor control systems of either the Group or a service provider could lead to a loss for the Group.	Detailed operating procedures have been developed and adopted by the Group. These are regularly reviewed including by the compliance team of the Investment Manager. Service providers also have their own control systems which are reviewed as and when required. Changes to controls are implemented in light of industry experience and changing policies and regulation.
Operational risk – regulation and compliance		
Breach of regulations	The Group's activities may breach regulations in the jurisdictions in which it operates.	When entering new jurisdictions for the first time, specialist technical and legal advice is taken. Once investments are made, the Investment Manager seeks to remain abreast of changes of regulations and laws to ensure the Group and its portfolio companies remain compliant.

3.8
Viability Statement

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

The Directors have determined that the five-year period to March 2025 remains an appropriate period over which to assess HICL's viability as this period accords with the Company's business planning exercises, is appropriate for the investments owned by the Company and is consistent with HICL's long-term objective.

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

The Company has a low level of expenses relative to forecast receipts from its portfolio investments. The portfolio consists of companies whose underlying assets are predominantly fully constructed and operating PPP or similar projects with public sector counterparties in jurisdictions with established and proven legal systems. As a result, the Company benefits from predictable long term contracted cash flows and a set of risks that can be identified and assessed (see Section 3.7 – Risk & Risk Management). The projects are each financed on a non-recourse basis to the Company and are supported by detailed financial models. The Directors believe that the non-recourse financing and diversification within the portfolio of investments helps to withstand and mitigate the risks it is most likely to meet.

Assessment of Viability
In making this statement, the Directors have considered the resilience of the Company, taking account of its current position and the principal risks facing the business, in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. Consideration has been given to the current market and political environment, including the current global Covid-19 pandemic, as well as potential Brexit impacts.

The Investment Manager has prepared sensitivity analyses including various stress scenarios which have been considered previously by the Risk Committee. These include:

- a recession comparable to the global financial crisis;
- a combined scenario deferring distributions from availability-based assets for six months and demand-based assets for five years;
- increasing tax rate assumptions by 5%;
- increasing lifecycle costs by 10%;
- no step up in deposit interest rates;
- zero inflation for the next five years; and
- assuming an increase in projects not distributing of 20% of the portfolio.

Individually, these scenarios pose little threat to the Company's solvency. A severe scenario was also prepared to assess the loss in revenue necessary to cause insolvency. The analysis demonstrated that the Company should remain viable over the five-year assessment period.

Viability Statement
The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2025, on the assumption that there is sufficient liquidity in the debt market to allow HICL to refinance or repay obligations becoming due under the Revolving Credit Facility and that its investments are not materially affected by retrospective changes to government policy, laws or regulations.

3.9
Risk Committee Report

The following pages set out the Risk Committee's report on its activities in respect of the year ended 31 March 2020. The Risk Committee operates within clearly defined terms of reference, which are available on the Company's website. The Risk Committee is comprised of all the Directors and it meets four times a year, coinciding with the quarterly Board meetings.

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

Simon Holden
Risk Committee Chair
19 May 2020

Main Duties and General Approach

The Risk Committee's main duties are, as set out in its Terms of Reference, to consider, and where necessary make recommendations to the Board, on the following:

- the Company's implementation of an effective governance structure and control framework which covers key risk areas with appropriate reporting;
- the Group's risk appetite, taking account of the current and prospective macro-economic and financial environment;
- risk limits and tolerances, and risk management;
- ongoing regulatory compliance;
- the Group's risk profile, challenging the assessment and measurement of key risks whilst monitoring the actions taken to manage and mitigate them;
- scenario assumptions to determine whether proposed mitigation is sufficient to manage the business risk profile within the Board's appetite; and
- the Investment Manager's advice on material changes to investment strategy, the treasury policy, the tax policy, the hedging policy and the risk policy.

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3.9 Risk Committee Report (continued)

Statement of the Chairman of the Risk Committee

The Company has a risk management framework covering all aspects of the Group's business. The Company is an Alternative Investment Fund ("AIF") and the Investment Manager (as Alternative Investment Fund Manager) is responsible for risk management and has thus implemented systems and controls to manage and monitor risk. The Board places reliance on the Investment Manager's systems and controls. Through its Risk Committee, the Board monitors, reviews and challenges the effectiveness of the Investment Manager's systems and controls.

The risk management framework utilises a cascade approach, with three 'lines of defence', to identify emerging risks, and effectively safeguard and protect the interests of the Company and its shareholders. The Investment Manager implements mitigations strategies, which are regularly reported against and assessed by the Risk Committee:

- The first line is the development of systems. This is the day-to-day management of risk through effective controls. These are set out in documents such as the Company's and the Investment Manager's Policies and Controls Manuals. The Company must generally be satisfied that the Investment Manager has an appropriate risk management framework in place to ensure risk is effectively controlled and that the performance of the portfolio of investments is overseen. InfraRed, as the Company's Investment Manager and the Operator of HICL's portfolio, is responsible for the identification, assessment and management of risk both within the existing portfolio and in evaluating new investment opportunities.
- The second line is that of oversight, namely the Risk Committee's role in reviewing, challenging and monitoring policies are up-to-date and delegated authorities are complied with as well as the response to new strategic priorities and evolving risks. The Risk Committee conducts a robust assessment of the Company's emerging and principal risks at each quarterly meeting. This review includes an assessment of potential impact and probability of events related to the identified risks occurring and the consideration of any new circumstances that could generate additional risks for the Group. For each material risk identified, a mitigation strategy is developed, implemented and monitored by the Investment Manager and other key service providers, as appropriate.
- The third and final defence is third-party assurance which is utilised on an as-needed basis to provide independent scrutiny and challenge to the risk management framework of the Company, an audit of key controls and guidance as to best practice. The results are reported to each of the Risk Committee and the Audit Committee as appropriate.

Routine Business

The Committee considered and noted compliance with the Approved Investment Parameters ("AIPs"), which are a component of HICL's risk management processes.

The AIPs operate within the Investment Policy as designated thresholds that have regard for HICL's risk appetite and are pre-agreed with the Risk Committee (and approved by the Board) from time-to-time in conjunction with (and with the agreement of) the Investment Manager. They provide the Board with comfort on the investment management process, as they are designed to optimise risk/return by empowering the Investment Manager to make specific investment, portfolio and asset management decisions for the Group, whilst reserving Board approval for any matters that exceed the AIP limits.

The Committee continued its programme of scheduled 'deep-dives' to fully debate certain risk classes and the mitigation measures in place.

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

The Committee considered, at each meeting, various regulatory compliance reports from the Investment Manager and from Aztec, the Company's Administrator. The Committee also received compliance reports from the Depositary. No significant action points or notable comments arose in respect of these regular reviews.

The Committee considers and is satisfied with the Company's risk governance structure and control framework. The Committee concludes each meeting with an assessment of whether HICL is compliant with its stated risk appetite and, at each meeting during the year, confirmed that this was the case.

Significant Activity in the Period

Sustainability, including climate change

The Investment Manager's principal tool for reporting to the Risk Committee on the Group's risk profile is the Investment Manager's risk dashboard, supported by seven risk class summaries, each including analysis of stress tests and possible downside scenarios, both pre- and post-mitigation. This is set out more fully in Section 3.7 – Risk & Risk Management. The risk class summaries are subject to regular review, and, during the year, the Investment Manager evolved the 'Political', 'Portfolio Performance' 'and 'Operational Risk – Execution' risk class summaries to explicitly consider sustainability considerations, including those relating to climate change.

The Board and the Risk Committee are alert to the potential for the physical and transitional consequences of adverse climate change to impact HICL's investment strategy and portfolio. The Risk Committee is pleased to see the systematic inclusion of climate change considerations, as a subset of sustainability, incorporated into the investment process as set out in Section 3.2 – Sustainability Report. Further, the Company has decided to voluntarily report against the Taskforce for Climate-related Financial Disclosures in addition to the required Streamlined Energy and Carbon Reporting, each set out in Section 3.2 – Sustainability Report, respectively. The Risk Committee welcomes InfraRed's decision to be a 'net zero carbon emissions' firm and that it will offset its carbon emissions for 2019 through an accredited scheme.

Stress testing and scenario analysis

A rolling programme of stress testing and scenario analysis for HICL was presented to the Risk Committee at its meetings throughout the year. The exposure of the portfolio to changes in GDP growth rates was amongst the assessments made by the Investment Manager. The ongoing self-imposed limit that demand-based assets with returns correlated to GDP growth rates should constitute no more than 20% of the portfolio, by value at the time of a new such acquisition, has been vindicated as the economic consequences of the Covid-19 pandemic unfold, notwithstanding that these assets typically have a protected and / or entrenched market position.

Key risks

The key risks faced by the Group and associated mitigants are set out in Section 3.7 – Risk & Risk Management. The year to 31 March 2020, was a year of two parts with a strong focus on managing and responding to political, regulatory and counterparty risk in 2019 and into early 2020; followed by actively monitoring and responding to risks arising from the Covid-19 pandemic in 2020.

During the year, the Risk Committee devoted time to consider several key risks, providing timely updates to the Board and shareholders as necessary, including:

- ▲ **Health & safety:** The Risk Committee received quarterly reporting from the Investment Manager in relation to health and safety matters. The safe working practices of our contractors and the avoidance of injuries continued to be of paramount concern and are closely being monitored across the portfolio.
- ▲ **Covid-19:** The Risk Committee has been kept appraised of the Company's preparedness for the impact of Covid-19 on the portfolio, our business partners and end users. The Chairman of the Board and representatives from the Investment Manager provided an update, on behalf of the Company, to investors by way of a conference call on 23 March 2020.
  - *Direct impact of the virus on the portfolio:* across the portfolio, long-established business continuity plans have been implemented, and management teams, subcontractors and counterparties (such as the public sector clients) have responded proactively, coming together in a co-operative and pragmatic way to ensure the continuing operation and delivery of essential facilities and services. The provision of the infrastructure in the portfolio, to the public sector and / or end users, has not been significantly impacted by Covid-19;
  - *Direct impact of the virus on the Investment Manager and other service providers:* InfraRed and other service providers have enacted business continuity plans. InfraRed's service to the Company and its portfolio continues to be of a high standard and has not been affected by a wholesale shift for remote-working. The Risk Committee is pleased that service providers prioritise the health and working conditions of their staff. The Risk Committee is comfortable with the operational resilience of service providers and that controls relevant to the Company's business remain in place.

3.9 Risk Committee Report (continued)

- *Economic consequences of governmental action in response to the virus:* 18% of the portfolio, by value at 31 March 2020, has exposure to GDP. The impact of the economic disruption and government-enforced restrictions on the movement of people caused by Covid-19 on HICL's portfolio is set out in Section 3.4 – Valuation of the Portfolio. The Risk Committee remains comfortable with the Company's self-imposed exposure limit of 20% of the portfolio, by value at the time of acquisition, to assets with returns correlated to GDP.

▲ **Political and regulatory risk:** The last two years have seen heightened political and regulatory risk for the Company. This has principally stemmed from political uncertainty in the UK and the five-year regulatory price review process for Affinity Water.

The decisive outcome of the UK general election has eased the immediate political pressure on the infrastructure sector. Notwithstanding, HICL and its Investment Manager continue to take seriously their responsibilities as stewards of essential community assets and to demonstrate the benefits to society of private sector involvement in the responsible delivery of public infrastructure.

Affinity Water accepted the Final Determination received from Ofwat on its business plan for Asset Management Period 7 ("AMP7") from April 2020 to March 2025. Resolution of the process allows management to focus on achieving the challenging operational efficiencies required for AMP7, which the Directors had the opportunity to discuss with the management team during a site visit to the Iver Water Treatment Works in November 2019.

▲ **Counterparty risk:** During the year, the Investment Manager completed the replacement of Carillion with all ten affected projects successfully transitioned to long-term contracts, in line with contingency plans prepared before Carillion's collapse, at no additional cost to the taxpayer, and within the cost envelope that was first included in the Company's portfolio valuation at 31 March 2018. The Investment Manager actively monitors the financial health of the portfolio's subcontractors, which is of particular importance in the current turbulent economic environment.

▲ **Construction defects:** The Risk Committee received regular updates from the Investment Manager on matters of building defects, including fire safety. The Risk Committee is pleased that safety remains the Investment Manager's priority followed by service provision to public sector clients. In particular, public sector clients are appraised of fire prevention and protection measures as well as updated on progress towards rectification. Where appropriate, the project management teams work closely with the local fire service, who advise and approve the adequacy of fire prevention and protection measures in place whilst the defects are remedied. Remediation works are expected to be borne by their respective construction contractors wherever possible.

If unresolved, construction defects, including those relating to fire safety, may impact on asset availability and / or the ability for projects to make distributions to investors. The onset of Covid-19 is expected to affect the ability to investigate and remediate defects on certain assets (e.g. hospitals). The time frames around the release of distributions that have been held back may be delayed as a result.

▲ **Change in ownership of the Investment Manager:** In December 2019, InfraRed announced an agreement whereby Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life") will purchase a majority stake in InfraRed. The transaction is expected to close during the first half of 2020, after which InfraRed will operate as a distinct business under SLC Management, Sun Life's alternative asset management business. The Sun Life acquisition will provide further support to InfraRed in its roles as Investment Manager to HICL and Operator of HICL's portfolio over the coming years.

3.10 Strategic Report Disclosures

Investment Policy

HICL's Investment Policy is to ensure a diversified portfolio which has a number of similarly sized investments and is not dominated by any single investment. HICL will seek to acquire Infrastructure Equity with similar risk/reward characteristics to the current portfolio, which may include (but is not limited to):

- Public sector, government-backed or regulated revenues;
- Concessions which are predominantly "availability" based (i.e. the payments from the concession do not generally depend on the level of use of the project asset); and/or
- Companies in the regulated utilities sector.

HICL will also seek to enhance returns for shareholders by acquiring more diverse infrastructure investments. The Directors currently intend that HICL may invest in aggregate up to 35% of its total assets (at the time the relevant investment is made) in:

- Project Companies which have not yet completed the construction phases of their concessions but where prospective yield characteristics and associated risks are deemed appropriate to the investment objectives of HICL. This may include investment in companies which are in the process of bidding for concessions, to the extent that such companies form part of a more mature portfolio of investments which HICL considers appropriate to acquire;
- Project Companies with "demand" based concessions where the Investment Manager considers that demand and stability of revenues are not yet established, and/or Project Companies which do not have public sector sponsored/awarded or government-backed concessions; and
- To a lesser extent (but counting towards the same aggregate 35% limit, and again at the time the relevant investment is made) in limited partnerships, other funds that make infrastructure investments and/or financial instruments and securities issued by companies that make infrastructure investments, or whose activities are similar or comparable to infrastructure investments.

Geographic focus

The Directors believe that attractive opportunities for HICL to enhance returns for investors are likely to arise outside as well as within the UK (where the majority of the projects in the current portfolio are based). HICL may therefore make investments in the European Union, Norway, Switzerland, the Americas and selected territories in Asia and Australasia. HICL may also make investments in other markets should suitable opportunities arise. HICL will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where it considers that contract structures and enforceability are reliable and where (to the extent applicable) public sector obligations carry what the Investment Manager believes to be a satisfactory credit rating and where financial markets are relatively mature.

Single investment limit and diversity of clients and suppliers

For each new acquisition made, HICL will ensure that such investment acquired does not have an acquisition value (or, if it is a further stake in an existing investment, the combined value of both the existing stake and the further stake acquired is not) greater than 20% of the total gross assets of HICL immediately post acquisition.

The total gross assets will be calculated based on the last published gross investment valuation of the portfolio plus acquisitions made since the date of such valuation at their cost of acquisition.

The purpose of this limit is to ensure the portfolio has a number of investments and is not dominated by any single investment.

In selecting new investments to acquire, the Investment Manager will seek to ensure that the portfolio of investments has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on either a single client or a single contractor.

Restrictions under the Listing Rules

In accordance with the requirements of the Financial Conduct Authority, HICL has adopted the policies set out below:

a) HICL's primary objective is investing and managing its assets with a view to spreading or otherwise managing investment risk. HICL must, at all times, invest and manage its assets in a way which is in accordance with its Investment Policy;

b) HICL will not conduct a trading activity which is significant in the context of HICL as a whole. HICL will not cross-finance businesses forming part of HICL's investment portfolio; and

c) No more than 10%, in aggregate, of HICL's assets will be invested in other listed closed-ended investment funds.

The Listing Rules may be amended or replaced over time. To the extent that the above investment restrictions are no longer imposed under the Listing Rules, those investment restrictions shall cease to apply to HICL.

Risks and Uncertainties

The principal risks and uncertainties facing HICL can be found in HICL's March 2019 Prospectus which is available on the Company's website at www.hicl.com.

Environmental, Social and Community Matters

For a detailed explanation of HICL's approach to Environmental, Social and Governance / Responsible Investment, please see HICL's Sustainability Policy, which can be found on the Company's website at www.hicl.com. A comprehensive review of the year, including case studies from the portfolio can be found in Section 3.4 – Sustainability Report.

3.10
Strategic Report Disclosures (continued)

Research and Development Activities
None

Section 172(1) Statement
The Directors discharge their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the company for the benefit of shareholders as a whole.

As a closed-ended investment company, HICL has no employees; however the Directors assess the impact of HICL's activities on other stakeholders, in particular public sector clients and the end users of the infrastructure investments, as well as the community as a whole, recognising that the investments of HICL are often key community assets. Details can be found in the Strategic Report, particularly in Section 3.2 – Sustainability Report.

Gender Diversity
At the year end, the Board of Directors comprised eight non-executives; five male and three female.

HICL has no employees.

Leverage
HICL is required under the Alternative Fund Manager's Directive ("AIFMD") to make available to investors information in relation to its leverage. Leverage is considered in terms of HICL's overall exposure to financial or synthetic gearing and includes any method by which its exposure is increased whether through borrowing of cash or securities, foreign currency holdings, leverage embedded in derivative positions or by any other means.

It is expressed as the ratio between the total exposure of HICL and its net asset value such that if its exposure was equal to its net asset value, leverage would be disclosed as 100%; a value above 100% means that HICL has leverage equal to the percentage amount above 100%. Exposure values are calculated by two methods, gross and commitment, as defined within the AIFMD. Exposure under the gross method represents the aggregate of all HICL's exposures other than cash balances held in base currency; the commitment method takes into account the effect of different treatment of certain cash and cash equivalent items and of offsetting instruments between eligible assets to reflect netting and hedging arrangements in line with regulatory requirements.

Maximum leverage levels have been set by the Board and InfraRed and are in accordance with the maximum borrowing allowed by HICL's Articles of Association.

The table below sets out the current maxima, and permitted limit and actual level of leverage for HICL as a percentage of its net asset value as at 31 March 2020.

Leverage	Gross Method	Commitment Method
Maximum limit	150%	150%
Actual level	115%	100%

Ian Russell
Chairman
19 May 2020

03 / PERFORMANCE & RISK

Cork School of Music, Ireland

University of Bourgogne, France

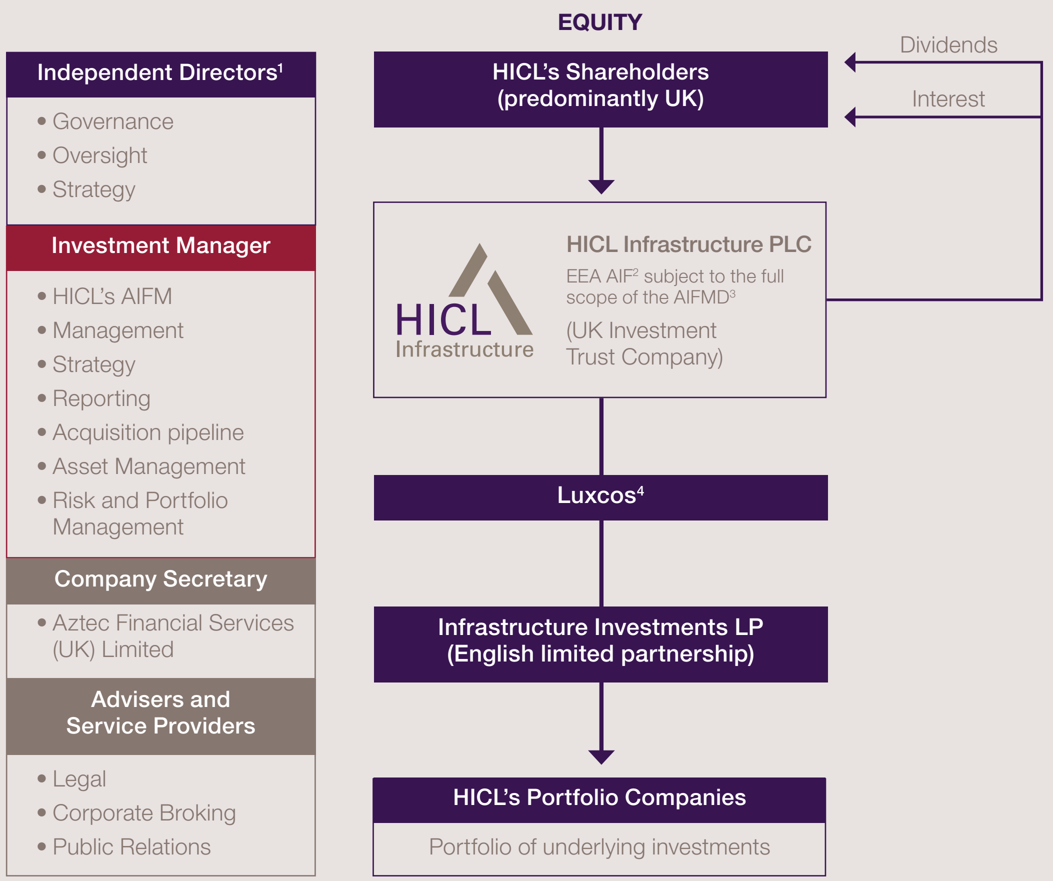
04
Directors' Report

4.1
Board and Governance

Operational Structure
HICL Infrastructure PLC ("HICL", or the "Company" and, together with its subsidiaries, the "Group") is a registered investment company with an independent Board of Directors. Its shares have a premium listing on the Official List of the UK Listing Authority and trade on the main market of the London Stock Exchange.

HICL's portfolio comprises 117 infrastructure investments. Its strategy to protect and enhance the value of the existing portfolio and to source appropriately-priced new investments utilises the expertise of its Investment Manager, InfraRed Capital Partners Limited ("InfraRed"). HICL has a 31 March year end and announces its full year results in May and interim results in November. It also publishes two Interim Update Statements each year, normally in February and July.

Organisational Structure



[1] Independent of the Investment Manager
[2] Alternative Investment Fund, as defined by the EU's Alternative Investment Fund Managers Directive
[3] Alternative Investment Fund Managers Directive
[4] Luxco 2 and, until 12 March 2020, Luxco 1

Group Structure

Investments are made via the Corporate Subsidiaries, which comprise a group structure involving two Luxembourg-domiciled investment companies and an English limited partnership (the "Partnership"). HICL's assets are therefore held indirectly through the Corporate Subsidiaries and any subsidiaries are wholly owned by the general partner of the Partnership on behalf of the Partnership. InfraRed Capital Partners Limited ("InfraRed") has been appointed the Investment Manager of HICL and Operator of the Partnership. InfraRed has been appointed AIFM in accordance with the AIFM Directive, and also provides the registered office of HICL.

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

- ▲ Until 12 March 2020, the Company invested in equity and debt of Luxco 1, a société à responsabilité limitée established in Luxembourg and a wholly owned subsidiary of the Company, which in turn invested in equity and debt of a similar entity, Luxco 2. On 12 March 2020, Luxco 1 merged into Luxco 2 so that the Company now invests directly in equity and debt of Luxco 2.
- ▲ Luxco 2 is the sole limited partner in the Partnership, an English limited partnership which has a special purpose vehicle, the General Partner, as its general partner. The General Partner is a wholly owned indirect subsidiary of InfraRed Partners LLP. The General Partner, on behalf of the Partnership, has appointed InfraRed as operator of the Partnership. Luxco 2 invests the contributions it receives from Luxco 1 in capital contributions and partner loans to the Partnership, which acquires and holds the infrastructure investments.

The two Luxembourg entities (Luxco 2 and until 12 March 2020, Luxco 1) have independent boards, on which a HICL Board Director sits, and take advice on administration matters from RSM Tax & Accounting Luxembourg.

Aztec Financial Services (UK) Limited is the Administrator to HICL and also provides company secretarial services.

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

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

The Board and the Committees

The Board of HICL comprises eight independent, non-executive Directors whose role is to manage HICL in the interests of shareholders and other stakeholders. In particular, the Board approves and monitors adherence to the Investment Policy and Acquisition Strategy, determines risk appetite, sets policies, agrees levels of delegation to key service providers and monitors their activities and performance (including, specifically, that of the Investment Manager) against agreed objectives. The Board will take advice from the Investment Manager, where appropriate – for example on matters concerning the market, the portfolio and new acquisition opportunities.

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

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

4.2
Board of Directors

Mr Ian Russell
Chairman of the Board
Chair of Nomination Committee

Background and experience
Ian Russell CBE (British), resident in the UK, is a qualified accountant. He was appointed to the Board on 1 May 2013. Ian worked for Scottish Power plc between 1994 and 2006, initially as Finance Director and, from 2001, as its CEO. Prior to this he spent eight years as Finance Director at HSBC Asset Management in Hong Kong and London. Ian is chairman of Scottish Futures Trust and Herald Investment Trust plc.

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

Other public company directorships (listed in London unless noted otherwise)**:
Herald Investment Trust plc

Mr Frank Nelson
Senior Independent Director
Chair of Management Engagement Committee

Background and experience
Frank Nelson (British), resident in the UK, is a qualified accountant. He has over 25 years of experience in the construction, contracting, infrastructure and energy sectors. He was appointed to the Board on 1 June 2014. Frank was Finance Director of construction and house-building group Galliford Try plc from 2000 until October 2012. He was previously Finance Director of Try Group plc from 1987, leading the company through its floatation on the London Stock Exchange in 1989 and the subsequent merger with Galliford in 2001. Following his retirement, Frank was appointed as the Senior Independent Director of McCarthy & Stone and Eurocell. He is also Chair of a privately owned contracting and property development group.

Date of appointment*
Appointed to the Board 1 June 2014

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

Ms Rita Akushie

Background and experience
Rita Akushie (British) has more than 20 years' experience acting in leadership and finance roles for housing associations and charities, including at Newlon Group, where she was Chief Financial Officer and then Deputy Chief Executive; and subsequently as Group Finance Director for Thames Valley Housing. Currently, Rita serves as Chief Financial Officer and Executive Director, Corporate Resources, for Cancer Research UK, as well as acting as Chair of the Audit Committee for the Beatson Institute. Rita graduated with a BA in Economics and French from the University of Ghana. She is a Fellow of the Institute of Chartered Accountants of England and Wales and a Fellow of the Association of Corporate Treasurers.

Date of appointment
Appointed to the Board on 1 January 2020

Other public company directorships (listed in London unless noted otherwise)**:
None

Mr Mike Bane
Chair of Remuneration Committee

Background and experience
Mike Bane (British) is a chartered accountant and retired from public practice in June 2018. Mike has been a Guernsey resident for over 20 years. He has more than 35 years of audit and advisory experience in the asset management industry including in relation to infrastructure investment companies. He led EY's services to the asset management industry in the Channel Islands and was a member of EY's EMEIA Wealth and Asset Management Board. Prior to EY, Mike was at PwC, in both London and Guernsey. Mike was President of the Guernsey Society of Chartered and Certified Accountants from 2015 to 2017. Mike graduated with a BA in Mathematics from the University of Oxford and is a long-standing member of the Institute of Chartered Accountants in England and Wales.

Date of appointment*
Appointed to the Board on 1 July 2018

Other public company directorships (listed in London unless noted otherwise)**:
Apax Global Alpha Limited

* Assuming a continuation of the years of service as a Director of HICL Infrastructure Company Limited
** Certain of the Directors maintain additional directorships that are also listed but not actively traded on various exchanges. Details may be obtained from the Company Secretary

Ms Frances Davies

Background and experience

Frances Davies (British) has more than 30 years of experience across various roles within the banking and asset management industries. Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business. Frances is also on Aviva's With-Profits Committee and the committee of the Hermes Property Unit Trust. Previously she served as Head of Global Institutional Business at Gartmore Investment Management where she was responsible for Gartmore's relationships with pension funds and other institutions within the UK, Europe and the US. Previously she held roles at Morgan Grenfell Asset Management and SG Warburg. Ms Davies graduated with a MA in Philosophy, Politics and Economics and a M.Phil in Management Studies, both from Oxford University.

Date of appointment

Appointed to the Board on 1 April 2019

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

JPMorgan Smaller Companies Investment Trust plc

Mrs Sally-Ann (Susie) Farnon

Chair of the Audit Committee

Background and experience

Sally-Ann Farnon (known as Susie) (British), resident in Guernsey, is a fellow of the Institute of Chartered Accountants in England and Wales, having qualified as an accountant in 1983, and is a non-executive director of a number of property and investment companies. She was appointed to the Board on 1 May 2013. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and as Vice-Chairman of The Guernsey Financial Services Commission, and is a director of The Association of Investment Companies.

Date of appointment*

Appointed to the Board on 1 May 2013

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

Apax Global Alpha Limited
Bailiwick Investments Limited (TISE)
BH Global Limited
Real Estate Credit Investments Limited

Mr Simon Holden

Chair of the Risk Committee

Background and experience

Simon Holden (British), resident in Guernsey, brings Board experience from both private equity and portfolio company operations roles at Candover Investments, then Terra Firma Capital Partners. Since 2015, Simon has become an active independent director to listed investment company, private equity fund and trading company boards. Simon holds the DiploD in Company Direction from the Institute of Directors, graduated from the University of Cambridge with an MEng and MA in Manufacturing Engineering and is an active member of Guernsey's GIFA, NED Forum and IP Commercial Group.

Date of appointment*

Appointed to the Board 1 July 2016

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

Hipgnosis Songs Fund Limited
JPMorgan Global Core Real Assets Limited
Merian Chrysalis Investment Company Limited
Trian Investors 1 Limited (traded on the Specialist Funds Segment of the LSE)

Mr Kenneth D. Reid

Background and experience

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

Date of appointment*

Appointed to the Board 1 September 2016

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

None

4.3
The Investment Manager

InfraRed Capital Partners Limited ("InfraRed") is the Investment Manager to HICL. In addition, InfraRed is the Operator of the Partnership by the General Partner, on behalf of the Partnership. Under the terms of the Limited Partnership Agreement, the Operator has full discretion to acquire, dispose of or manage the assets of the Partnership, subject to investment guidelines set out by the Board.

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

Since 1990, the InfraRed Group (including predecessor organisations) has launched 19 investment funds investing in infrastructure and property, including HICL.

In December 2019, InfraRed announced an agreement whereby Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life") will purchase a majority stake in InfraRed. The transaction is expected to close during the first half of 2020, after which InfraRed will operate as a distinct business under SLC Management, Sun Life's alternative asset management business. The Sun Life acquisition will provide further support to InfraRed in its role as Investment Manager to HICL over the coming years. Sun Life is a leading international financial services organisation providing insurance, wealth and asset management solutions to individual and corporate clients. As of 31 March 2020, Sun Life had total assets under management of C$1,023 billion. For more information please visit www.sunlife.com.

The InfraRed Group currently manages six infrastructure funds (including HICL) and six real estate funds. The InfraRed Group currently has a staff of around 190 employees and partners, based mainly in offices in London and with smaller offices in Hong Kong, New York, Mexico City, Seoul and Sydney. Its infrastructure team comprises over 90 professional staff who have, on average, over 12 years of relevant industry experience.

Within the infrastructure team, there are:

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

Six senior members of the InfraRed team make up InfraRed's Investment Committee on behalf of HICL. The Investment Committee has combined experience of over 145 years in making infrastructure investments and managing investments and projects.

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

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

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

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

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

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

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

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

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

The agreements between HICL and InfraRed have a 36 months' notice period for no fault termination.

4.4
Corporate Governance Statement

Introduction

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

AIFM Directive

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

Non-Mainstream Pooled Investments

HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an "excluded security" and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

The AIC Code of Corporate Governance

As a member of the AIC, the Board has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance (the "AIC Code"), a framework of best practice in respect of the governance of investment companies. The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019.

The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to investment companies. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. HICL has complied with the Principles and Provisions of the AIC Code. The AIC Code is available on the AIC website (www.theaic.co.uk[1]). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The following sections set out the Board's evaluation of HICL's compliance with the provisions of the AIC Code.

Board Leadership and Purpose

A. **A successful company is led by an effective board, whose role is to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society. (Incorporates relevant content from UK Code Principle A)**

B. **The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. (UK Code Principle B)**

C. **The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. (UK Code Principle C)**

D. **In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. (UK Code Principle D)**

[1] www.theaic.co.uk/system/files/policy-technical/AIC2019AICCodeofCorporateGovernanceFeb19.pdf

4.4 Corporate Governance Statement (continued)

Key

● Compliant

1. **The board should assess the basis on which the company generates and preserves value over the long term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy. For an investment company, the annual report should also include the company's investment objective and investment policy. The board should assess the basis on which the company generates and preserves value over the long term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy. For an investment company, the annual report should also include the company's investment objective and investment policy. (Incorporates relevant content from UK Code Provision 1)**

● The Board considers formal strategy reports prepared by the Investment Manager at a separate meeting at least once a year. In the year ended 31 March 2020, a two-day Board meeting was held in September 2019, which was dedicated to reviewing and determining the overall strategy of HICL; in particular reaffirming HICL's acquisition strategy (as set out in Section 2.3 – HICL's Business Model & Strategy) and investor engagement programme.

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

HICL's business model, investment objective and a summary of the Investment Policy, and a description of how these interact to deliver shareholder value, are outlined in Section 2.2 – Investment Proposition and Section 2.3 – HICL's Business Model & Strategy. The business model supports the Investment Proposition to deliver long-term, sustainable income from a core infrastructure portfolio, and as such the Directors consider the business model sustainable in the long term. The expected future cash flows to be received by HICL extend beyond 2055 (see Section 3.4 – Valuation of the Portfolio), which supports this long-term view.

2. **The board should assess and monitor its own culture, including its policies, practices and behaviour to ensure it is aligned with the company's purpose, values and strategy. (Incorporates relevant content from UK Code Provision 2)**

● The Board undertakes a rigorous evaluation of its own performance and that of its advisers.

The Board believes that the composition of the Board and its Committees reflects a suitable mix of skills and experience and that the Board, as a whole, and its Committees functioned effectively during the last 12 months. An external review was commissioned in 2018.

In the year to 31 March 2020, the Board conducted its own internal evaluation, considering the performance, tenure and independence of each Director. This annual self-evaluation was undertaken using an online questionnaire system, and also by way of one-to-one interviews by the Chairman with each Director holding office in the year. The Chairman presented a summary of the conclusions to the Board. Feedback on the Chairman was collated by the Senior Independent Director who then briefed the Chairman.

3. **In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the company's investment objective and investment policy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders. (Incorporates relevant content from UK Code Provision 3)**

● The Board welcomes the views of shareholders and places great importance on communication with HICL's shareholders.

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

During the year Mr I Russell (Chairman) and Mr F Nelson (Senior Independent Director) held individual meetings with certain large institutional shareholders, facilitated by HICL's brokers. The Board's intention to is to continue to foster open, two-way communication on the development of HICL.

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

4. **When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed[1]. (UK Code Provision 4)**

- HICL will comply with this provision, should this situation arise.

5. **The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making[2]. The board should keep engagement mechanisms under review so that they remain effective. (Incorporates relevant content from UK Code Provision 5)**

- The Directors discharge their duties under section 172 of the Companies 2016 Act to act in good faith, to promote the success of the Company for the benefit of shareholders as a whole. As a closed-ended investment company, HICL has no employees, however the Directors also assess the impact of HICL's activities on other stakeholders, in particular public sector clients and the end users of the infrastructure investments, as well as the community as a whole, recognising that the investments of HICL are often key public, community assets.

6. **The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement. (UK Code Provision 7)**

- The Board consists of eight non-executive Directors, all of whom are independent of the Investment Manager. None of the Directors sit on boards of other entities managed by the Investment Manager.

  Each Director is required to inform the Board of any potential or actual conflicts of interest prior to any Board discussion.

  It is expected that further investments for HICL will be sourced by InfraRed and it is likely that some of these will be investments that have been originated and developed by, and may be acquired from InfraRed or from a fund managed by, InfraRed. In order to deal with these potential conflicts of interest, detailed procedures and arrangements have been established to manage transactions between HICL, InfraRed or funds managed by InfraRed (the "Rules of Engagement"). If HICL invests in funds managed or operated by InfraRed, HICL shall bear any management or similar fees charged in relation to such fund provided, however, that the value of HICL's investments in such funds shall not be counted towards the valuation of HICL's investments for the purposes of calculating the management fees payable to InfraRed.

  It is possible that in future HICL may seek to purchase certain investments from funds managed or operated by InfraRed once those investments have matured and to the extent that the investments suit HICL's investment objectives and strategy. If such acquisitions are made, appropriate procedures from the Rules of Engagement will be put in place to manage the conflict.

  Key features of the Rules of Engagement are described in HICL's March 2019 Prospectus, available on the website at www.hicl.com.

[1] Details of significant votes against and related company updates are available on the Public Register maintained by The Investment Association – www.theinvestmentassociation.org/publicregister.html
[2] The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they have had regard to various matters in performing their duty to promote the success of the company in section 172 of the Companies Act 2006. The Financial Reporting Council's Guidance on the Strategic Report supports reporting on the legislative requirement

4.4 Corporate Governance Statement (continued)

7. Where directors have concerns about the operation of the board or the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns. (Incorporates relevant content from UK Code Provision 8)

Board minutes record the major points of all discussions, including any concerns raised by the Directors regarding Board decisions or courses of action undertaken.

To date, no written statement of concern has been provided to the Chair by any retiring Board member.

Division of Responsibilities

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. (UK Code Principle F)

G. The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making. (Incorporates relevant content from UK Code Principle G)

H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account. (Incorporates relevant content from UK Code Principle H)

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. (UK Code Principle I)

8. The responsibilities of the chair, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors. (Incorporates relevant content from UK Code Provision 14)

The Chairman is Mr I Russell, who met the independence criteria upon appointment and has continued to meet this condition throughout his term of service. In his role of Chairman, Mr I Russell directs the Board's discussions towards a consensus view, takes a leading role in determining the composition of the Board and seeks to ensure effective communications with shareholders and other stakeholders.

In accordance with guidance in Provision 14, the Board has a Senior Independent Director ("SID"), Mr F Nelson. In his role as the SID, Mr F Nelson takes the lead in the annual evaluation of the Chairman at which the Chairman's performance and continuing independence is discussed.

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

The Chairman and members of each committee as at 31 March 2020 were as follows:

	Audit Committee	Management Engagement Committee	Market Disclosure Committee	Nomination Committee	Remuneration Committee	Risk Committee
Chairman	Mrs S Farnon	Mr F Nelson		Mr I Russell	Mr M Bane	Mr S Holden
Members	Ms R Akushie*	Ms R Akushie	Ms R Akushie	Ms R Akushie	Ms R Akushie	Ms R Akushie
	Mr M Bane	Mr M Bane	Mr M Bane	Mr M Bane	Ms F Davies	Mr M Bane
	Ms F Davies**	Ms F Davies	Ms F Davies	Ms F Davies	Mrs S Farnon	Ms F Davies
	Mr S Holden	Mrs S Farnon	Mrs S Farnon	Mrs S Farnon	Mr S Holden	Mrs S Farnon
	Mr F Nelson	Mr S Holden	Mr S Holden	Mr S Holden	Mr F Nelson	Mr F Nelson
	Mr K Reid	Mr K Reid	Mr F Nelson	Mr F Nelson	Mr K Reid	Mr K Reid
		Mr I Russell	Mr K Reid	Mr K Reid	Mr I Russell	Mr I Russell
			Mr I Russell			
By invitation	Mr I Russell					

* Ms Akushie was appointed to the Committees on 25 February 2020
** Ms Davies was appointed to the Committees on 15 May 2019

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

The respective reports of the Remuneration Committee, the Risk Committee and the Audit Committee are set out in Sections 4.6, 3.9 and 4.5, respectively, of this Annual Report.

The Management Engagement Committee and the Nomination Committee are discussed in the sections relating to Principle 17 and Principle 22, respectively.

The attendance record of Directors for the year to 31 March 2020 is set out below:

	Formal Board Meetings	Audit Committee	Management Engagement Committee	Market Disclosure Committee	Nomination Committee	Remuneration Committee	Risk Committee
Mr I Russell	5	7**	1	2	4	4	4
Mr F Nelson	5	7	1	2	4	4	4
Mr M Bane	5	7	1	2	4	4	4
Ms R Akushie*	1	2	1	2	1	1	1
Ms F Davies	5	5	1	2	4	4	4
Mrs S Farnon	5	7	1	2	4	4	4
Mr S Holden	5	7	1	2	4	4	4
Mr K Reid	5	5	1	2	4	4	4

* Ms Akushie was appointed to the Board on 1 January 2020
** Mr Russell is not a member of the Audit Committee, but is invited to attend

In addition to formal board meetings, 11 ad-hoc and committee meetings of the Board took place within the year to 31 March 2020.

A statement of Directors' responsibilities is set out in Section 4.8.

9. When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. (Incorporates relevant content from UK Code Provision 15)

- This principle is reflected in the Nomination Committee's Terms of Reference and was considered in the appointments of Ms Davies and Ms Akushie.

10. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. The majority of the board should be independent of the manager. There should be a clear division of responsibilities between the board and the manager. (Incorporates relevant content from UK Code Provision 11)

- As per Provision 6, at 31 March 2020, the Board consisted of eight non-executive Directors, all of whom are independent of the Investment Manager. None of the Directors sit on boards of other entities managed by the Investment Manager.

  The independence of each Director is considered during the annual self-evaluation of the Board.

11. The chair should be independent on appointment when assessed against the circumstances set out in Provision 13. (Incorporates relevant content from UK Code Provision 9)

- At the date of his appointment to the Chair, Mr I Russell was considered to be independent by the Board.

12. On appointment, and throughout the chair's tenure, the chair should have no relationships that may create a conflict of interest between the chair's interest and those of shareholders:

- **being an employee of the manager or an ex-employee who has left the employment of the manager within the last five years;**
- **being a professional adviser who has provided services to the manager or the board within the last three years; or**
- **serving on any other boards of an investment company managed by the same manager.**

- As Chairman of the Board, Mr I Russell continues to be considered independent and has no relationships that may create a conflict of interest between the chair's interest and those of shareholders.

4.4 Corporate Governance Statement (continued)

13. The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

- **has, or has had within the last three years, a material business relationship with the company or the manager, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company or the manager;**
- **has received or receives additional remuneration from the company apart from a directors' fee;**
- **has close family ties with any of the company's advisers, directors or the manager;**
- **holds cross-directorships or has significant links with other directors through involvement in other companies or bodies. Directors who sit on the boards of more than one company managed by the same manager are entitled to serve as directors; however, they will not be regarded as independent for the purposes of fulfilling the requirement that there must be an independent majority;**
- **represents a significant shareholder; or**
- **has served on the board for more than nine years from the date of their first appointment.**

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided. (Incorporates relevant content from UK Code Provision 10)

As per Provision 10, all of the Directors are considered to be independent, and the Board is not aware of any circumstances which are likely to impair, or could appear to impair, the independence of any of the Directors.

14. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. (UK Code Provision 12)

As set out in Provision 8, the Board has a Senior Independent Director ("SID"), Mr F Nelson. In his role as the SID, Mr F Nelson takes the lead in the annual evaluation of the Chairman at which the Chairman's performance and continuing independence is discussed.

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

The Board meets quarterly, and in addition to the statutory matters discussed at each quarterly Board meeting, the principal focus is on the reports provided by the Investment Manager, as well as those put forward by HICL's brokers and financial public relations ("PR") Agent. These are all standing agenda items.

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

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

Matters relating to the Company's risk management and internal control systems (including associated stress tests), are considered by the Risk Committee (which, in turn, reports any significant matters/findings to the Board) and these are set out in more detail in Section 3.9 – Risk Committee Report.

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

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

16. The board should explain in the annual report the areas of decision making reserved for the board and those over which the manager has discretion. Disclosure should include:

- **a discussion of the manager's overall performance, for example, investment performance, portfolio risk, operational issues such as compliance etc;**
- **the manager's remit regarding stewardship, for example voting and shareholder engagement, and environmental, social and corporate governance issues in respect of holdings in the company's portfolio.**

The board should also agree policies with the manager covering key operational issues.

The Directors are responsible for managing the business affairs of HICL in accordance with its Articles and Investment Policy and have overall responsibility for HICL's activities, including its investment and capital raising activities and for monitoring the performance of the portfolio and reviewing and supervising its delegates and service providers.

The Directors may delegate certain functions to other parties. In particular, HICL delegates the majority of the day-to-day activities required to deliver the business model, including responsibility for the majority of HICL's risk and portfolio management to the Investment Manager, InfraRed, subject to the overall control and supervision of the Directors. InfraRed also operates and manages the Partnership and its assets in accordance with and subject to the Investment Policy, investment guidelines and approved investment parameters that are adopted by the Directors from time to time in conjunction with (and with the agreement of) InfraRed.

The strategies and policies which govern the delegated activities have been set by the Board in accordance with section 172 of the Companies Act 2016.

Please see Section 2.5 – Investment Manager's Report and Section 3.2 – Sustainability Report.

HICL and InfraRed also have detailed policy and control manuals which cover operational issues.

17. Non-executive directors should review at least annually the contractual relationships with, and scrutinise and hold to account the performance of, the manager.

Either the whole board or a management engagement committee consisting solely of directors independent of the manager (or executives) should perform this review at least annually with its decisions and rationale described in the annual report. If the whole board carries out this review, it should explain in the annual report why it has done so rather than establish a separate management engagement committee.

The company chair may be a member of, and may chair, the management engagement committee, provided that they are independent of the manager. (Incorporates relevant content from UK Code Provision 13)

The Management Engagement Committee ("MEC") of the Board is responsible for reviewing all major service providers to HICL, which includes in particular the Investment Manager. The terms of reference of this Committee are approved by the Board of HICL and are available on the Investor Relations section of HICL's website.

18. The board should monitor and evaluate other service providers (such as the company secretary, custodian, depositary, registrar and broker).

The board should establish procedures by which other service providers, should report back and the methods by which these providers are monitored and evaluated.

The MEC met once in the year to 31 March 2020 to review the performance of the key service providers including the Investment Manager. No material weaknesses were identified; the recommendation to the Board was that the current arrangements are appropriate and that the Investment Manager provides good quality services and advice to HICL.

The MEC meeting for the financial year occurred in February 2020, when a review of key service providers was undertaken. Overall, the feedback on performance throughout the year was that key services had been delivered to a very high standard and the Committee resolved that the continued appointment of all providers be recommended to the Board for approval, which was duly granted.

4.4 Corporate Governance Statement (continued)

19. All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board. (UK Code Provision 16)

- The MEC makes recommendations to the Board in relation to all service providers and it is the Board that considers the appointment and removal of all service providers, including the Company Secretary.

20. The directors should have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities properly.

- Specialist advisers were invited to join the Board meetings to brief the Board on relevant topics. All members of the Board have access to these specialist advisers where necessary to discharge their responsibilities properly.

21. Where a new company has been created by the manager, sponsor or other third party, the chair and the board should be selected and brought into the process of structuring a new launch at an early stage.

- The Chair and Board were an integral part of the decision-making process in respect of the listing of the shares of HICL required to effect the transfer of the HICL Infrastructure Company Limited investment portfolio from Guernsey to the UK on 1 April 2019.

Composition, Succession and Evaluation

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. (Incorporates relevant content from UK Code Principle J)

K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. (UK Code Principle K)

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. (UK Code Principle L)

22. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to the board and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. If the board has decided that the entire board should fulfil the role of the nomination committee, it will need to explain why it has done so in the annual report. The chair of the board should not chair the committee when it is dealing with the appointment of their successor. (Incorporates relevant content from UK Code Provision 17)

- The Board has a Nomination Committee, the terms of reference of which are available from HICL's website. It is composed of all eight Board Directors and it is chaired by Mr I Russell who is also the Chairman of the Board.

  The Nomination Committee had four meetings in the year to 31 March 2020, including using independent third-party advisers Sapphire Partners in relation to the appointment of Ms R Akushie to the Board of HICL. This appointment was made from a shortlist of suitably qualified candidates assessed through a rigorous interview process involving the Chairman, the Directors of the Board and representatives from InfraRed.

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

  During the year, the balance of skills and experience was further enhanced with the appointment of Ms R Akushie to the Board, who has a wealth of finance and social housing experience.

23. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success. (UK Code Provision 18)

- The Directors are not subject to automatic re-appointment.

As a general policy, all Directors retire, and, if appropriate and willing to act, offer themselves for re-election by shareholders at each AGM. Each of the Directors retired and offered themselves for re-election (or election in the case of Ms R Akushie) at the forthcoming AGM on 14 July 2020.

Succession planning for key roles, including the Chair and the Chair of the Audit Committee, as well as the mix of skills and experience on the Board more generally with respect to Director recruitment, are explicitly considered and discussed by the Nomination Committee.

The experience of each of the Directors is set out on pages 96 and 97.

24. Each board should determine and disclose a policy on the tenure of the chair. A clear rationale for the expected tenure should be provided, and the policy should explain how this is consistent with the need for regular refreshment and diversity. (Incorporates relevant content from UK Code Provision 19)

- Other than in exceptional circumstances, it is the policy of the Board that Directors, including the Chair, will not serve more than nine years on the Board, including time spent on the Board of HICL Infrastructure Company Limited. As a general rule, a Director who has served more than nine years will not be considered independent.

25. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. (UK Code Provision 20)

- As outlined in respect of Provision 22, the Nomination Committee used external search consultancies to assist with the recruitment of Ms R Akushie during the year.

26. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. (UK Code Provision 21)

- An external review was last commissioned in 2018.

In the year to 31 March 2020, the Board conducted its own internal evaluation, considering the performance, tenure and independence of each Director. This annual self-evaluation was undertaken using an online questionnaire system, and also by way of one-to-one interviews by the Chairman with each Director holding office in the year. The Chairman presented a summary of the conclusions to the Board. Feedback on the Chairman was collated by the Senior Independent Director who then briefed the Chairman.

27. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified. (UK Code Provision 22)

- The Directors proactively engage in the Board evaluation process, and act on development needs which are identified. The Chairman takes the lead in recognising the strengths and addressing any weaknesses of the Board as a whole.

4.4 Corporate Governance Statement (continued)

28. The annual report should describe the work of the nomination committee, (including where the whole board is acting as the nomination committee) including:

- **the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;**
- **how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; and**
- **the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.** (Incorporates relevant content from UK Code Provision 23)

The work of the Nomination Committee is described in Provision 22, and the Board evaluation process is outlined in Provision 26.

HICL has adopted a Diversity Policy, which the Nomination Committee will take regard of in decision making.

Diversity Policy

The Board believes that a diversity of viewpoints and personal experiences, along with broad professional expertise, lead to better decisions, are critical to innovation and provide a competitive advantage in HICL's marketplace. When recruiting new Directors, the Board searches for candidates from a diverse range of backgrounds and communities to attract the widest breadth of talent, skills and outlook. The Board's policy is to appoint individuals on merit, based on their skills, experience and expertise.

HICL aims to achieve that the key targets of the Hampton-Alexander Review and the Parker Review. These are that 33% of the Board of Directors should be women by the end of 2020 and that HICL should have at least one Director from an ethnic minority by 2024.

HICL is an investment company and as such does not have a senior management team. Day-to-day management of HICL is delegated to InfraRed Capital Partners ("InfraRed"), HICL's Investment Manager. InfraRed's diversity policy and statistics are published at https://www.ircp.com/responsibility/diversity.html.

As at 31 March 2020, 37% (three) of the Board of Directors were women and 12% (one) were from ethnic minorities.

Audit, Risk and Internal Control

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements. (Incorporates relevant content from UK Code Principle M)

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects. (UK Code Principle N)

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. (UK Code Principle O)

29. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies two[3]. The chair of the board should not chair the committee but can be a member if they were independent on appointment. If the chair of the board is a member of the audit committee, the board should explain in the annual report why it believes this is appropriate. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates. (Incorporates relevant content from UK Code Provision 24)

As set out in respect of Provision 8, the Audit Committee comprises all of the Directors, with the exception of the Chairman, who attends by invitation.

The Board has satisfied itself that at least one member has recent and relevant financial experience and that the committee as a whole has competence relevant to both the infrastructure sector and the investment trust sector (see the Directors' biographies in Section 4.2 above).

[3] A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year

30. The main roles and responsibilities of the audit committee should include:

- **monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;**
- **providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;**
- **reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;**
- **conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;**
- **reviewing and monitoring the external auditor's independence and objectivity;**
- **reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;**
- **developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and**
- **reporting to the board on how it has discharged its responsibilities. (Incorporates relevant content from UK Code Provision 25)**

HICL complies with this provision. See the Audit Committee Report (Section 4.5) and the Risk Committee Report (Section 3.9).

31. The annual report should describe the work of the audit committee including:

- **the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed;**
- **an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;**
- **in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and**
- **an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services. (Incorporates relevant content from UK Code Provision 26)**

HICL complies with this provision. See the Audit Committee Report (Section 4.5).

4.4 Corporate Governance Statement (continued)

32. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. (UK Code Provision 27)

- HICL complies with this provision. See the Statement of Directors' Responsibilities (Section 4.8).

33. The board should carry out a robust assessment of the company's emerging and principal risks[4]. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. (UK Code Provision 28)

- HICL complies with this provision. See the Risk Committee Report (Section 3.9).

34. The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. (UK Code Provision 29)

- The Board is responsible for HICL's system of internal control and for reviewing its effectiveness. To help achieve this end, the Board has a designated Risk Committee. It follows a process designed to meet the particular needs of HICL in managing the risks to which it is exposed.

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

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

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

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

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

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

[4] Principal risks should include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the company's business model, future performance, solvency or liquidity and reputation. In deciding which risks are principal risks companies should consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur

35. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. (UK Code Provision 30)

- HICL complies with this provision. See the Report of the Directors (Section 4.7).

36. Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary. (UK Code Provision 31)

- HICL complies with this provision. See the Viability Statement (Section 3.8).

Remuneration

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. (Incorporates relevant content from UK Code Principle P)

Q. A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome. (Incorporates relevant content from UK Code Principle Q)

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. (UK Code Principle R)

37. The board should establish a remuneration committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two[5]. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the board should satisfy itself that the appointee has relevant experience and understanding of the company. If the board has decided that the entire board should fulfil the role of the remuneration committee, it will need to explain why it has done so in the annual report. (Incorporates relevant content from UK Code Provision 32)

- HICL complies with this provision. See the Remuneration Report (Section 4.6).

38. The remuneration committee should have delegated responsibility for determining the policy and setting the remuneration for the chair. (Incorporates relevant content from UK Code Provision 33)

- This is reflected in the Remuneration Committee's Terms of Reference, which authorise the Remuneration Committee to determine HICL's policy for the remuneration of the Directors of HICL, including the Chair, in order to comply with Provision 38.

39. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements. Provision should be made for additional directors' fees where directors are involved in duties beyond those normally expected as part of the director's appointment. In such instances the board should provide details of the events, duties and responsibilities that gave rise to any additional directors' fees in the annual report. (Incorporates relevant content from UK Code Provision 34)

- HICL complies with this provision. See the Remuneration Report (Section 4.6).

[5] A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year

4.4 Corporate Governance Statement (continued)

40. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties. (Incorporates relevant content from UK Code Provision 35)

HICL complies with this provision. See the Remuneration Report (Section 4.6).

41. The main role and responsibilities of the remuneration committee should include:

- **in conjunction with the chair, setting the directors' remuneration levels; and**
- **considering the need to appoint external remuneration consultants.**

The Remuneration Committee is authorised to obtain any professional advice on any matters within its terms of reference it considers necessary, including appointing external remuneration consultants where necessary. In February 2020, an external review of the Directors' remuneration was undertaken by Trust Associates, an independent professional consultant. Their recommendations included suggested remuneration for the financial year to 31 March 2021. See the Remuneration Report in Section 4.6 for further details.

HICL complies with this provision. See the Remuneration Report (Section 4.6).

42. There should be a description of the work of the remuneration committee in the annual report. (Incorporates relevant content from UK Code Provision 41)

HICL complies with this provision. See the Remuneration Report (Section 4.6).

4.5
Audit Committee Report

The following pages set out the Audit Committee's report on how it has discharged its duties in accordance with the 2019 AIC Code of Corporate Governance and its activities in respect of the year ended 31 March 2020 for HICL Infrastructure PLC (the "Company").

The Audit Committee has been in operation throughout the year and operates within clearly defined terms of reference, which are available to view on HICL's website. The Committee, which comprises all the Directors except for Mr Ian Russell, met formally seven times during the year to 31 March 2020. In addition to the four quarterly meetings which align with the Company's reporting cycle, three Audit Committee meetings were held to review and challenge the Investment Manager's semi-annual valuation assumptions, judgements and resulting valuations of the Company's underlying portfolio of infrastructure assets.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Reports, the semi-annual valuations of HICL's investment portfolio, the system of internal controls, and the terms of appointment, independence, remuneration and quality of the external auditor, KPMG LLP ("KPMG" or the "external auditor"). It is also the formal forum through which KPMG reports to the Board of Directors and meets at least four times each year. The objectivity of the external auditor is reviewed by the Audit Committee, which also reviews the terms under which the external auditor is appointed to perform non-audit services, and resulting fees paid, in accordance with the Company's Non-Audit Services policy.

We have reviewed the independence, objectivity and effectiveness of KPMG and recommended to the Board that KPMG be appointed as external auditor of the Company in respect of the coming financial year.

Susie Farnon
Audit Committee Chair
19 May 2020

Responsibilities

The main duties of the Audit Committee are:

- giving full consideration and recommending to the Board for approval the contents of the half-yearly and annual financial statements, considering whether these reports are fair, balanced and understandable, and reviewing the external auditor's report thereon;
- reviewing the valuation of the Company's investment portfolio prepared by the Investment Manager, receiving an independent review of the valuation from a third-party expert and making a recommendation to the Board on the valuation of the Company's portfolio of infrastructure assets;
- reviewing, and challenging as appropriate, the going concern assumption, noting those matters that have informed the Board's assessment, and the viability statement, accompanying commentary and stress scenarios prepared by the Investment Manager to support the statement;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the scope, results, quality, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and recommending to the Board for approval the audit, audit-related and non-audit fees payable to the external auditor and the terms of their engagement, in accordance with the Company's Non-Audit Services policy;
- reviewing and approving the external auditor's plan for the following financial year, including a review of appropriateness of proposed materiality levels;
- reviewing the Company's procedures for the prevention, detection and reporting of fraud, including the procedures for handling allegations from whistleblowers; and
- ensuring the standards and adequacy of the internal control systems.

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

Financial Reporting

Significant Areas of Focus

The following table details the key areas of focus by the Audit Committee during the current year, which were discussed and debated with the Investment Manager and KPMG. Consistent with prior years, the Audit Committee determined that the key risk of material misstatement of the Company's financial statements related to the valuation of its underlying investments in infrastructure assets, regarding in particular forecast assumptions used and discount rates applied, and in light of Covid-19, cash flow assumptions on the demand-based assets.

4.5 Audit Committee Report (continued)

Significant Issue	Audit Committee Actions
Valuation of investments	
The total carrying value of 'Investments at fair value through profit or loss' at 31 March 2020 was £2,837.9m (see Note 14 of the financial statements). The fair value of the Company's investment is based on the Net Asset Value of IILP and the sundry assets and liabilities of its direct Corporate Subsidiary. IILP's Net Asset Value is based on the fair value of the underlying investments in its portfolio of infrastructure assets. Other than the A13 Senior Secured Bonds (which are listed and therefore valued based on the quoted market price), market quotations are not available for the Company's underlying investments so their valuation is undertaken using a discounted cash flow methodology. This methodology requires a series of material judgements to be made as further explained in Notes 3 and 4 of the financial statements.	The Audit Committee discussed the valuation process and methodology with the Investment Manager in July, August, October and November 2019 as part of its review of the September 2019 Interim Report, and in February, March, April and May 2020 as part of its review of the March 2020 Annual Report. The Investment Manager carries out valuations semi-annually and provides detailed valuation reports to the Audit Committee. The Audit Committee also receives a half-year and year end valuation report and opinion from a third-party valuation expert. The Audit Committee considered and challenged the valuation assumptions, judgements and methodology. In light of Covid-19, the cash flow assumptions on, and resulting valuation of, the demand-based assets in particular were given close scrutiny. The Audit Committee met with KPMG seven times during the year. In July 2019, the Audit Committee reviewed and agreed KPMG's initial audit plan, while in February and April 2020 the Audit Committee discussed, in particular, the audit approach to the valuation as well as in May 2020 following the conclusion of the audit. KPMG explained the results of their audit and confirmed that the results of KPMG's audit testing were satisfactory.
Valuation of investments – key forecast assumptions	
The key forecast assumptions are considered to be future inflation rates, interest rates, rates of gross domestic product and tax rates. These assumptions are explained in further detail in Section 3.4 – Valuation of the Portfolio and Note 4 of the financial statements.	The Audit Committee considered in detail and provided robust challenge to the economic assumptions that are subject to judgement and that may have a material impact on the valuation. In addition, the Audit Committee considered the impact (both actual and potential) of Covid-19 on these key economic assumptions as well as on the investments underlying cash flows, in particular for those investments with demand risk. The Audit Committee reviewed the Investment Manager's valuation reports, in conjunction with a report and opinion on the valuation from a third-party valuation expert. The Investment Manager confirmed to the Audit Committee that the economic assumptions were consistent with those used for acquisitions, and the third-party valuation expert confirmed that the economic assumptions were within an acceptable range. The Investment Manager provided sensitivities showing the impact of changing these assumptions, which have been considered by the Audit Committee and the external auditor. The external auditor challenged, with support of their internal valuation specialist, discount rates and macro-economic assumptions applied in the valuation by benchmarking these to independent market data, including recent market transactions, and using their specialist's experience in valuing similar investments. They further assessed the reasonableness of the Company's assumptions by comparing these to the assumptions used by comparator companies. The Audit Committee concluded that the Investment Manager's valuation process was robust, that a consistent valuation methodology had been applied throughout the year and that the key forecast assumptions applied were appropriate.

Significant Issue	Audit Committee Actions
Valuation of investments – discount rates	
The discount rates used to determine the valuation are selected and recommended by the Investment Manager. The discount rate is applied to the expected future cash flows from each investment's financial forecasts to arrive at a valuation (discounted cash flow valuation). The resulting valuation is therefore sensitive to the discount rate selected. The Investment Manager is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The Investment Manager sets out the discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate in Section 3.4 – Valuation of the Portfolio and Note 4 of the financial statements.	The Audit Committee challenged the Investment Manager on their material judgements and also compared this to feedback from the third-party valuation expert. The Investment Manager highlighted to the Audit Committee the forecast impact on cash flows as a result of Covid-19 and its assessment of the risk to these cash flows, alongside a series of stress scenarios. The Audit Committee was satisfied that the range of discount rates was appropriate for the valuation carried out by the Investment Manager.
Going concern and viability statement	
The financial statements have been prepared on a going concern basis, with the viability period of five years unchanged in the viability statement. See Note 2(a) of the financial statements for details.	The Investment Manager provided a paper explaining the rationale for the going concern basis of preparation, which has been considered by the Audit Committee and the external auditor. The Audit Committee met with the Investment Manager to discuss the rationale and challenge key assumptions applied, as part of its review of the March 2020 Annual Report. The Audit Committee also reviewed the Company's viability statement and accompanying commentary, as well as projections and sensitivities, including the risks associated with Brexit and Covid-19, prepared by the Investment Manager to support the statement. The Audit Committee concluded that the Investment Manager's judgement applied to the going concern basis of preparation and the Company's viability statement was appropriate.
Fair, balanced and understandable	
The 2019 AIC Code of Corporate Governance requires the Board to present a fair, balanced and understandable assessment of the Company's position and prospects. To report the relevant financial performance and position to stakeholders, the Company prepares pro forma summary financial information on the basis that HICL consolidates the results of the Corporate Subsidiaries, known as the "Investment Basis", as well as reporting in accordance with IFRS.	The Audit Committee reviewed the March 2020 Annual Report to ensure that, when taken as a whole, it presents a fair, balanced and understandable assessment of the Company's position and prospects. The Audit Committee also considered a paper from the Investment Manager of the Company's use of Alternative Performance Measures ("APMs") compared to the FRC's November 2017 guidance. The Audit Committee received a draft version of the March 2020 Annual Report for their review and comment, as well as commentary from the Investment Manager to aid their assessment of the March 2020 Annual Report being fair, balanced and understandable. As such, the Audit Committee was able to provide positive confirmation to the Board, for it to fulfil its obligation under the 2019 AIC Code of Corporate Governance.

4.5
Audit Committee Report (continued)

Accounting policies and practices
The Audit Committee reviewed the appropriateness of, and was satisfied with, the Company's accounting policies, which have been marginally amended to add clarity, in particular, to the fair value of investments.

The Audit Committee received reports from the Investment Manager in relation to key accounting judgements and estimates, such as valuation assumptions, semi-annual valuation report, going concern and the Company's long-term viability. In addition, the Audit Committee received and considered a reporting update paper from the Investment Manager ahead of preparing the Company's first annual report as a UK-incorporated Investment Trust Company.

The Directors exercised judgement in determining whether the Company and the Corporate Subsidiaries meet the IFRS 10 definition of an investment entity. By virtue of the Company and Corporate Subsidiaries' status as investment entities, all investments (including the Corporate Subsidiaries) are accounted for at fair value through profit or loss. Further detail is contained within Note 2(a) of the financial statements.

There were no new standards or interpretations effective during the current year that had a material effect on the Company's financial statements. The Company adopted IFRS 16 Leases; however as the Company does not itself have any leases, the new standard had no impact on the Company's reported results.

Financial reporting regulators
The Audit Committee received updates from the Investment Manager in relation to the Financial Reporting Council ("FRC") publications, including the Audit Quality Practice aid for Audit Committees and guidance on the Revised Ethical Standard 2019, and the Audit Committee's terms of reference were subsequently updated to reflect these guidance notes. The Audit Committee also considered the FRC's guidance issued in March 2020 on Covid-19 to ensure the March 2020 Annual Report provides sufficient clarity on the Company's resilience in the face of current uncertainty and on the key assumptions and judgements the Board and Investment Manager have made when assessing resilience and in preparing the Company's financial statements.

Internal Controls
The Audit Committee reviewed the Company's statement on internal controls in relation to accounting records, the valuation process and accounts preparation, prior to endorsement by the Board.

The Management Engagement Committee reviews the adequacy and effectiveness of the Investment Manager's internal controls as part of its annual review of the Investment Manager's performance. Further, each quarter, the Board review and debate a detailed self-assessment internal control report prepared by the Investment Manager – see Section 3.7 – Risk & Risk Management for further detail.

Internal Audit
In line with FRC guidance, the Audit Committee keeps under review the need for an internal audit function. The Audit Committee is satisfied that the systems of internal control of the Company, the Investment Manager and the Administrator are adequate to fulfil the Board 's obligation in this regard and that currently an internal audit function is not necessary. Additionally, HICL's Depositary provides daily cash flow monitoring, asset ownership verification and oversight services to the Company.

External Auditor
The Company has complied with the Competition and Markets Authority Order: The Statutory Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2020.

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

Due to the transfer of the investment business of HICL Guernsey to the Company, and voluntarily liquidation of HICL Guernsey post year end, KPMG LLP (the UK equivalent of KPMG Channel Islands Limited, external auditor to HICL Guernsey) was appointed as external auditor of the Company in February 2019, and Ian Griffiths was appointed as the audit partner.

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

The Company voluntarily complies with the FRC Revised Ethical Standard 2019 regarding non-audit services and audit related services.

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

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

When reviewing requests for non-audit services that are in the 'Permitted non-audit services' list, the Audit Committee will assess:

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

KPMG announced in November 2018 that it would phase out the provision of non-audit work for FTSE 350 audit clients, which includes the tax compliance work previously undertaken by other KPMG network firms. For periods beginning on or after 1 January 2020, this tax compliance work will no longer be conducted by KPMG. This accords with the Revised Ethical Standard 2019 issued in December 2019.

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

	March 2020 £m	March 2019 £m
Audit services		
Audit of the Company and intermediate holding entities	0.4	0.3
Audit of HICL's project subsidiaries and other audit related services	0.4	0.4
	0.8	0.7
Non-audit services		
Interim review of the Company	0.1	0.1
Other non-audit services	–	0.1
	0.1	0.2
Total	**0.9**	**0.9**

Non-audit services in the above table consisted of audit related assurance services for the Company's Interim Report, tax compliance and advisory services. In total, it represented 13% (2019: 29%) of total audit fees.

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

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

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

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

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- the external auditor's UK Transparency Report 2019;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the Investment Manager evaluating the performance of the audit team; and
- the FRC's annual report on audit quality inspections.

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

4.6
Directors' Remuneration Report

The Remuneration Committee's report is set out on pages 118 to 121. The report includes the Directors' Remuneration Policy, an explanation of the Committee's structure and responsibilities, a report on its activities in the year ended 31 March 2020 and relevant required reporting on remuneration and shareholdings. Those aspects of the report that are required to be audited are labelled as such.

The Committee met four times in the year to 31 March 2020. The most notable activity was the triennial independent review of remuneration. In accordance with the Directors' Remuneration Policy, the Committee engaged an independent remuneration consultant to support this work as explained in more detail in this report. Fee increases were recommended for all Board positions, reflecting the increased size and complexity of the Company and the consequent increase in duties and time commitment for directors. The Committee has, however, considered the extraordinary challenges and uncertainties in the current environment due to the Covid-19 pandemic and has decided to defer all increases until next year's reporting cycle. Accordingly, no increase is proposed for the year commencing 1 April 2020.

This Directors' Remuneration Report was adopted by the Board and signed on its behalf by:

Mike Bane
Remuneration Committee Chair
19 May 2020

Directors' Remuneration Policy

The Directors' Remuneration Policy is determined by the Remuneration Committee. In accordance with the provisions of the AIC Code of Corporate Governance (the "AIC Code"). Directors' remuneration is designed to reflect their duties and time commitments and is set at a reasonable level to attract and retain Directors of the necessary quality and experience to implement effective governance and oversight of the Company, to support strategy and to promote long-term sustainable success. The specific additional responsibilities of the Chairman, Senior Independent Director, and the chairs of the various committees of the Board are taken into account. The policy aims to be fair and reasonable compared to equivalent investment trusts, investment companies and other similar-sized financial companies. The effects of inflation are also considered. Reasonable travel and associated expenses are reimbursed.

HICL's articles of association limit the aggregate fees payable to the Board to a total of £500,000 per annum (or such amount as HICL's shareholders, in a general meeting, shall determine from time-to-time) excluding reimbursable expenses. Within that limit it is the responsibility of the Remuneration Committee, as a Committee of the Board, to determine Directors' remuneration in conjunction with the Chairman of the Board, and in his case, by the Remuneration Committee only. Relevant comparative information is considered in forming these recommendations and any views expressed by shareholders on fees or on this policy are taken into consideration. The Remuneration Committee will seek the views of an independent external remuneration consultant at least every three years to assist its review of remuneration.

Directors' fees are fixed and are payable in cash, quarterly in arrears. As all Directors are non-executive, they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, performance-related or otherwise. Directors do not have service contracts and there is no provision for compensation for loss of office. Each new Director is provided with a letter of appointment. Additional fees are payable at the discretion of the Remuneration Committee where Directors are involved in duties beyond those normally expected, for example, in relation to the issue of a prospectus.

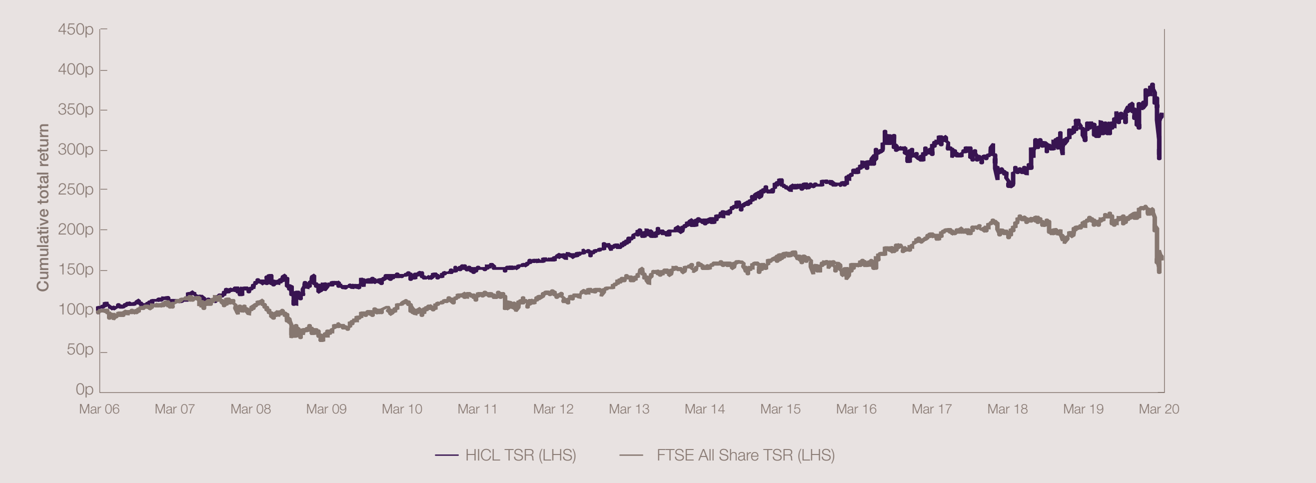
This policy and the level of Directors' fees is reviewed annually by the Remuneration Committee and will apply with effect from 1 April of each year, subject to shareholder approval.

Committee structure and responsibilities

The Remuneration Committee is composed of all the Directors including the Chairman of the Company, as he was deemed to be independent at the time of his appointment. This membership is deemed appropriate on the basis that all Directors are independent and have the requisite experience and knowledge of the Company to appropriately determine remuneration. Further the membership of eight Independent Directors ensures that no single Director has undue influence on the outcome of their own remuneration. The Committee operates in accordance with the Directors' Remuneration Policy and with Principles P, Q and R of the 2019 AIC Code. This report is prepared in accordance with the Listing Rules of the FCA, the relevant sections of the Companies Act 2006 and to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, (as amended by the Large and Medium sized Companies and Groups (Account and Reports) Amendment Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019).

Performance Graph

In setting the Directors' remuneration, consideration is given to the size and relative performance of the Company. The graph below highlights the comparative total shareholder return (share price and dividends) ("TSR") for an investment in the Company and its predecessor, HICL Guernsey, for the 14 year period from inception at the end of March 2006 until 31 March 2020 compared with an investment in the FTSE All-share Index over the same period. During that period the TSR was 9.0% p.a. compared with the FTSE All-share Index which was 3.9% p.a.



The table below is shown to enable shareholders to assess the relative importance of spend on remuneration. It compares remuneration, against dividends paid and share buybacks of the Company in the year ended 31 March 2020. There are no comparatives for the year ended 2019 as the Company was not trading. The footnote to the table shows equivalent information for HICL Guernsey.

Actual Expenditure	YE 2020
Aggregate Directors' Remuneration	£410,250
Aggregate Dividends paid to shareholders	£148,367,207
Aggregate cost of Ordinary Shares repurchased	£0

* Comparatives for HICL Guernsey in 2019 included Aggregate Directors' Remuneration of £441,250, Aggregate Dividends paid to shareholders of 143,198,292 with zero share repurchases.

Review of Remuneration

The Remuneration Committee commenced its triennial independent review of Board remuneration in the second half of 2019 with the objective of ensuring that Board remuneration remained in line with the market and at an appropriate level to attract and retain high-calibre directors. To assist the review the Remuneration Committee commissioned Trust Associates, an independent professional remuneration consultant with deep experience of investment companies and their fee structures; and which has previously conducted external Board evaluations of the Company. Fees of £7,000 (plus VAT) were paid to Trust Associates for this work. Additionally, the Committee sought advice from Longwater Partners, a reputable independent search consultancy specialising in boardroom advisory and executive search, via an unremunerated market sounding exercise in order to provide a wider market view, particularly in relation to the Chairman's remuneration.

The report from Trust Associates, which contained recommendations for the financial year to 31 March 2021, was considered by the Committee in February 2020 alongside the insights and data points provided by Longwater Partners.

An increase in remuneration for all Board roles was supported by both consultants, reflecting the time commitments required from all Board members, commensurate with the increased size, breadth and complexity of the Company and its operating

04 / DIRECTORS' REPORT

4.6 Directors' Remuneration Report (continued)

environment since the previous review in 2017. Both consultants also suggested a greater increase for the Chairman of the Board, reflecting the significantly increased demands of the role.

The Committee is, however, cognisant of the extraordinary effects of the Covid-19 pandemic across economies and has decided that all increases for the coming financial year should be deferred and reconsidered next year.

The proposed remuneration package for the year ending 31 March 2021 is set out in the following table together with comparatives:

Role (YE 2020)	Total Fees Proposed (YE 2021)	Fees Approved (YE 2020)[1]
Chairman	£78,000	£78,000
Senior Independent Director	£60,000	£60,000
Audit Committee Chair	£59,000	£59,000
Risk Committee Chair	£54,500	£54,500
Director (including Luxembourg subsidiary companies)	£53,000	£53,000
Director	£47,000	£47,000
Total[2]	**£445,500**	**£398,500**

[1] Approved at the AGM on 16 July 2019
[2] Board composition was a total of seven Directors for YE 2020 and is eight Directors for YE 2021; the proposed fees for the additional director are £47,000

As last year, the fees approved/proposed relate to the roles performed, and not to individuals per se. The increase in total fees reflects an additional director role in 2021.

The premium to the Directors' base fee for the Senior Independent Director and Committee Chair roles is calibrated to recognise the additional responsibility specific to the performance of each role, as well as the greater interaction required with external parties, including the Investment Manager. An additional £6,000 annual fee is paid to the Director who represents the Company on the board of the Luxembourg subsidiary.

Statement of Implementation of Remuneration Policy in the Current Financial Year

The Board has adopted the director remuneration proposal as recommended by the Remuneration Committee and will seek shareholder approval for the Directors' Remuneration Policy and this report including the proposed remuneration at the AGM in July 2020.

Directors' remuneration – audited

There are no comparatives because the Company did not trade in the previous year.

Director	Total Remuneration paid/due for year ended 31 March 2020
Mr I Russell*	£78,000
Mr F Nelson	£60,000
Ms R Akushie**	£11,750
Mr M Bane***	£53,000
Mrs F Davies	£47,000
Mrs S Farnon	£59,000
Mr S Holden	£54,500
Mr K Reid	£47,000
Total	**£410,250**

* The chairman was the highest paid Director
**Ms Akushie appointed 1 January 2020
***Includes £6,000 in respect of Luxco directorships

The total fees paid to Directors in the year were within the annual fee cap of £500,000, contained in the Remuneration Policy approved by shareholders at the AGM on 16 July 2019.

[2] Total board composition was seven directors for YE 2020 and eight directors for YE 2021

Statement of Directors shareholdings – audited

The Directors of the Company on 31 March 2020, and their interests in the shares of the Company, are shown in the table below.

Director	31 March 2020 Ordinary	31 March 2019 Ordinary[1]
Mr I Russell	95,979	95,979
Mr F Nelson	51,568	51,568
Ms R Akushie	0	0
Mr M Bane	7,535	0
Mrs F Davies	0	0
Mrs S Farnon	59,931	59,931
Mr S Holden	27,694	9,871
Mr K Reid	10,484	0
Total	**253,191**	**217,349**

[1] These shareholdings are in respect of the Company as at 31 March 2019 and not HICL Guernsey

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

Statement of shareholder voting

At the last AGM held on 16 July 2019, the resolutions relating to the Directors' remuneration report for the year ended 31 March 2019 and the Director's Remuneration Policy were approved.

In total the numbers of shares voted was: 913,472,316 including 239 proxy votes. The percentage of votes cast was 51%.

Result in respect of the vote on remuneration:

	In Favour			Discretion			Against			Withheld	
Resolution	Votes	% age	Items	Votes	% age	Items	Votes	% age	Items	Votes	Items
9- Remuneration Report	913,005,884	99.95	223	22,549	0.01	4	390,118	0.04	14	58,779	8
10- Remuneration Policy	912,977,951	99.95	221	22,549	0.01	4	397,389	0.04	15	79,441	9

4.7 Report of the Directors

The Directors present their annual report on the affairs of HICL, together with the financial statements and auditor's report, for the year to 31 March 2020. The Corporate Governance Statement forms part of this report.

Details of significant events since the balance sheet date are contained in Note 21 to the financial statements.

An indication of likely future developments in the business of HICL and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by HICL and its subsidiaries is given in Note 2 to the financial statements.

Principal Activity

HICL is a registered investment company under section 833 of the Companies Act 2006, incorporated in the UK. Its shares have a premium listing on the Official List of the UK Listing Authority and trade on the main market of the London Stock Exchange.

Investment Trust Status

The Company has been approved as an Investment Trust Company ("ITC") under sections 1158 and 1159 of the Corporation Taxes Act 2010. The Company had to meet relevant eligibility conditions to obtain approval as an ITC, and must adhere to ongoing requirements to maintain its ITC status, including, but not limited to, retaining no more than 15% of its annual income. The Company has conducted its affairs to ensure it complies with these requirements.

Results

HICL's results for the year are summarised in Section 3.3 – Financial Review and are set out in detail in the Financial Statements.

Distributions and Share Capital

HICL declared three quarterly interim distributions, totalling 6.18p per share, for the year ended 31 March 2020 as follows:

Amount	Declared	Record date	Paid/to be paid
2.06p	26/02/2020	06/03/2020	31/03/2020
2.06p	14/11/2019	27/11/2019	31/12/2019
2.06p	23/07/2019	06/09/2019	30/09/2019

The fourth quarterly interim distribution, of 2.07p per share, for the year ended 31 March 2020 was declared by HICL on 13 May 2020, and is due to be paid on 30 June 2020.

HICL has one class of share capital, Ordinary Shares, of which there were 1,791,142,769 in issue as at 1 April 2019. This number increased to 1,863,642,769 as at 31 March 2020 as a result of tap issuance during the year. Shareholders may reinvest their dividends via a Dividend Reinvestment Plan ("DRIP"), the details of which can obtained by emailing shares@linkgroup.co.uk.

Dividend History

Interim dividend	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016
3 month period ending 30 June	2.06	2.01	1.96	1.91	1.86
3 month period ending 30 September	2.06	2.01	1.96	1.91	1.86
3 month period ending 31 December	2.06	2.01	1.96	1.91	1.86
3 month period ending 31 March	2.07	2.02	1.97	1.92	1.87
Paid / declared	**8.25p**	**8.05p**	**7.85p**	**7.65p**	**7.45p**

Directors

The Directors who held office during the year to 31 March 2020 were:

Director	Role(s)	Years of Service*
Mr I Russell	Chairman of the Board Chair of Nomination Committee	6 years 11 months
Mr F Nelson	Senior Independent Director Chair of Management Engagement Committee	5 years 10 months
Ms R Akushie	Director	0 years 3 months
Mr M Bane	Chair of the Remuneration Committee	1 year 9 months
Ms F Davies	Director	1 year 0 months
Mrs S Farnon	Chair of the Audit Committee	6 years 11 months
Mr S Holden	Chair of the Risk Committee	3 years 9 months
Mr K Reid	Director	3 years 7 months

*Assuming a continuation of the years of service as a Director of HICL Infrastructure Company Limited

Directors' Indemnities

HICL has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

Employees

HICL has no employees.

Diversity Policy

The Board believes that a diversity of viewpoints and personal experiences, along with broad professional expertise, lead to better decisions, are critical to innovation and provide a competitive advantage in HICL's marketplace. When recruiting new Directors, the Board searches for candidates from a diverse range of backgrounds and communities to attract the widest breadth of talent, skills and outlook. The Board's policy is to appoint individuals on merit, based on their skills, experience and expertise.

HICL has achieved the key targets of the Hampton-Alexander Review and the Parker Review, that is that 33% of the Board of Directors should be women by the end of 2020 and at least one Director is from an ethnic minority by 2024. As at 31 March 2020, 37% (three) of the Board of Directors were women and 12% (one) were from ethnic minorities.

HICL is an investment company and as such does not have a senior management team. Day-to-day management of HICL is delegated to InfraRed Capital Partners ("InfraRed"), HICL's Investment Manager. InfraRed's diversity policy and statistics are published at: https://www.ircp.com/responsibility/diversity.html.

Corporate Governance

Section 4.4 –The Corporate Governance Statement sets out in detail the code of corporate governance against which HICL reports and its compliance, or otherwise with the individual principles. It includes detail on the various committees of the Board, their composition and their terms of reference.

Annual General Meeting ("AGM")

HICL's AGM is held in July each year. The forthcoming meeting is scheduled for 14 July 2020.

Investment Manager and Operator

InfraRed Capital Partners Limited (the "Investment Manager" or "InfraRed") acts as Investment Manager to HICL and acts as Operator of the limited partnership which holds and manages HICL's investments. A summary of the contract between HICL, its subsidiaries and InfraRed in respect of services provided is set out in Note 19 to the Financial Statements.

The Management Engagement Committee met in February 2020 to consider the performance of, and services provided by, InfraRed. As with previous years, this took the form of a written paper in which the Investment Manager explained its activities in the year and summarised its performance against agreed targets. The Committee discussed the paper with the Investment Manager, noted the internal assurance work it performs, and received feedback from other service providers, shareholders and advisers.

The fee arrangements between HICL and InfraRed are set out below:

InfraRed, in its capacity as operator, and the general partner of the partnership are together entitled to annual fees calculated on the following basis and in the following order: (i) 1.1 per cent. of the proportion of the Adjusted Gross Asset Value of HICL's investments which have a value of up to (and including) £750 million in aggregate; (ii) 1.0 per cent. of the proportion of the Adjusted Gross Asset Value of HICL's investments that is not accounted for under (i) which, together with the investments under (i) above, have an Adjusted Gross Asset Value of up to (and including) £1.5 billion in aggregate; (iii) 0.9 per cent. of the proportion of the Adjusted Gross Asset Value of HICL's investments not accounted for under (i) or (ii) above which, together with investments under (i) and (ii) above have an Adjusted Gross Asset Value of HICL of up to (and including) £2,250 million; (iv) 0.8 per cent. of the proportion of the Adjusted Gross Asset Value of HICL that is not accounted for under (i), (ii) and (iii) above which, together with investments under (i), (ii) and (iii) above, have an Adjusted Gross Asset Value of HICL of up to (and including) £3,000 million; and (v) 0.65 per cent. of the proportion of the Adjusted Gross Asset Value of HICL that is not accounted for under (i), (ii), (iii) and (iv) above.

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

InfraRed is also entitled to a fixed management fee of £100,000 per annum. InfraRed will not receive any directors' or other fees from any project company.

There are no acquisition fees payable. The Investment Management Agreement may be terminated by either party giving the other party thirty six (36) months' written notice (or, at HICL's option, making a payment in lieu of such notice). InfraRed's appointment as Operator has corresponding termination provisions, and if InfraRed's appointment as Investment Manager is terminated it may unilaterally terminate its appointment as operator, and vice versa.

The Investment Management Agreement was entered into in March 2019 and was reviewed and approved by the Board in connection with the change in domicile of HICL from Guernsey to the United Kingdom and shareholders had an opportunity to vote on the Investment Management Agreement as part of those proposals.

The Directors are of the opinion that the continued appointment of InfraRed as HICL's investment manager is in the best interests of the shareholders of HICL.

4.7 Report of the Directors (continued)

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive:

- information in relation to HICL's leverage can be found in the Strategic Report;
- remuneration of InfraRed as HICL's AIFM can be found below in AIFM Remuneration;
- a summary of the activities of HICL can be found in Section 3.1 – Operating Review;
- a full list of the risks facing HICL can be found in HICL's March 2019 Prospectus, available from the Company's website (see also Section 3.9 – Risk Committee Report; and
- none of HICL's assets are subject to special arrangements arising from their illiquid nature.

AIFM Remuneration

The AIFMD Remuneration Code requires InfraRed in its capacity as AIFM of HICL, to make relevant remuneration disclosures available to investors.

InfraRed assesses its list of AIFMD Code Staff. AIFMD Code Staff are notified of their status and the associated implications.

InfraRed has established a remuneration policy. A summary of InfraRed's remuneration policy is contained in the annual report and accounts of InfraRed Capital Partners (Management) LLP, which are available from Companies House.

The aggregate total remuneration paid by the group which contains InfraRed for the year ended 31 March 2020 was £42,015,831. This was paid to177 beneficiaries and was divided into fixed remuneration of £18,758,821 and variable remuneration of £23,257,010. The aggregate total remuneration paid by the group which contains InfraRed to AIFMD Code Staff in the year was £6,754,197 and the number of senior management and risk takers was eight.

The Investment Manager fees charged to the Company were £0.1m (disclosed as Investment Manager fees in Note 7), of which the full balance remained payable at 31 March 2020. InfraRed is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. The total Operator fees were £28.4m of which £7.1m remained payable at 31 March 2020. The total charge for new portfolio investments was £0.7m of which none remained payable at 31 March 2020.

Brokers, Administrator and Company Secretary

HICL's joint corporate brokers at 31 March 2020 are Investec Bank plc and RBC Capital Markets. The investment trust team at Investec Bank plc transferred from Canaccord Genuity Limited in June 2019, and the broking arrangements were novated to Investec Bank plc on substantially the same terms.

The Administrator and Company Secretary is Aztec Financial Services (UK) Limited.

Disclosure of Information to Auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report. The Strategic Report includes information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2008.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of HICL is to be proposed at the forthcoming Annual General Meeting.

Substantial Interests in Share Capital

As at 31 March 2020, HICL is aware of or has received notification in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in 3% or more of HICL's shares to which voting rights are attached (at the date of notification):

	Number of Shares Held	Percentage Held
Investec Wealth & Wealth Management	114,205,111	6.1%
Rathbones	107,156,516	5.8%
Brewin Dolphin	98,442,310	5.3%
Baillie Gifford	73,550,043	4.0%
Legal & General Investment Management	65,194,152	3.5%
Insight Investment	56,685,615	3.0%

Payment of Suppliers

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

Greenhouse Gas Emissions (GHG) Reporting

See Section 3.2 – Sustainability Report.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2.3 – HICL's Business Model & Strategy. The financial position of the Company, its cash flow and liquidity position are described in Sections 3.1 – Operating Review and 3.3 – Financial Review. In addition, Notes 1 to 4 of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed going concern by considering areas of financial risk, the Company's access to the Revolving Credit Facility and by reviewing cash flow forecasts with a number of stress scenarios, including the potential downside impacts from Covid-19. They also considered the Company's considerable financial resources, including investments in a significant number of project assets and access to a Revolving Credit Facility (details of which are set out in Section 3.3 – Financial Review and Note 17 to the financial statements). The majority of these project assets operate long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. As explained in the Investment Manager's report, these infrastructure projects include several demand-based assets that are impacted by Covid-19, and a large number of availability assets that have no exposure to economic growth. The financing for these projects is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Share Repurchases
No shares have been bought back in the year. The latest authority to purchase shares for cancellation was granted to the Directors on 16 July 2019.

Treasury Shares
Section 724 of the UK 2006 Companies Act allows companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. Issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This gives HICL the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing HICL with additional flexibility in the management of its capital base.

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

Political Contributions
HICL UK made no political donations during the period.

Charitable Donations
HICL made a £200 donation to Southmead Hospital.

4.8
Statement of Directors' Responsibilities'

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess HICL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate HICL or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain HICL's transactions and disclose with reasonable accuracy at any time the financial position of HICL and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of HICL and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations

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

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of HICL; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess HICL's position and performance, business model and strategy.

By order of the Board

Authorised signatory

Aztec Financial Services (UK) Limited
Company Secretary
19 May 2020

Registered Office:
Aztec Financial Services (UK) Limited:
Forum 4, Solent Business Park, Parkway South, Whiteley,
Fareham, PO15 7AD

Priority Schools Building Programme North East Batch, UK

04 / DIRECTORS’ REPORT

Wooldale Centre for Learning, UK

05 Financial Statements

5.1
Independent Auditor's Report to the Members of HICL Infrastructure PLC

KPMG

Independent auditor's report

to the members of HICL Infrastructure PLC

1. Our opinion is unmodified

We have audited the financial statements of HICL Infrastructure PLC ("the Company") for the year ended 31 March 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

— give a true and fair view of the state of Company's affairs as at 31 March 2020 and of its profit for the year then ended;

— have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 26 February 2019. The period of total uninterrupted engagement, including our engagement to audit HICL Infrastructure Company Limited the previous listed entity, is for the fourteen financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		£29.0m (2019: £20.0m) 1.02% of Company net asset value (2019: 1% of Company net asset value)
Key audit matters		**vs 2019**
New risks	Valuation of investments at fair value through profit and loss	

Recoverability of intercompany receivables was a risk in 2019. Following the restructuring and the acquisition of investments from its former parent, HICL Infrastructure Company Limited, the Company no longer has intercompany receivable balances.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of Investments at fair value through profit and loss £2,837.9 million (2019: £Nil) *Refer to page 113 to 117 (Audit Committee Report), page 140 to 143 (accounting policy) and page 143 to 179 (financial disclosures).*	**Forecast based valuation** The Company's investment in its immediate subsidiary is carried at fair value through profit and loss and represents a significant proportion of the Company's net assets. The carrying amount is calculated by assessing the fair value of the immediate subsidiary which reflects its net asset value incorporating the fair value of the underlying infrastructure projects and holding companies. The fair value of infrastructure investments is determined using the income approach whereby the long term forecasted cash flows of each individual infrastructure asset are discounted at a rate which reflects these risk profile. In addition, inherent in there long term forecasted cash flows are key macro-economic assumptions such as inflation, tax, GDP and deposit rates. The valuation risk represents both a risk of fraud and error associated with estimating the timing and amounts of long term forecasted cash flows alongside the selection and application of appropriate assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation for the infrastructure investments. In the current year the macro-economic assumptions impacting all investments and specifically the forecasted cash flows of demand based investments have been significantly impacted by the economic disruption caused by Covid-19. This results in a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	Our procedures included: — **Control design and observation:** review and test of the design and implementation and operating effectiveness of the controls in operation around the reconciliation of changes to the relevant project cash ~~flows~~ models; — **Historical comparisons:** comparing the prior year forecasts (of HICL Infrastructure Company Limited) to current year actual distributions to consider historical accuracy of forecasting. We assessed the valuation movements for each investment focusing on changes since prior reporting date, challenging any significant variances; — **Our sector experience**: obtaining and assessing responses from underlying project entities to identify significant matters and whether these have a material impact on the forecasted distributions. Similarly we held discussions with the investment managers and identified specific operational issues relating to the projects, we assessed and challenged the impact of these issues on the forecasted distributions; — gaining an understanding of and challenging any significant adjustments to forecasted distributions, including adjustments related to Covid-19; — testing evidence to support all significant acquisitions and disposal during the year; — **Benchmarking valuation assumptions:** with support from KPMG valuation specialists, we reviewed and challenged the Company's assumed discount rates and macro-economic assumptions applied in the valuation model by benchmarking against independent marker data, market transaction and valuation specialist's experience in valuing similar investments; — In the current year the Company has made assumptions on discount rates and macro-economic assumptions in light of Covid-19 and its impact on demand based assets. We have gained an understanding of the methodology used and with input from the valuation specialists have assessed the reasonableness of this methodology and assumptions applied; — **Assessing valuer's credentials:** we assessed the objectivity, capabilities and competence of the third party valuation expert engaged by the Company to challenge the reasonableness of the Company's investment valuations. We considered the methodology applied by the valuation expert in performing their work. We obtained and assessed the valuation expert's findings, held discussions with them and considered the impact, if any, on our audit work; and — **Assessing transparency:** we considered the Company's disclosures in relation to the use of estimates and judgements regarding the fair value of investments and the Company's investment valuation policies. Additionally we have assessed the transparency provided by the disclosures with regards to outlining sensitivities in investment values in relations to economic assumptions applied to assess the impact of Covid-19. **Our results** As a result of our work we found the valuation of the investments at fair value through profit and loss and related sensitivity disclosures to be acceptable.

KPMG

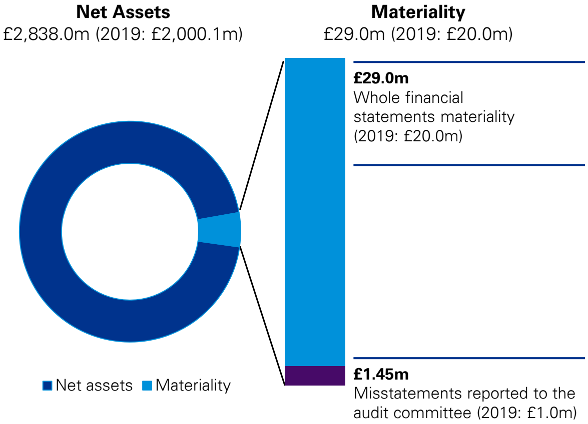
5.1
Independent Auditor's Report to the Members of HICL Infrastructure PLC (continued)

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

Materiality for the financial statements as a whole was set at £29.0m (2019: £20.0m), determined with reference to a benchmark of net assets of £2,838.0m, of which it represents 1.02% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.45m (2019: £1.0m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was :

— Reduction or delay in distributions received from project companies, particularly for demand based projects where the impact of Covid-19 is expected to adversely affect project revenues.

As this was a risk that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risk materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and business continuity issues caused by Covid-19, which could result in a rapid reduction of available financial and non-financial resources.

Based on this work, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on page 89 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

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

— the directors' confirmation within the viability statement page 84 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the risk and risk management disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 126, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

5.1 Independent Auditor's Report to the Members of HICL Infrastructure PLC

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

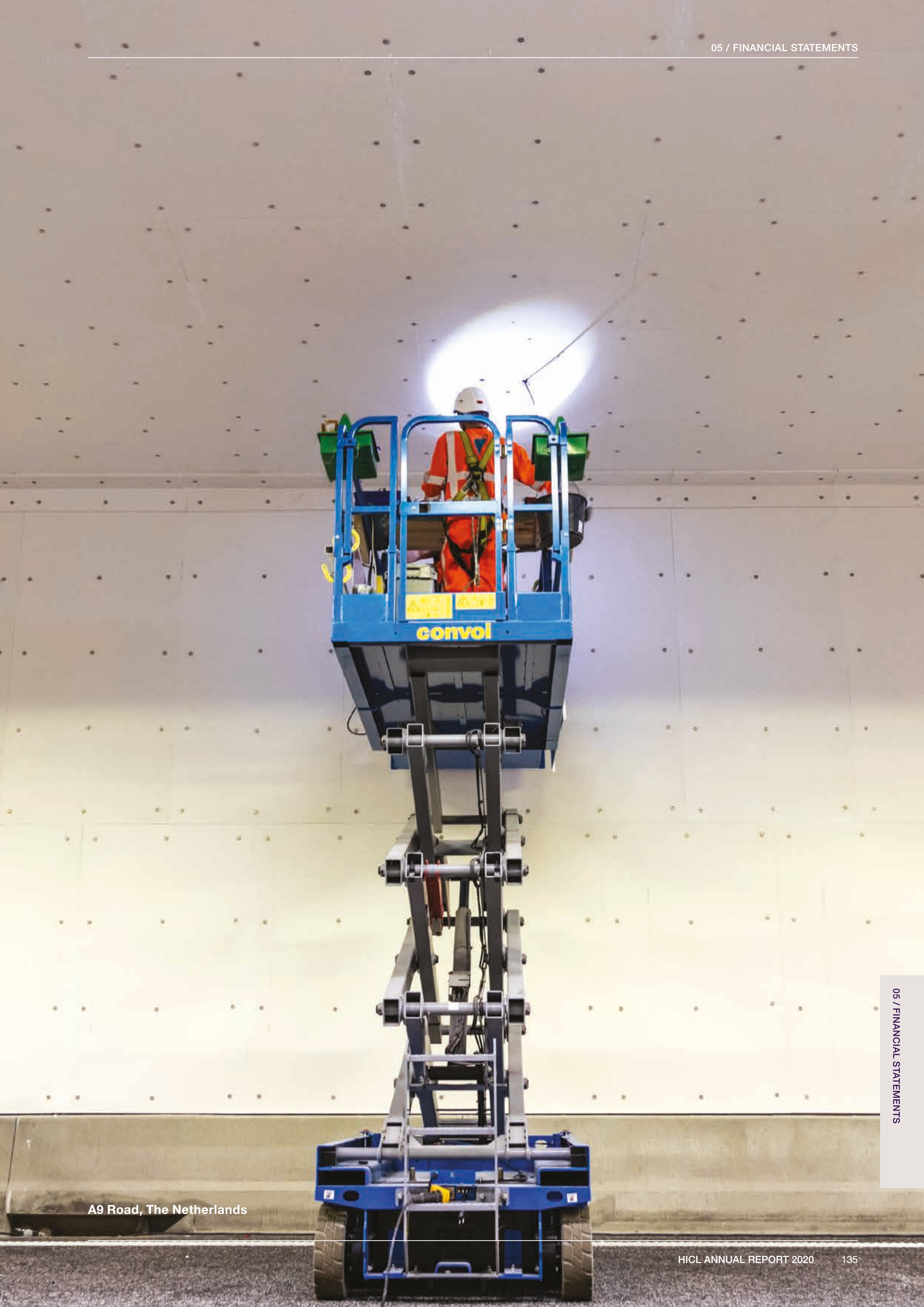
Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 4GL
19 May 2020



A9 Road, The Netherlands

5.2
Income Statement

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 Total £m
Investment income	6	51.6
Total income		**51.6**
Fund expenses	7	(2.1)
Profit before tax		**49.5**
Profit for the year	11	**49.5**
Earnings per share – basic and diluted (pence)	11	**2.7**

There were no accounting transactions that were required to be disclosed as income or expense for the comparative period, from incorporation on 21 December 2018 to 31 March 2019.

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

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

Balance Sheet

As at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Investments at fair value through profit or loss	14	2,837.9	–
Total non-current assets		**2,837.9**	**–**
Current assets			
Trade and other receivables	16	0.1	2,000.1
Cash and cash equivalents		0.6	–
Total current assets		**0.7**	**2,000.1**
Total assets		**2,838.6**	**2,000.1**
Current liabilities			
Trade and other payables		(0.6)	–
Total current liabilities		**(0.6)**	**–**
Total liabilities		**(0.6)**	**–**
Net assets		**2,838.0**	**2,000.1**
Equity			
Share capital	18	0.2	0.1
Share premium	18	936.7	–
Distributable reserves	18	1,999.3	2,000.0
Other reserves	18	(98.2)	–
Total equity	13	**2,838.0**	**2,000.1**
Net assets per Ordinary Share (pence)	13	**152.3**	*

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 19 May 2020, and signed on its behalf by:

I Russell
Director

S Farnon
Director

Company registered number: 11738373

*100,000,000,000 pence per share based on 2 Ordinary Shares in issue at 31 March 2019

5.2
Statement of Changes in Shareholders' Equity

For the year ended 31 March 2020

	Note	Share capital and share premium £m	Distributable reserves £m	Other reserves £m	Total shareholders' equity £m
Shareholders' equity as at 31 March 2019		0.1	**2,000.0**	–	2,000.1
Profit for the year		**–**	**147.7**	**(98.2)[1]**	**49.5**
Distributions paid to Company shareholders	12	–	(148.4)	–	(148.4)
Redemption of preference shares	18	(0.1)	–	–	(0.1)
Issue of Ordinary Shares under the Scheme[2]	18	821.7	–	–	821.7
Issues of Ordinary Shares	18	117.1	–	–	117.1
Costs of issue of Ordinary Shares under the Scheme[2]	18	(0.7)	–	–	(0.7)
Costs of issue of Ordinary Shares issued for cash	18	(1.2)	–	–	(1.2)
Shareholders' equity as at 31 March 2020		**936.9**	**1,999.3**	**(98.2)**	**2,838.0**

[1] Other reserves comprises unrealised Net loss on revaluation of investment (see Note 6)
[2] Details of the Scheme can be found in Notes 1 and 14

For the period from 21 December 2018 to 31 March 2019

	Note	Share capital and share premium £m	Distributable reserves £m	Other reserves £m	Total shareholders' equity £m
As at 21 December 2018		–	–	–	–
Issue of Ordinary Shares	18	2,000.0	–	–	2,000.0
Issue of Redeemable Shares	18	0.1	–	–	0.1
Share premium reduction[3]	18	(2,000.0)	2,000.0	–	–
Shareholders' equity as at 31 March 2019		**0.1**	**2,000.0**	**–**	**2,000.1**

[3] On 12 February 2019, the Company obtained court approval to convert all its existing share premium to distributable reserves

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

Cash Flow Statement

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £m
Cash flows from operating activities		
Profit before tax		49.5
Adjustments for:		
Investment income		(51.6)
Operating cash flows before movements in working capital		(2.1)
Changes in working capital:		
Increase in receivables		(0.1)
Increase in payables		0.6
Cash flow from operations		**(1.6)**
Investment income received		148.4
Net cash from operating activities		**146.8**
Cash flows from investing activities		
Investment in subsidiary		(113.0)
Net cash used investing activities		**(113.0)**
Cash flows from financing activities		
Net proceeds from issue of share capital	18	115.2
Distributions paid to Company shareholders	12	(148.4)
Net cash used in financing activities		**(33.2)**
Net increase in cash and cash equivalents		**0.6**
Cash and cash equivalents at beginning of year		–
Cash and cash equivalents at end of year		**0.6**

The Company had no cash or cash flows during the comparative period, from incorporation on 21 December 2018 to 31 March 2019.

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

5.3
Notes to the Financial Statements

For the year ended 31 March 2020

1. REPORTING ENTITY

HICL Infrastructure PLC (the "Company" or "HICL UK") is a public limited company incorporated, domiciled and registered in England in the UK. The financial statements as at and for the year ended 31 March 2020 comprise the financial statements for the Company only, as explained in Note 2.

At 31 March 2019, the Company was a 100% directly owned subsidiary of HICL Infrastructure Company Limited ("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 a scheme of reconstruction (the "Scheme"), as detailed in HICL UK's Prospectus dated 4 March 2019, 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. Further detail regarding the Scheme is included within Note 14.

At 31 March 2020, the Company had two corporate level subsidiaries being, HICL Infrastructure S.a.r.l. 2 ("Luxco 2") and Infrastructure Investments Limited Partnership ("IILP") (each a "Corporate Subsidiary" and together "Corporate Subsidiaries"). HICL Infrastructure S.a.r.l. 1 ("Luxco 1") was a Corporate Subsidiary until 12 March 2020, upon which date it merged with Luxco 2.

The Company and its Corporate Subsidiaries invest in infrastructure projects in the United Kingdom, North America and Europe.

2. KEY ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements were approved and authorised for issue by the Board of Directors on 19 May 2020.

The financial statements, which give a true and fair view, have been prepared in compliance with the Companies Act 2006 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 the Company'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 judgements estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The comparative period ended 31 March 2019 had a start date of 21 December 2018, being the date of incorporation of the Company.

Investment Entities

The Company 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 the Company 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 the Company. They are considered investment entities themselves and are therefore measured at fair value in these financial statements.

2. KEY ACCOUNTING POLICIES (CONTINUED)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in Section 2.3 – HICL's Business Model & Strategy. The financial position of the Company, its cash flows, and liquidity position are described in Sections 3.1 – Operating Review and 3.3 – Financial Review. In addition, Notes 1 to 4 of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed going concern by considering areas of financial risk, the Company's access to the Revolving Credit Facility and by reviewing cash flow forecasts with a number of stress scenarios, including the potential downside impacts from Covid-19. They also considered the Company's considerable financial resources, including investments in a significant number of project assets and access to a Revolving Credit Facility (details of which are set out in Section 3.3 – Financial Review and Note 17 to the financial statements). The majority of these project assets operate long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. As explained in the Investment Manager's report, these infrastructure projects include several demand-based assets that are impacted by Covid-19, and a large number of availability assets that have no exposure to economic growth. The financing for these projects is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Standards adopted during the year

The Company adopted the following standards, amendments and interpretations which became effected during the year, none of which had a material impact on the financial statements:

- IFRS 16 Leases (effected 1 January 2019)
- Amendments to IAS 28 Long term Interests in Associates and Joint Ventures (effected 1 January 2019)
- Annual Improvements to IFRS Standards 2015–2017 Cycle Definition of Material (Amendments to IAS 1 and IAS 8) (effective date 1 January 2020)

Standards issued but not yet effective

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

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for periods beginning on or after 1 January 2020)
- Definition of a Business (Amendments to IFRS 3) (effective for periods beginning on or after 1 January 2020)

(b) Financial instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are de-recognised when the contractual rights to the cash flows from the instrument expire or the asset or liability is transferred and the transfer qualifies for de-recognition in accordance with IFRS 9 'Financial Instruments: Recognition and measurement'.

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise the Company's investments in equity and debt of its direct Corporate Subsidiary trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

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

Investments in equity and debt securities

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

5.3
Notes to the Financial Statements (continued)

2. KEY ACCOUNTING POLICIES (CONTINUED)

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses for financial assets. Interest income or expenses, foreign exchange gains and losses and impairment are recognised in the Income Statement. Any gain or loss on derecognition is recognised in the Income Statement.

(ii) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The fair value of the Company's investment is based on the Net Asset Value of IILP and the sundry assets and liabilities of its direct Corporate Subsidiary. IILP's Net Asset Value is based on the fair value of the underlying investments in its portfolio of infrastructure assets, since IILP manages these investments and makes purchase and sale decisions based on their fair value.

Fair values of the underlying investments 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. Further detail on methods and assumptions used in estimating the fair values of financial instruments is included in Note 4.

(c) Investment income

Investment income comprises interest income, dividend income and gains/(losses) on investments, which comprise the change in fair value of the Company's direct subsidiary. Interest income is recognised in the Income Statement using the effective interest method. Dividend income is recognised when the Company's entitlement to receive payment is established.

(d) Share capital and share premium

Ordinary Shares are classified as equity. Costs associated with the establishment of the Company or directly attributable to the issue of new shares are recognised as a deduction from the share premium account.

(e) Cash and cash equivalents

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

(f) Income tax

Income tax represents the sum of the tax currently payable and deferred tax. Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(g) Foreign exchange gains and losses

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

(h) Expenses

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

(i) Dividends payable

Dividends payable to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the Annual General Meeting.

2. KEY ACCOUNTING POLICIES (CONTINUED)

(j) Segmental reporting

The Chief Operating Decision Maker (the "CODM") is of the opinion that the Company is engaged in a single segment of business, being investment in infrastructure, which is currently predominantly in private finance initiatives and public private partnership companies. The Company has no single major customer.

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

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

The Directors have exercised judgement in determining whether the Company and the Corporate Subsidiaries meet the IFRS 10 definition of an investment entity. By virtue of the Company's status as an investment entity (see Note 2(a)) and the exemption provided by IAS 28 and IFRS 11 as well as the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

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.

Estimates and assumptions

The Company recognises its investment in Luxco 2, a Corporate Subsidiary, at fair value which includes the fair value of IILP and each of the individual project companies and holding companies in which the Company holds an indirect investment. Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate 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 weighted average discount rate applied in the March 2020 valuation was 7.2%. The discount rate is considered to be the most significant estimate 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. In addition, in light of Covid-19, cash flow assumptions on the demand-based assets are also a significant input for the March 2020 valuation.

The other estimates that are likely to have a material effect on the measurement of fair value are inflation rates, deposit rates, gross domestic products and tax rates, which are further discussed in Note 4.

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.

Where applicable, further information about the assumptions used in determining fair value is disclosed in the Notes specific to that asset or liability.

5.3
Notes to the Financial Statements (continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments

	31 March 2020 £m	31 March 2019 £m
Financial assets		
Investments at fair value through profit or loss	2,837.9	–
Financial assets at fair value through profit or loss	**2,837.9**	–
Trade and other receivables	0.1	2,000.1[1]
Cash and cash equivalents	0.6	–
Financial assets – loans and receivables	**0.7**	**2,000.1**
Financial liabilities		
Trade and other payables	(0.6)	–
Financial liabilities – payables	**(0.6)**	**–**

[1]Settled on 1 April 2019 via the Scheme, see Note 14 for details

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

Fair value hierarchy

The fair value hierarchy is defined as follows:

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

				31 March 2020
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit or loss (Note 14)	–	–	**2,837.9**	**2,837.9**

There were no transfers between Level 1, 2 or 3 during the year. A reconciliation of the movement in Level 3 assets is disclosed in Note 14.

Level 3

Valuation methodology

The Company records the fair value of its direct Corporate Subsidiary based on the Net Asset Value of IILP and the sundry assets and liabilities of its direct Corporate Subsidiary. IILP's Net Asset Value is based on the aggregate fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment, along with the working capital of the intermediate holding companies. Detailed overleaf 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 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 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.

4. FINANCIAL INSTRUMENTS (CONTINUED)

Investments – The key valuation assumptions and sensitivities for the valuation

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

		31 March 2020
Inflation Rates	UK (RPI and RPIx)[1] CPIH[2]	2.75% p.a. 2.0% p.a.
	Eurozone (CPI)	2.0% p.a.
	Canada (CPI)	2.0% p.a.
	USA (CPI)	2.0% p.a.
Interest Rates	UK	0.5% p.a. to March 2023, 1.5% p.a. thereafter
	Eurozone	0.0% p.a. to March 2023, 1.0% p.a. thereafter
	Canada	1.0% p.a. to March 2023, 2.25% p.a. thereafter
	USA	1.0% p.a. to March 2023, 2.25% p.a. thereafter
Foreign Exchange Rates	CAD/GBP	0.57
	EUR/GBP	0.89
	USD/GBP	0.81
Tax Rates	UK	19%
	Eurozone	Ireland 12.5% France 25% – 33.3% Netherlands 21.7% – 25%
	USA	21% Federal & 4.6% Colorado State
	Canada	26% and 27%
GDP Growth	UK	(5.5%) in 2020, 4.0% in 2021, 2.0% p.a. thereafter
	Eurozone	(5.0%) in 2020, 4.0% in 2021, 1.8% p.a. thereafter
	USA	(3.5%) in 2020, 3.0% in 2021, 2.5% p.a. thereafter

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

Discount rates

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

The discount rates used for valuing each infrastructure investment vary on a project-by-project basis, taking 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 and service delivery challenges), all of which may be differentiated by the phase of the investment's life (e.g. in construction or in operation).

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 considers risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income and service delivery challenges), all of which may be differentiated by project phase, jurisdiction and market participants' appetite for these risks.

5.3
Notes to the Financial Statements (continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

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

Year ended	Range	Weighted average
31 March 2020	**2.7%[1] to 9.3%**	**7.2%**

[1] The 2.7% discount rate relates to the A13 senior bonds. The rate is the implied rate from the quoted market price of the bonds at 31 March 2020; excluding this, the discount range is from 6.2% to 9.3%

A change to the weighted average rate of 7.2% 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% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
31 March 2020	**+£153.2m**	**£2,837.9m**	**-£139.3m**
Implied change in NAV per Ordinary Share[1]	**+8.2 pence**	**152.3 pence**	**-7.5 pence**

[1] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

The magnitude of sensitivities considered for the current year are unchanged from the previous year, on the basis that the sensitivities assess the impact from long-term changes in the key valuation assumptions, which are unlikely to be significantly impacted by current near-term volatility.

Inflation rates

All PPP 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 Retail Price Index ("RPI") or RPI excluding mortgage payments ("RPIx") while non-UK projects use Consumer Price Index ("CPI"), 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.

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

Inflation rates	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
31 March 2020	**-£125.8m**	**£2,837.9m**	**+£140.9m**
Implied change in NAV per Ordinary Share[1]	**-6.7 pence**	**152.3 pence**	**+7.6 pence**

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

Interest rates

Each portfolio company'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 investments' senior debt funding, though a small number of projects are sensitive to interest rates as future refinancing 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 2020 cash deposits for the portfolio were earning interest at a rate of 0.7% per annum on average.

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

Interest rate	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
31 March 2020	**-£19.0m**	**£2,837.9m**	**+£22.4m**
Implied change in NAV per Ordinary Share[1]	**-1.0 pence**	**152.3 pence**	**+1.2 pence**

[1] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

4. FINANCIAL INSTRUMENTS (CONTINUED)

Gross Domestic Product

The portfolio has four projects where revenues are positively correlated to changes in GDP. These projects are A63 Motorway, M1-A1 Road, Northwest Parkway and High Speed 1 which together comprise 18% of the Investments at fair value through profit or loss. 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.

Detailed, asset-specific adjustments have been made to the underlying cash flows of the GDP-sensitive investments to reflect the near-term impact of Covid-19 – see Section 3.4 – Valuation of the Portfolio for detail.

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

Gross Domestic Product (GDP)	-0.5% p.a. change	Investments at fair value through profit or loss	+0.5% p.a. change
31 March 2020	-£81.2m	£2,837.9m	+£80.3m
Implied change in NAV per Ordinary Share[1]	-4.4 pence	152.3 pence	+4.3 pence

[1] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

Tax rates

The profits of each project company are subject to corporation tax in the country in which the project is located.

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

Tax rate assumption	-5% p.a. change	Investments at fair value through profit or loss	+5% p.a. change
31 March 2020	+£102.5m	£2,837.9m	-£102.0m
Implied change in NAV per Ordinary Share[1]	+5.5 pence	152.3 pence	-5.5 pence

[1] Analysis is based on the Company's 35 largest investments, pro-rata for the whole portfolio
[2] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

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. HICL has six demand-based assets in the portfolio representing 20% of the portfolio value at March 2020. During the first quarter of 2020, the Covid-19 pandemic has resulted in reduced usage of these facilities, impacting on revenues and therefore their valuation.

As mentioned above, four of these demand-based assets are sensitive to GDP which means their valuations are more significantly affected by the Covid-19 pandemic. This impact has been assessed and has resulted in adjustments in three areas; short-term traffic reduction, longer-term recovery and discount rates, using a variety of information sources including actual traffic figures, management assessments, consensus GDP forecasts and sensitivity analysis.

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 Manager 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.

5.3
Notes to the Financial Statements (continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

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 Manager 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. Forecasts are used to monitor the impact of changes in borrowing rates against cash flow returns from investments as increases in borrowing rates will reduce net interest margins. The Company itself does not have any borrowings and so is not directly exposed to interest rate risk.

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 and mezzanine 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. The sensitivity of Investments at fair value through profit or loss to interest rates is shown above within Note 4.

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. At 31 March 2020, the Corporate Group, via a Corporate Subsidiary, 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 rates by plus or minus 5.0% has the following effect on the Net Asset Value and NAV per Ordinary share:

Foreign exchange	-5.0% change	Net Asset Value	+5.0% change
31 March 2020	**-£ 7.8 m**	**£2,838.0m**	**+£7.8m**
Implied change in NAV per Ordinary Share[1]	**-0.4 pence**	**152.3 pence**	**+0.4 pence**

[1] Net Asset Value per Ordinary Share based on 1,863.6 million Ordinary Shares as at 31 March 2020

4. FINANCIAL INSTRUMENTS (CONTINUED)

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. The Corporate Group's largest credit risk exposure to a project at 31 March 2020 was to the Affinity Water project (6% of investments at fair value) and the largest subcontractor counterparty risk exposure was to subsidiaries of Bouygues, 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 whose securities are not traded in an active market so could take time to realise. 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 2020, the Company's investment obligations totalled £77.0m (see Note 20).

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

31 March 2020	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Trade and other payables	0.6	–	–	–
Total	**0.6**	**–**	**–**	**–**

5.3
Notes to the Financial Statements (continued)

4. FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

The Corporate Group has a £400m Revolving Credit Facility at Corporate Subsidiary level (see Note 17 for details), which had cash drawings of £Nil and letter of credit commitments of £79.1m at the year end. Further equity raisings are considered when debt drawings are at an appropriate level. The proceeds from the share issues are used to repay debt and to fund future investment commitments.

HICL makes prudent use of its available leverage. Under the Articles, the Corporate Group'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 the Company 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 2020 £m
Outstanding drawings	
Bank borrowings	–
Letter of credits drawn	79.1
	79.1
Adjusted Gross Asset Value	
Directors' Valuation (Note 14)	2,888.5
Cash and cash equivalents	28.7
	2,917.2
Borrowing ratio	**2.7%**

From time to time the Company 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 the Company may, at the sole discretion of the Directors:

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

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

5. GEOGRAPHICAL ANALYSIS

The tables below provide an analysis based on the geographical location of the Company's underlying investments.

Investment Income	UK	Eurozone	North America	Total
31 March 2020	**£28.7m**	**£19.4m**	**£3.5m**	**£51.6m**
% of Total Investments Income	**56%**	**37%**	**7%**	**100%**

Investments at fair value through profit and loss	UK	Eurozone	North America	Total
31 March 2020	**£2,158.0m**	**£470.5m**	**£209.4m**	**£2,837.9m**
% of Total Investments	**76%**	**17%**	**7%**	**100%**

6. INVESTMENT INCOME

	Year ended 31 March 2020 Total £m
Dividends and interest received	149.8
Net loss on revaluation of investment (Note 14)	(98.2)
	51.6

7. FUND EXPENSES

	Year ended 31 March 2020 Total £m
Fees paid to auditor	0.4
Investment Manager fees (Note 19)	0.1
Directors' fees and expenses (Note 19)	0.5
Professional fees	1.1
	2.1

Fees paid to auditor comprise £0.3m audit fees and £0.1m fees paid to KPMG LLP in respect of their interim review of the Company's accounts.

8. EMPLOYEES

The Company had no employees during the year (31 March 2019: Nil).

9. NET FINANCE INCOME

In the year ended 31 March 2020, the Company had de miminis net finance income consisting of interest earned on bank deposits offset by some bank charges.

5.3 Notes to the Financial Statements (continued)

10. INCOME TAX

	Year ended 31 March 2020 £m
Current taxes	
Current year	–
	–

The effective rate of corporation tax in the UK for a large company is 19%. The tax charge in the year was lower than the standard and effective tax rate due to differences explained below.

	Year ended 31 March 2020 £m
Profit before tax	
Profit before tax multiplied by the UK corporation tax rate of 19%	9.4
Effect of:	
Non-deductible capital losses	18.7
Non-taxable dividend income	(12.9)
Dividends designated as interest distributions	(15.6)
Other	0.4
	–

The Directors are of the opinion that the Company has complied with the requirements for maintaining investment trust status for the purposes of section 1158 of the Corporation Tax Act 2010. This allows certain capital profits of the Company to be exempt from UK tax. Additionally, the Company may designate dividends wholly or partly as interest distributions for UK tax purposes. Interest distributions are treated as tax deductions against taxable income of the Company so that investors do not suffer double taxation on their returns.

Tax payable by investments

The financial statements do not include directly the tax charges for any of the Company's intermediate companies or 117 investments as these are held at fair value. All of these investments and intermediate holding companies are subject to taxes in the countries in which they operate.

11. EARNINGS PER SHARE

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

	Year ended 31 March 2020
Profit attributable to equity holders of the Company	£49.5m
Weighted average number of Ordinary Shares in issue	1,813.6m
Total basic and diluted earnings per Ordinary Share	2.7 pence

12. DIVIDENDS

	Year ended 31 March 2020 £m
Amounts paid and recognised as distributions to equity holders during the year:	
Fourth quarterly interim dividend for the year ended 31 March 2019 of 2.02p	36.2
First quarterly interim dividend for the year ended 31 March 2020 of 2.06p per share	36.9
Second quarterly interim dividend for the year ended 31 March 2020 of 2.06p per share	36.9
Third quarterly interim dividend for the year ended 31 March 2020 of 2.06p per share	38.4
	148.4

Amounts not recognised as distributions to equity holders during the year:	
Fourth quarterly interim dividend for the year ended 31 March 2020 of 2.07p	38.6

The fourth quarterly interim dividend for HICL Guernsey for the year ended 31 March 2019 of £36.2m, representing 2.02 pence per share, was paid on 28 June 2019. Under the terms of the Scheme (see Note 14), this fourth quarterly dividend was paid by the Company.

The Company has elected to distribute a percentage of the dividends paid to shareholders as an interest distribution for tax purposes.

The first quarterly interim dividend for the year ended 31 March 2020 of £36.9m, representing 2.06 pence per share, was paid on 30 September 2019 and had an interest streaming percentage of 58%.

The second quarterly interim dividend for the year ended 31 March 2020 of £36.9m, representing 2.06 pence per share, was paid on 31 December 2019 and had an interest streaming percentage of 55%.

The third quarterly interim dividend for the year ended 31 March 2020 of £38.4m, representing 2.06 pence per share, was paid on 31 March 2020 and had an interest streaming percentage of 66%.

The fourth quarterly interim dividend for the year ended 31 March 2020 of £38.6 million, representing 2.07 pence per share, is payable on 30 June 2020 and had an interest streaming percentage of 39%.

The distributable reserves of the Company are £1,999.3m at 31 March 2020 (31 March 2019: £2,000.0m).

	Year ended 31 March 2020 £m
Interim dividends for the year	
3 months ended 31 March 2019	2.02p
3 months ended 30 June 2019	2.06p
3 months ended 30 September 2019	2.06p
3 months ended 31 December 2019	2.06p
Total	**8.20p**

5.3
Notes to the Financial Statements (continued)

13. NET ASSETS PER ORDINARY SHARE

	31 March 2020
Shareholders' equity at 31 March	£2,838.0m
Less: fourth interim dividend	(£38.6m)
	£2,799.4m
Number of Ordinary Shares at 31 March	1,863.6m
Net assets per Ordinary Share after deducting fourth interim dividend	150.2p
Add fourth interim dividend	2.07p
Net assets per Ordinary Share at 31 March	**152.3p**

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2020 £m
Opening balance	–
Transfer of investments from HICL Guernsey (HICL Guernsey NAV at 31 March 2019)	2,821.7
Investments in the year	113.0
Cash received from investments	(148.4)
Loss on revaluation of investment (Note 6)	(98.2)
Investment income	149.8
Carrying amount at year end	**2,837.9**

Investments at fair value through profit or loss comprise the Company's debt and equity investments in its single wholly-owned Corporate Subsidiary, measured at fair value on the basis explained in Note 2(b)(ii).

Investments in the year reflect funds paid to the Company's direct Corporate Subsidiary, 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 Manager has carried out fair market valuations of the portfolio companies as at 31 March 2020. 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 2.7 to 9.3% (weighted average of 7.2%).

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

Reconciliation of Directors' Valuation to Investments at fair value through profit or loss

The valuation of the Company's underlying portfolio at 31 March 2020 reconciles to the Balance Sheet as follows:

	31 March 2020 £m
Directors' Valuation	2,888.5
Less: future commitments (Note 20)	(77.0)
Investments at fair value per Investment Basis	**2,811.5**
Net cash in Corporate Subsidiaries	28.1
Working capital in Corporate Subsidiaries	(1.7)
Investments at fair value through profit or loss	**2,837.9**

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

5.3
Notes to the Financial Statements (continued)

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

Acquisition, by the Company

On 26 March 2019, HICL Guernsey held an Extraordinary General Meeting where shareholders approved a resolution for HICL Guernsey to enter into the Scheme (see Note 1), as detailed in HICL UK's Prospectus issued on 4 March 2019. The Scheme 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 Luxco 1, a Corporate Subsidiary.

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 (see Note 18). The shares were immediately admitted to trading on the London Stock Exchange. Total Consideration received in respect of the Scheme was £2,821.7m, being HICL Guernsey's Net Asset Value at 31 March 2019 (Section 3.4 (page 62) details key valuation assumptions and sensitivities for the valuation at 31 March 2019). This was applied to settle the £2.0bn receivable from HICL Guernsey and in consideration for the issue of shares to HICL Guernsey's shareholders (see Note 16).

On 1 April 2019, HICL UK redeemed the 50,000 £1 Redeemable shares at par (see Note 18). On 1 April 2019, HICL UK entered into an Investment Management Agreement between HICL UK and InfraRed Capital Partners Limited ("InfraRed") to appoint InfraRed as the Investment Manager (see Note 19).

On 1 April 2019, HICL UK became a guarantor of the multi-currency £400m RCF, held by IILP, a Corporate Subsidiary that holds the investment portfolio.

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

	31 March 2020		
Project name	Equity	Subordinated Debt	Mezzanine Debt
A13 Road[6]	–	–	–
A249 Road	50.00%	50.00%	–
A63 Motorway[4]	20.95%	20.95%	–
A9 Road[2]	20.00%	20.00%	–
A92 Road	50.00%	50.00%	–
Addiewell Prison	66.66%	66.66%	–
Affinity Water	33.20%	–	–
Allenby & Connaught MoD	12.50%	12.50%	–
Bangor and Nendrum Schools	20.40%	25.50%	–
Barking and Dagenham Schools	100.00%	100.00%	–
Barnet Hospital	100.00%	100.00%	–
Belfast Metropolitan College	75.00%	75.00%	–
Birmingham & Solihull LIFT	60.00%	60.00%	–
Birmingham Hospitals	30.00%	30.00%	–
Bishop Auckland Hospital	36.00%	37.00%	100.00%
Blackburn Hospital	100.00%	100.00%	–
Blackpool Primary Care Facility	75.00%	75.00%	–
Blankenburg PPP	70.00%	–	–
Boldon School	100.00%	100.00%	–
Bradford BSF Phase 1	29.20%	35.00%	–
Bradford BSF Phase 2	34.00%	34.00%	–
Breda Court[2]	85.00%	–	–
Brentwood Community Hospital	75.00%	75.00%	–
Brighton Hospital	50.00%	50.00%	–

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

	31 March 2020		
Project name	Equity	Subordinated Debt	Mezzanine Debt
Burbo OFTO	50.00%	50.00%	–
Central Middlesex Hospital	100.00%	100.00%	–
Connect	33.50%	–	–
Conwy Schools	90.00%	90.00%	–
Cork School of Music[1]	75.50%	75.50%	–
Croydon Schools	100.00%	100.00%	–
Darlington Schools	50.00%	50.00%	–
Defence Sixth Form College	45.00%	45.00%	–
Derby Schools	100.00%	100.00%	–
Doncaster Mental Health Unit	50.00%	50.00%	–
Dorset Fire & Rescue	100.00%	100.00%	–
Durham & Cleveland Police Tactical Training Centre	100.00%	100.00%	–
Dutch High Speed Rail Link[2]	43.00%	43.00%	–
Ealing Care Homes	63.00%	63.00%	–
Ealing Schools	50.00%	50.00%	–
East Ayrshire Schools	25.50%	25.50%	–
Ecole Centrale Supélec[4]	85.00%	85.00%	–
Edinburgh Schools	100.00%	100.00%	–
Exeter Crown Court	100.00%	100.00%	–
Falkirk NPD Schools	29.30%	29.30%	–
Fife Schools 2	30.00%	30.00%	–
Galloper OFTO	49.00%	50.00%	–
Glasgow Hospital	25.00%	25.00%	–
Gloucestershire Fire & Rescue	75.00%	75.00%	–
Greater Manchester Police Authority	72.90%	72.90%	–
Haverstock School	50.00%	50.00%	–
Health & Safety Executive (HSE) Merseyside Headquarters	50.00%	50.00%	–
Helicopter Training Facility – AssetCo	86.60%	7.20%	100.00%
Helicopter Training Facility – OpCo	23.50%	74.10%	–
Hinchingbrooke Hospital	75.00%	75.00%	–
Home Office Headquarters	100.00%	100.00%	–
High Speed Rail 1	21.80%	21.80%	–
Irish Grouped Schools[1]	50.00%	50.00%	–
Ireland Primary Care Centres	60.00%	60.00%	–
Kent Schools	50.00%	50.00%	–
Kicking Horse Canyon P3[3]	50.00%	–	–
Lewisham Hospital	100.00%	100.00%	–
M1-A1 Link Road	30.00%	30.00%	–
M80 Motorway	50.00%	50.00%	–
Manchester School	75.50%	75.50%	–
Medway LIFT	60.00%	60.00%	–
Medway Police	100.00%	100.00%	–
Metropolitan Police Specialist Training Centre	72.90%	72.90%	–
Miles Platting Social Housing	50.00%	33.30%	–
Newcastle Libraries	50.00%	50.00%	–
Newham Schools BSF	80.00%	80.00%	–

5.3
Notes to the Financial Statements (continued)

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

	31 March 2020		
Project name	Equity	Subordinated Debt	Mezzanine Debt
Newport Schools	100.00%	100.00%	–
Newton Abbot Hospital	100.00%	100.00%	–
North Ayrshire Schools	25.50%	25.50%	–
North Tyneside Schools	50.00%	50.00%	–
Northwest Anthony Henday P3[3]	50.00%	50.00%	–
Northwest Parkway[5]	33.33%	–	–
Northwood MoD Headquarters	50.00%	50.00%	–
Norwich Schools	75.00%	75.00%	–
Nuffield Hospital	25.00%	25.00%	–
N17/N18 Road[1]	50.00%	50.00%	–
Oldham Library	75.00%	75.00%	–
Oldham Schools	75.00%	75.00%	–
Oxford Churchill Oncology	40.00%	40.00%	–
Oxford John Radcliffe Hospital	100.00%	100.00%	–
Paris-Sud University[4]	85.00%	85.00%	–
PSBP North East Batch Schools	90.00%	90.00%	–
Perth and Kinross Schools	100.00%	100.00%	–
Pinderfields and Pontefract Hospitals	100.00%	100.00%	–
Queen Alexandra Hospital Portsmouth	100.00%	100.00%	-
Queen's (Romford) Hospital	66.70%	66.70%	-
Race Bank OFTO	49.00%	50.00%	–
RD901 Road[4]	90.00%	90.00%	–
Redbridge & Waltham Forest LIFT	60.00%	60.00%	–
Renfrewshire Schools	30.00%	30.00%	–
Royal Canadian Mounted Police 'E' Division Headquarters[3]	100.00%	100.00%	–
Royal School of Military Engineering	26.00%	32.10%	–
Salford Hospital	50.00%	50.00%	–
Salford Schools	25.50%	25.50%	–
Salford & Wigan BSF Phase 1	80.00%	80.00%	–
Salford & Wigan BSF Phase 2	80.00%	80.00%	–
Sheffield BSF	59.00%	59.00%	–
Sheffield Hospital	75.00%	75.00%	–
Sheffield Schools	75.00%	75.00%	–
South Ayrshire Schools	100.00%	100.00%	–
South East London Police Stations	50.00%	50.00%	–
Southmead Hospital	62.50%	62.50%	–
Staffordshire LIFT	60.00%	60.00%	–
Stoke Mandeville Hospital	100.00%	100.00%	–
Sussex Custodial Services	100.00%	100.00%	–
Tameside General Hospital	50.00%	50.00%	–
Tyne & Wear Fire Stations	100.00%	–	–
University of Bourgogne[4]	85.00%	85.00%	–
University of Sheffield Accommodation	50.00%	50.00%	–
West Lothian Schools	75.00%	75.00%	–
West Middlesex Hospital	100.00%	100.00%	–

Project name	31 March 2020 Equity	Subordinated Debt	Mezzanine Debt
Willesden Hospital	100.00%	100.00%	–
Wooldale Centre for Learning	50.00%	50.00%	–
Zaanstad Prison[2]	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 the United States of America.
[6] Senior debt investment.

15. INVESTMENTS – ACQUISITIONS AND DISPOSALS

Acquisitions, via the Corporate Subsidiaries

The Company, via its Corporate Subsidiaries, made the following acquisitions during the year ended 31 March 2020:

- In July 2019, the Company, via its Corporate Subsidiaries, completed its previously announced investment to acquire 70% of the Blankenburg Connection PPP project, committing to invest approximately £50m in the form of a deferred equity subscription.
- In September 2019, the Company, via its Corporate Subsidiaries, completed an additional loan stock injection in Helicopter Training Facility for approximately £1.7m.
- In September 2019, the Company, via its Corporate Subsidiaries, completed an additional equity injection into North West Anthony Henday Ring Road for approximately £0.4m.
- In October 2019, the Company, via its Corporate Subsidiaries, acquired 49% of the Race Bank Windfarm OFTO project for £24m.
- In February 2020, the Company, via its Corporate Subsidiaries, acquired 49% of the Galloper Windfarm OFTO project for £13.6m.

Disposals, via the Corporate Subsidiaries

The Company, via its Corporate Subsidiaries, made the following disposals during the year ended 31 March 2020:

- In November 2019, following the exchange of the contract of sale in September 2019, the Company announced the disposal of its interests in two UK PPP projects: the Health & Safety Laboratory and Enniskillen Hospital for combined consideration of £52.0m.
- In December 2019, compensation was received from the local authority client, in line with market value, for a school PPP project that was voluntarily terminated during the financial year ended 31 March 2016.

16. TRADE AND OTHER RECEIVABLES

	31 March 2020 £m	31 March 2019 £m
Other receivables	0.1	–
Amounts owed from parent undertakings	–	2,000.1
Trade and other receivables	**0.1**	**2,000.1**

The amounts owed from parent undertakings at 31 March 2019 represented unpaid share capital and premium from the Company's then parent, HICL Guernsey. This was settled on 1 April 2019 as part of the Scheme (see Note 14).

5.3
Notes to the Financial Statements (continued)

17. LOANS AND BORROWINGS

The Corporate Group's multi-currency £400m Revolving Credit Facility is held via a Corporate Subsidiary and is jointly provided by Royal Bank of Scotland International, National Australia Bank, Lloyds Bank, Sumitomo Mitsui Banking Corporation, ING, HSBC, Crédit Agricole and Santander. On 3 April 2020, a 1 year extension to 31 May 2023 was signed with 7 of the 8 existing lenders (minus Lloyds) totalling c. £360m, on the same commercial terms.

The facility 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%.

The Company, through a Corporate Subsidiary, had no cash borrowings outstanding at 31 March 2020. A Corporate Subsidiary had letters of credit utilised on the Revolving Credit Facility totalling £79.1m at 31 March 2020.

The Company, through a Corporate Subsidiary, had the following undrawn borrowing facilities at 31 March:

	2020 £m
Floating rate:	
Secured	
– expiring within one year	–
– expiring between 1 and 2 years	–
– expiring between 2 and 5 years	320.9
– expiring after 5 years	–
	320.9

18. SHARE CAPITAL AND RESERVES

Ordinary Shares	31 March 2020 m	31 March 2019 m
Authorised and issued at the beginning of the year	–	–
Issued during the year	1,791.1	–
Issued for cash	72.5	
Authorised and issued at end of year – fully paid	**1,863.6**	**–**

On 1 April 2019, the Company issued 1,791,142,767 £0.0001 Ordinary Shares as part of the Scheme (see Note 14), which were distributed by the liquidator to HICL Guernsey shareholders on a one for one basis, at a premium of £821.7m. Costs of the Scheme were £0.7m.

In November 2019, 62.5 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) of 160.0p.

In January 2020, 10 million new Ordinary Shares of 0.01p each were issued to various institutional investors at an issue price per share (before expenses) of 171.4p.

The holders of the 1,863,642,769 Ordinary Shares (31 March 2019: 2) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Redeemable preference shares	31 March 2020 £m	31 March 2019 £m
Authorised and issued at the beginning of the year	0.1	–
(Redemption)/issue of redeemable preference shares	(0.1)	0.1
Authorised and issued at end of year – fully paid	–	**0.1**

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

18. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital and share premium	31 March 2020 £m	31 March 2019 £m
Opening balance	0.1	–
(Redemption)/issue of redeemable preference shares	(0.1)	0.1
Issue of Ordinary Shares under the Scheme[1]	821.7	–
Issue of Ordinary Shares	117.1	2,000.0
Share premium reduction	–	(2,000.0)[2]
Costs of issue of Ordinary Shares under the Scheme[1]	(0.7)	–
Costs of issue of Ordinary Shares	(1.2)	–
Balance at end of year	**936.9**	**0.1**

[1] Details of the Scheme can be found in Notes 1 and 14
[2] On 12 February 2019, the Company obtained court approval to convert all its existing share premium to retained reserves

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

Distributable and Other reserves
Distributable reserves and Other reserves are detailed in the Statement of Changes in Equity. Other reserves comprise movements in fair value of the Company's investments.

19. RELATED PARTY TRANSACTIONS

InfraRed Capital Partners Limited ("IRCP") was appointed under an Investment Management Agreement, dated 4 March 2019, as Investment Manager to and Alternative Investment Fund Manager ("AIFM") of HICL. The Investment Management Agreement may be terminated by either party to the agreement, being HICL or IRCP, giving three years' written notice or if IRCP's appointment as Operator (see below) is terminated. Under the Investment Management Agreement, IRCP is entitled to a fee of £0.1m per annum, payable half-yearly in arrears and which is subject to review, from time to time, by the Company.

The Investment Manager fees charged to the Company were £0.1m (disclosed as Investment Manager fees in Note 7), of which the full balance remained payable at 31 March 2020.

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 subsidiary of IRCP. The Operator and the General Partner may each terminate the appointment of the Operator by either party giving three years' written notice. 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 the 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 2020, in aggregate IRCP and the General Partner were entitled to fees and/or profit share equal to: 1.1 per cent per annum of the adjusted gross asset value of all investments of HICL up to £750m, 1.0 per cent per annum for the incremental value in excess of £750m up to £1,500m, 0.9 per cent for the incremental value in excess of £1,500m, 0.8 per cent for the incremental value in excess of £2,250m and 0.65 per cent for the incremental value in excess of £3,000m.

The total Operator fees were £28.4m of which £7.1m remained payable at 31 March 2020. The total charge for new portfolio investments was £0.7m of which none remained payable at 31 March 2020.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.5m for the year ended 31 March 2020 (see Note 7). One Director also receives fees for serving as Director of the Luxembourg subsidiaries – the annual fees are £6k.

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

20. GUARANTEES AND OTHER COMMITMENTS

As at 31 March 2020, the Company, via a Corporate Subsidiary, had £77.0m commitments for future project investments.

5.3
Notes to the Financial Statements (continued)

21. EVENTS AFTER THE BALANCE SHEET DATE

The fourth quarterly interim dividend for the year ended 31 March 2020 of 2.07 pence per share was approved by the Board on 13 May 2020 and is payable on 30 June 2020 to shareholders on the register as at the close of business on 5 June 2020.

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

At 31 March 2020, the Company, via its Corporate Subsidiaries, held investments in 117 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	27	£65m	Integral
Birmingham Hospitals	Design, construct, finance and maintain a new acute hospital and three 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	60 (with client break options at 30,40 and 50 years)	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

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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
Blankenburg PPP	Blankenburg is an availability-based PPP project that mainly involves the construction of a 4.2km under the Nieuwe Maas river near Rotterdam in the Netherlands and the widening of an existing motorway	2043	6.5 years construction period and 20 years operation period	€965m	Ballast Nedam and DEME Group
Boldon School	Design, construct, finance, operate and maintain Boldon School for the Borough of South Tyneside	2031	26	£18m	Mitie
Bradford BSF Phase 1	Design, construct, finance and operate three new secondary schools (Buttershaw High School, Salt Grammar School and Tong School), along with routine and major lifecycle maintenance for the life of the concession	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	27	£40m	Sodexo
Cork School of Music	Design, construct, finance and operate a new school of music in Cork to accommodate 130 academic staff, 400 full-time and 2,000 part-time students for the Minister of Education and Science (Republic of Ireland)	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	30	£20m	Vinci
Darlington Schools	Design, construct, finance, operate and maintain an Education Village comprising four schools	2030	26	£31m	Mitie
Defence Sixth Form College	Design, build, operate, finance and maintain a new residential sixth-form college for the Secretary of State for Defence	2033	30	£40m	Interserve
Derby Schools	Design, construct, finance, operate and maintain three primary schools and two secondary schools in Derby for Derby City Council	2031	27	£37m	Vinci
Doncaster Mental Health Unit	Design, construct, finance, operate and maintain a service accommodation for an elderly mental health unit in Doncaster for the Rotherham Doncaster and South Humber Mental NHS Foundation Trust	2032	28	£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	€930m	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	30	£22m	Optivo

5.3 Notes to the Financial Statements (continued)

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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 Supélec	Design, construct, finance and maintain a new facility for the Ecole Centrale Supélec in France, as well as a shared teaching and research facility	2043	28	€71m	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
Galloper OFTO	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	2040	20	£283m	RES
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	29	£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 and Safety Executive (HSE) Merseyside Headquarters	Finance, construct, operate and maintain a new four-storey office building for the Health and Safety Executive	2036	32	£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	€145m	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

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
Manchester School	Design, construct, finance, operate and maintain the Wright Robinson College in Manchester for Manchester City Council	2032	26	£29m	Hochtief
Medway LIFT	Deliver health and social care infrastructure to NHS property services and Community Health Partnerships within the Medway area of North Kent	2035	26	£19m	Rydon
Medway Police Station	Design, construct, finance, operate and maintain a divisional police headquarters for Police and Crime Commissioner for Kent	2034	30	£23m	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	27	£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	32	£20m	Rydon
North Ayrshire Schools	Design, build, finance and operate three secondary schools and one primary school on behalf of the North Ayrshire Council	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	£44m	Kier
Nuffield Hospital	Design, construct, finance, operate and maintain a new orthopaedic hospital for the Secretary of State for Health	2036	34	£37m	G4S
N17/N18 Road	Design, build, finance, operate and maintain the N17/N18 road in Ireland for the National Road Authority, which is responsible for the development and improvement of national roads in Republic of Ireland	2042	28	€257m	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	Bouygues
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

5.3
Notes to the Financial Statements (continued)

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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
Race Bank OFTO	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.	2039	20	£475m	RES
RD901 Road	Design, construct, finance and maintain a new 7km dual carriageway bypassing the small town of Troissereux, near Beauvais in France	2039	25	€62m	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	25	£15m	Rydon
Renfrewshire Schools	Design, construct, manage, finance, operate and maintain six primary and four secondary schools in Renfrewshire, Scotland	2036	31	£100m	Amey
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	£292m	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	£62m	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	2034	32	£26m	Vinci
Sheffield Schools	Design, construct, finance and operate two primary schools and two secondary schools for Sheffield City Council	2031	26	£52m	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	Bouygues
Staffordshire LIFT	Develop, design, construct, invest in and maintain health and social care facilities	2043	25	£40m	Integral
Stoke Mandeville Hospital	Design, finance, construct, refurbish, operate and maintain a new hospital facility for the Buckingham Hospitals NHS Trust	2036	30	£40m	Sodexo

22. DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Project	Short description of concession arrangements	End date	Number of years	Project Capex	Key subcontractors
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	30	£20m	Bouygues
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	35	£60m	Bouygues
Willesden Hospital	Design, construct, manage and finance a community hospital in north London for NHS Brent	2035	32	£21m	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

23. RELATED UNDERTAKINGS

Below is a list of the Company's subsidiaries and related undertakings – incorporated in the United Kingdom unless otherwise stated. Further, 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).

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
2003 Schools Services (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
2003 Schools Services Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Norwich) Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Norwich) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Oldham) Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Oldham) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Sheffield) Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Academy Services (Sheffield) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Adagia B.V (Incorporated in Netherlands)	Strawinskylaan 1021, 1077 XX, Amsterdam, Netherlands	100%	N/A[2]	N/A[2]	N/A[2]
Addiewell Prison (Holdings) Limited	C/O Sodexo Remote Sites Limited 5th Floor, Exchange No.2, 62 Market Street, Aberdeen, United Kingdom, AB11 5PJ	67%	N/A[2]	N/A[2]	N/A[2]
Addiewell Prison Limited	C/O Sodexo Remote Sites Limited 5th Floor, Exchange No.2, 62 Market Street, Aberdeen, United Kingdom, AB11 5PJ	67%	N/A[2]	N/A[2]	N/A[2]
Affinity Water Acquisitions (HoldCo) Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	6.6	375.9

5.3 Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Affinity Water Acquisitions (Investments) Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom,, AL10 9EZ	33%	31/03/2019	7.6	390.1
Affinity Water Acquisitions (MidCo) Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	6.6	375.6
Affinity Water Acquisitions Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	(2.9)	343.5
Affinity Water Capital Funds Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	(6.2)	189.5
Affinity Water East Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	3.3	65.7
Affinity Water Finance (2004) PLC	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	N/A[2]	N/A[2]	N/A[2]
Affinity Water Holdings Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	6.6	287.7
Affinity Water Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	10.6	208.6
Affinity Water Pension Trustees Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	N/A[2]	N/A[2]	N/A[2]
Affinity Water Programme Finance Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	N/A[2]	N/A[2]	N/A[2]
Affinity Water Shared Services Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	N/A[2]	N/A[2]	N/A[2]
Affinity Water Southeast Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	2.6	67.0
AGP (2) Limited	8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
AGP Holdings (1) Limited	8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Albion Healthcare (Doncaster) Holdings Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	50%	N/A[2]	N/A[2]	N/A[2]
Albion Healthcare (Doncaster) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	50%	N/A[2]	N/A[2]	N/A[2]
Albion Healthcare (Oxford) Holdings Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	25%	N/A[2]	N/A[2]	N/A[2]
Albion Healthcare (Oxford) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	25%	N/A[2]	N/A[2]	N/A[2]
Amalie Infrastructure Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	10.1	46.0
Amalie PFI (UK) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	9.7	54.8
Annes Gate Property Plc	8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Ashburton Services (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Ashburton Services Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Aspire Defence Finance plc	Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD	13%	N/A[2]	N/A[2]	N/A[2]
Aspire Defence Holdings Limited	Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD	13%	N/A[2]	N/A[2]	N/A[2]
Aspire Defence Limited	Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD	13%	N/A[2]	N/A[2]	N/A[2]
Atlandes SA (Incorporated in France)	15, avenue Léonard de Vinci, CS60024, Cedex, Pessac, 33615, France	21%	31/12/2018	8.4	70.9

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Axiom Education (Edinburgh) Holdings Limited	C/O Galliford Try Plc Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	100%	N/A[2]	N/A[2]	N/A[2]
Axiom Education (Edinburgh) Limited	C/O Galliford Try Plc Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	100%	31/12/2018	2.6	(45.2)
Axiom Education (Perth & Kinross) Holdings Limited	C/O Galliford Try Plc Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	100%	N/A[2]	N/A[2]	N/A[2]
Axiom Education (Perth & Kinross) Limited	C/O Galliford Try Plc Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	100%	31/12/2018	0.3	(81.1)
BAAK Blankenburg B.V (Incorporated in Netherlands)	Strawinskylaan 1021, 1077 XX, Amsterdam, Netherlands	70%	N/A[2]	N/A[2]	N/A[2]
Bangor & Nendrum Schools Services Holdings Limited	50 Bedford Street, Belfast, United Kingdom, BT2 7FW	26%	N/A[2]	N/A[2]	N/A[2]
Bangor & Nendrum Schools Services Limited	50 Bedford Street, Belfast, United Kingdom, BT2 7FW	26%	N/A[2]	N/A[2]	N/A[2]
BaSS LIFT Holdings Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	100%	31/12/2018	0.4	30.9
Bee Invest 1 SAS (Incorporated in France)	11 Boulevard Malesherbes, 75008 Paris, France	100%	N/A[2]	N/A[2]	N/A[2]
Betjemen Holdings Jvco Limited	5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG	22%	31/03/2019	(46.9)	336.4
Betjemen Holdings Limited	5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG	22%	31/03/2019	(46.9)	178.6
Betjemen Holdings Midco Limited	5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG	22%	31/03/2019	–	336.4
Birmingham and Solihull (Fundco 1) Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Birmingham and Solihull (Fundco 2) Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Birmingham and Solihull (Fundco 3) Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Birmingham and Solihull (Fundco 4) Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Birmingham and Solihull Local Improvement Finance Trust Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Blue Light Holdings Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Blue3 (Gloucestershire Fire) (Holdings) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Blue3 (Gloucestershire Fire) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
BNC IXAS SPC Holding B.V (Incorporated in Netherlands)	Ringwade 71, 3439 LM Nieuwegein, Netherlands	80%	N/A[2]	N/A[2]	N/A[2]
BNC Pi2 Holding B.V. (Incorporated in Netherlands)	Ringwade 71, 3439 LM Nieuwegein, Netherlands	100%	N/A[2]	N/A[2]	N/A[2]
Boldon School (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Boldon School Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Bootle Accommodation Partnership Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Bootle Accommodation Partnership Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Brentwood Healthcare Partnerships Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Brentwood Healthcare Partnerships Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
By Education (Barking) Holdings Limited	First Floor Templeback, 10 Temple Back, Bristol, United Kingdom, BS1 6FL	100%	N/A[2]	N/A[2]	N/A[2]

5.3
Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
By Education (Barking) Limited	First Floor Templeback, 10 Temple Back, Bristol, United Kingdom, BS1 6FL	100%	N/A[2]	N/A[2]	N/A[2]
ByCentral Holdings Limited	8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
ByCentral Limited	8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG	100%	31/12/2018	0.4	(58.7)
ByWest (Holdings) Limited	8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
ByWest Limited	8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
CAE Aircrew Training Services Plc	Raf Benson, Wallingford, Oxfordshire, United Kingdom, OX10 6AA	22%	N/A[2]	N/A[2]	N/A[2]
Catalyst Healthcare (Romford) Financing Plc	C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB	67%	N/A[2]	N/A[2]	N/A[2]
Catalyst Healthcare (Romford) Holdings Limited	C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester,United Kingdom, M1 4HB	67%	N/A[2]	N/A[2]	N/A[2]
Catalyst Healthcare (Romford) Limited	C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB	67%	N/A[2]	N/A[2]	N/A[2]
Catalyst Higher Education (Sheffield) Holdings Limited	C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB	50%	N/A[2]	N/A[2]	N/A[2]
Catalyst Higher Education (Sheffield) plc	C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester,United Kingdom, M1 4HB	50%	N/A[2]	N/A[2]	N/A[2]
Central Blackpool PCC Holding Company Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Central Blackpool PCC Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Children's Ark Partnerships Holding Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Children's Ark Partnerships Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Citylink Telecommunications Holdings Limited	Quadrant House, Thomas More Square, London, United Kingdom, E1W 1YW	34%	N/A[2]	N/A[2]	N/A[2]
Citylink Telecommunications Limited	Quadrant House, Thomas More Square, London, United Kingdom, E1W 1YW	34%	N/A[2]	N/A[2]	N/A[2]
Claymore Road (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	50%	N/A[2]	N/A[2]	N/A[2]
Claymore Road Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	50%	N/A[2]	N/A[2]	N/A[2]
Connect M1-A1 Holdings Limited	6th Floor 350 Euston Road, Regents Place, London, United Kingdom, NW1 3AX	30%	N/A[2]	N/A[2]	N/A[2]
Connect M1-A1 Limited	6th Floor 350 Euston Road, Regents Place, London, United Kingdom, NW1 3AX	30%	31/03/2019	6.2	49.0
Consort Healthcare (Birmingham) Funding plc	C/O Pario Ltd 2 Hunting Gate, Wilbury Way, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	30%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Birmingham) Holdings Limited	C/O Pario Ltd 2 Hunting Gate, Wilbury Way, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	30%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Birmingham) Intermediate Limited	C/O Pario Ltd 2 Hunting Gate, Wilbury Way, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	30%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Birmingham) Limited	C/O Pario Ltd 2 Hunting Gate, Wilbury Way, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	30%	31/12/2018	1.2	30.4
Consort Healthcare (Blackburn) Funding Plc	8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Blackburn) Holdings Limited	8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Consort Healthcare (Blackburn) Intermediate Limited	8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Blackburn) Limited	8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Mid Yorks) Funding Plc	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Mid Yorks) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Mid Yorks) Intermediate Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Mid Yorks) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Salford) Holdings Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Salford) Intermediate Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Salford) Plc	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Tameside) Holdings Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Tameside) Intermediate Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Consort Healthcare (Tameside) Plc	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	50%	N/A[2]	N/A[2]	N/A[2]
Criterion Healthcare Holdings Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	36%	N/A[2]	N/A[2]	N/A[2]
Criterion Healthcare Plc	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	36%	N/A[2]	N/A[2]	N/A[2]
CSES (Dorset) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
CSM PPP Services Holdings Limited (Incorporated in Ireland)	Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland	100%	N/A[2]	N/A[2]	N/A[2]
CSM PPP Services Limited (Incorporated in Ireland)	Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland	100%	N/A[2]	N/A[2]	N/A[2]
CVS Leasing Limited	Raf Benson, Wallingford, Oxfordshire, United Kingdom, OX10 6AA	87%	N/A[2]	N/A[2]	N/A[2]
D3 – Societe de la deviation de Troissereux SAS (Incorporated in France)	21 rue Hippolyte Bayard, PAE du Haut-Villé, 60000 Beauvais, France	90%	N/A[2]	N/A[2]	N/A[2]
Daiwater Investment Limited	The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ	33%	31/03/2019	(95.7)	757.2
Derby School Solutions (Holdings) Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom, WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
Derby School Solutions Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom, WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners BBE Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	50%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners BBE Holdings Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	50%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners Galloper (Holdings) Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	49%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners Galloper Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	49%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners RB (Holdings) Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	49%	N/A[2]	N/A[2]	N/A[2]

5.3
Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Diamond Transmission Partners RB Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	49%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners Walney Extension (Holdings) Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	29%	N/A[2]	N/A[2]	N/A[2]
Diamond Transmission Partners Walney Extension Limited	Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA	29%	N/A[2]	N/A[2]	N/A[2]
Directroute (Tuam) Holdings Limited (Incorporated in Ireland)	M17/M18 Operations Centre, Furzy Park, Athenry, Co Galway, Ireland	50%	31/12/2018	7.0	(45.5)
Directroute (Tuam) Limited (Incorporated in Ireland)	M17/M18 Operations Centre, Furzy Park, Athenry, Co Galway, Ireland	50%	31/12/2018	7.0	(45.5)
Dorset Emergency Services PPP (Holdings) Limited	Unit 18 Riversway Business Village 0Navigation Way, Ashton-On-Ribble, Preston,United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Ealing Care Alliance (Holdings) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	63%	N/A[2]	N/A[2]	N/A[2]
Ealing Care Alliance Limited	55 Baker Street, London, United Kingdom, W1U 8EW	63%	N/A[2]	N/A[2]	N/A[2]
Ealing Schools Partnerships Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Ealing Schools Partnerships Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Eastbury Park (Holdings) Limited	8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG	50%	31/12/2018	(0.3)	31.4
Eastbury Park Limited	8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG	50%	31/12/2018	0.3	(31.4)
Education 4 Ayrshire Holdings Limited	2 Lochside View Edinburgh, United Kingdom, EH12 1LB	100%	31/12/2018	(1.3)	(30.1)
Education 4 Ayrshire Limited	2 Lochside View Edinburgh, United Kingdom, EH12 1LB	100%	31/12/2018	(1.3)	(30.1)
Egis Investment Partners France (Incorporated in France)	15, avenue Léonard de Vinci, CS60024, Cedex, Pessac, 33615, France	70%	N/A[2]	N/A[2]	N/A[2]
Emblem Schools (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	30%	N/A[2]	N/A[2]	N/A[2]
Emblem Schools Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	30%	N/A[2]	N/A[2]	N/A[2]
Enterprise Civic Buildings (Holdings) Limited	Unit 18 Navigation Way, Ashton-On-Ribble, Preston,United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Enterprise Civic Buildings Limited	Unit 18 Navigation Way, Ashton-On-Ribble, Preston,United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Enterprise Education Conwy (Holdings) Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	90%	N/A[2]	N/A[2]	N/A[2]
Enterprise Education Conwy Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	90%	N/A[2]	N/A[2]	N/A[2]
Enterprise Healthcare (Holdings) Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Enterprise Healthcare Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Euro IV PPP Platform Limited Partnership (Incorporated in Ireland)	1st Floor Connaught House, 1 Burlington Road, Dublin 4, Ireland	100%	N/A[2]	N/A[2]	N/A[2]
European Healthcare Projects Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Falkirk Schools Gateway (Holdings)	Quartermile One, 15 Lauriston Place, Edinburgh, United Kingdom, EH3 9EP	29%	N/A[2]	N/A[2]	N/A[2]
Falkirk Schools Gateway Limited	Quartermile One, 15 Lauriston Place, Edinburgh, United Kingdom, EH3 9EP	29%	31/03/2019	0.2	(49.2)
FCC (East Ayrshire) Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	26%	N/A[2]	N/A[2]	N/A[2]
FCC (East Ayrshire) Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	26%	N/A[2]	N/A[2]	N/A[2]

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
GGB inBalans B.V (Incorporated in Netherlands)	Hagenweg 3 c, 4131 LX, Vianen, Netherlands	85%	N/A[2]	N/A[2]	N/A[2]
GGB inBalans Investco B.V (Incorporated in Netherlands)	Hagenweg 3 c, 4131 LX, Vianen, Netherlands	100%	N/A[2]	N/A[2]	N/A[2]
Glasgow Healthcare Facilities (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	25%	N/A[2]	N/A[2]	N/A[2]
Glasgow Healthcare Facilities Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	25%	31/12/2018	1.8	(43.5)
GO-PASS Mobility Services LLC (Incorporated in USA)	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA	33%	N/A[2]	N/A[2]	N/A[2]
Green Timbers GP Limited (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	N/A[2]	N/A[2]	N/A[2]
Green Timbers Holdings Limited (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	N/A[2]	N/A[2]	N/A[2]
Green Timbers Investment Limited (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	N/A[2]	N/A[2]	N/A[2]
Green Timbers Limited Partnership (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	31/03/2019	6.0	31.5
GT NEPS Limited	Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	90%	N/A[2]	N/A[2]	N/A[2]
GT NEPS (Holdings) Limited	Cowley Business Park, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AL	90%	N/A[2]	N/A[2]	N/A[2]
H&D Support Services (Holdings) Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom, WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
H&D Support Services Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom,WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
Hadfield Healthcare Partnerships Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Hadfield Healthcare Partnerships Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
HDM Schools Solution Limited	C/O Dla Piper Scotland Llp Fao Stuart Mcmillan Collins House, Rutland Square, Edinburgh, United Kingdom, EH1 2AA	75%	N/A[2]	N/A[2]	N/A[2]
HDM Schools Solutions (Holdings) Limited	C/O Dla Piper Scotland Llp Fao Stuart Mcmillan Collins House, Rutland Square, Edinburgh, United Kingdom, EH1 2AA	75%	N/A[2]	N/A[2]	N/A[2]
Healthcare Centres PPP Holdings Limited (Incorporated in Ireland)	2nd Floor, Cathedral Court, New Street, South Dublin, D08 C525, Ireland	60%	N/A[2]	N/A[2]	N/A[2]
Healthcare Centres PPP Limited (Incorporated in Ireland)	2nd Floor, Cathedral Court, New Street, South Dublin, D08 C525, Ireland	60%	N/A[2]	N/A[2]	N/A[2]
Helix Acquisition Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
Helix Bufferco Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
Helix Holdings Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	31/03/2019	(48.5)	566.6
Helix MidCo Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
HICL Infrastructure (Green Timbers) Inc (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	N/A[2]	N/A[2]	N/A[2]
HICL Infrastructure 2 SARL (Incorporated in Luxembourg)	6, rue Adolphe, L-1116, Luxembourg	100%[1]	31/03/2019	52.0	1,091.0
HICL Infrastructure 3 SARL (Incorporated in Luxembourg)	6, rue Adolphe, L-1116, Luxembourg	100%	N/A[2]	N/A[2]	N/A[2]

5.3 Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
HICL Infrastructure Canada Inc. (Incorporated in Canada)	1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada	100%	31/03/2019	3.2	30.3
High Speed One (HS1) Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
High Speed Rail Finance (1) PLC	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
High Speed Rail Finance PLC	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
Highway Management M80 Investment Management Limited	Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN	50%	31/12/2018	(0.5)	(43.4)
Highway Management (Scotland) Holdings Limited	Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN	50%	31/12/2018	(0.6)	(39.5)
Highway Management (Scotland) Limited	Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN	50%	N/A[2]	N/A[2]	N/A[2]
Holdfast Training Services Limited	33 Wigmore Street, London, United Kingdom, W1U 1QX	26%	31/03/2019	32.9	56.5
HS1 Limited	5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG	22%	N/A[2]	N/A[2]	N/A[2]
Information Resources (Oldham) Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Information Resources (Oldham) Investments Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Information Resources (Oldham) Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Infraspeed (Holdings) B.V (Incorporated in Netherlands)	2132 LS Hoofddorp, Taurusavenue 155, Netherlands	43%	31/12/2019	9.2	31.2
Infraspeed B.V (Incorporated in Netherlands)	2132 LS Hoofddorp, Taurusavenue 155, Netherlands	43%	31/12/2019	9.6	29.4
Infrastructure Investments (A63) Holdings Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	16.5	128.0
Infrastructure Investments (Affinity) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	90%	31/03/2019	5.6	191.8
Infrastructure Investments (Australia) LLP	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Bond) Holdings LLP	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Bond) LLP	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Colorado) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	23.0	141.0
Infrastructure Investments (Defence) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Health) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (HSL ZUID) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	7.4	44.1
Infrastructure Investments (No 7) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (No 8) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Portal) GP Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Portal) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments (Portal) Limited Partnership	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	1.4	47.4
Infrastructure Investments (Portsmouth) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	30.0	59.9
Infrastructure Investments (Roads) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments Betjeman (Holdco) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	79.1	79.1
Infrastructure Investments Betjeman Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	62%	31/03/2019	18.7	151.9
Infrastructure Investments Holdings Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	58.9	561.9
Infrastructure Investments Limited Partnership	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	290.8	2,821.0

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Infrastructure Investments NWP (US) LLC (Incorporated in USA)	701 Northwest Parkway, Broomfield, CO 80023, USA	100%	31/12/2019	0.8	127.4
Infrastructure Investments Ofto1 Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Infrastructure Investments Trafalgar Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	31/03/2019	149.3	1,048.7
Integrated Bradford Hold Co Two Limited	Chancery Exchange, 10 Furnival Street, London, United Kingdom, EC4A 1AB	34%	N/A[2]	N/A[2]	N/A[2]
Integrated Bradford Holdco One Limited	Chancery Exchange, 10 Furnival Street, London, United Kingdom, EC4A 1AB	29%	N/A[2]	N/A[2]	N/A[2]
Integrated Bradford SPV One Limited	Chancery Exchange, 10 Furnival Street, London, United Kingdom, EC4A 1AB	29%	N/A[2]	N/A[2]	N/A[2]
Integrated Bradford SPV Two Limited	Chancery Exchange, 10 Furnival Street, London, United Kingdom, EC4A 1AB	34%	N/A[2]	N/A[2]	N/A[2]
Ivywood Colleges Holdings Limited	7 Queens Road, Belfast, United Kingdom, BT3 9DT	75%	N/A[2]	N/A[2]	N/A[2]
Ivywood Colleges Limited	7 Queens Road, Belfast, United Kingdom, BT3 9DT	75%	N/A[2]	N/A[2]	N/A[2]
Ivywood Colleges Parking Limited	7 Queens Road, Belfast, United Kingdom, BT3 9DT	75%	N/A[2]	N/A[2]	N/A[2]
IXAS Zuid-Oost B.V (Incorporated in Netherlands)	Ringwade 71, 3439 LM Nieuwegein, Netherlands	20%	N/A[2]	N/A[2]	N/A[2]
Kajima Darlington Schools Holding Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima Darlington Schools Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima Haverstock Holding Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima Haverstock Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima Newcastle Libraries Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima Newcastle Libraries Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima North Tyneside Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kajima North Tyneside Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Kent Education Partnership (Holdings) Limited	Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN	50%	N/A[2]	N/A[2]	N/A[2]
Kent Education Partnership Limited	Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN	50%	N/A[2]	N/A[2]	N/A[2]
Kluster SAS (Incorporated in France)	1 avenue Eugène Freyssinet, 78280 Guyancourt, France	85%	31/12/2018	6.9	57.2
Liasion Infrastructure Routiere Investissement (Incorporated in France)	11 Boulevard Malesherbes, 75008 Paris, France	100%	N/A[2]	N/A[2]	N/A[2]
Manchester Housing (MP Equity) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Manchester Housing (MP Subdebt) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Manchester Housing (MP TopCo) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Manchester School Services Holdings Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	76%	N/A[2]	N/A[2]	N/A[2]
Manchester School Services Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	76%	N/A[2]	N/A[2]	N/A[2]
Medway Community Estates Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
Medway Fundco (Canterbury Street) Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
Medway Fundco Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
Medway Fundco Two Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
Metier Healthcare Limited	4 Estates Yard, Wellhouse Lane, Barnet, Hertfordshire, United Kingdom, EN5 3DG	100%	N/A[2]	N/A[2]	N/A[2]

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Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
Metier Holdings Limited	4 Estates Yard, Wellhouse Lane, Barnet, Hertfordshire, United Kingdom, EN5 3DG	100%	N/A[2]	N/A[2]	N/A[2]
Minerva Education and Training (Holdings) Limited	C/O Albany Spc Services Limited 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB	45%	N/A[2]	N/A[2]	N/A[2]
Minerva Education and Training Limited	C/O Albany Spc Services Limited 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB	45%	N/A[2]	N/A[2]	N/A[2]
New Intermediate Care Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
New Schools Investment Company Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Newham Learning Partnership (Hold Co) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	80%	N/A[2]	N/A[2]	N/A[2]
Newham Learning Partnership (Project Co) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	80%	N/A[2]	N/A[2]	N/A[2]
Newham Learning Partnership (PSP) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Newham Transformation Partnership Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	80%	N/A[2]	N/A[2]	N/A[2]
Newport School Solutions Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom, WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
Newport Schools Solutions (Holdings) Limited	Astral House, Imperial Way, Watford, Hertfordshire, United Kingdom, WD24 4WW	100%	N/A[2]	N/A[2]	N/A[2]
Newton Abbot Health Holdings Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Newton Abbot Health Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Northwest Connect General Partnership (Incorporated in Canada)	10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Northwest Connect Holdings Inc. (Incorporated in Canada)	10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Northwest Connect Inc. (Incorporated in Canada)	10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Northwest Connect Investment Inc. (Incorporated in Canada)	10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Northwest Parkway LLC (Incorporated in USA)	701 Northwest Parkway, Broomfield, CO 80023, USA	33%	31/12/2018	–	390.1
NWP Holdco LLC (Incorporated in USA)	701 Northwest Parkway, Broomfield, CO 80023, USA	33%	31/12/2019	2.3	386.1
Ochre Solutions (Holdings) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	40%	N/A[2]	N/A[2]	N/A[2]
Ochre Solutions Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	40%	31/12/2018	(0.8)	(72.9)
Paradigm (Sheffield BSF) Holdings Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	59%	N/A[2]	N/A[2]	N/A[2]
Paradigm (Sheffield BSF) Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	59%	N/A[2]	N/A[2]	N/A[2]
PFF (Dorset) Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Pi2 B.V (Incorporated in Netherlands)	Ringwade 71, 3439 LM Nieuwegein, Netherlands	100%	N/A[2]	N/A[2]	N/A[2]
Pi2 Holding B.V (Incorporated in Netherlands)	Ringwade 71, 3439 LM Nieuwegein, Netherlands	100%	N/A[2]	N/A[2]	N/A[2]
PIP Infrastructure Investments (Southmead) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	25%	31/12/2018	(58.2)	23.0
Platon-Saclay SAS (Incorporated in France)	1 Avenue Eugène Freyssinet, 78280 Guyancourt, France	85%	N/A[2]	N/A[2]	N/A[2]
PPP Services (North Ayrshire) Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	26%	N/A[2]	N/A[2]	N/A[2]

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
PPP Services (North Ayrshire) Limited	2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF	26%	N/A[2]	N/A[2]	N/A[2]
Prima 200 Fundco No 1 Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Prima 200 Fundco No 2 Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Prima 200 Fundco No 3 Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Prima 200 Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	60%	N/A[2]	N/A[2]	N/A[2]
Prime Infrastructure Investments Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	50%	N/A[2]	N/A[2]	N/A[2]
Prime Lift Investments Limited	5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX	100%	N/A[2]	N/A[2]	N/A[2]
Prisma 21 SAS (Incorporated in France)	1 avenue Eugène Freyssinet, 78280 Guyancourt, France	85%	N/A[2]	N/A[2]	N/A[2]
Prospect Healthcare (Hinchingbrooke) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	75%	N/A[2]	N/A[2]	N/A[2]
Prospect Healthcare (Hinchingbrooke) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	75%	N/A[2]	N/A[2]	N/A[2]
Ravensbourne Health Services Holdings Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
Ravensbourne Health Services Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
RBLH Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
RBLH Medway Investment Company Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
RBLH RWF Investment Company Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Redwood Partnership Ventures 2 Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	31/12/2018	4.1	30.3
Redwood Partnership Ventures 3 Limited	55 Baker Street, London, United Kingdom, W1U 8EW	75%	N/A[2]	N/A[2]	N/A[2]
Redwood Partnership Ventures Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	31/12/2018	1.6	(43.7)
Renaissance Miles Platting Holding Company Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	50%	N/A[2]	N/A[2]	N/A[2]
Renaissance Miles Platting Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	50%	N/A[2]	N/A[2]	N/A[2]
RL Investment Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Road Infrastructure (Ireland) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
RSP (Holdings) Limited	Precision House, Mcneil Drive, Motherwell, United Kingdom, ML1 4UR	30%	N/A[2]	N/A[2]	N/A[2]
RWF Health and Community Developers (Tranche 1) Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
RWF Health and Community Developers Limited	55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL	60%	N/A[2]	N/A[2]	N/A[2]
S&W (Hold Co Two) Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	80%	N/A[2]	N/A[2]	N/A[2]
S&W (Hold Co) One Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	80%	N/A[2]	N/A[2]	N/A[2]
S&W TLP (Project Co One) Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	80%	N/A[2]	N/A[2]	N/A[2]
S&W TLP (Project Co Two) Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	80%	N/A[2]	N/A[2]	N/A[2]
S&W TLP (PSP One) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]

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Notes to the Financial Statements (continued)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
S&W TLP (PSP Three) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
S&W TLP (PSP Two) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
S&W TLP Education Partnership Limited	Second Floor, 46 Charles Street, Cardiff, United Kingdom, CF10 2GE	80%	N/A[2]	N/A[2]	N/A[2]
Salford Schools Solutions Holdco Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	26%	N/A[2]	N/A[2]	N/A[2]
Salford Schools Solutions Limited	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	26%	N/A[2]	N/A[2]	N/A[2]
Schools Capital Ltd	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	51%	N/A[2]	N/A[2]	N/A[2]
Schools Investment Company (Ire) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Schools Investment Company (Irl) Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Schools Public/Private Partnerships (Ireland) Limited (Incorporated in Ireland)	Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland	50%	N/A[2]	N/A[2]	N/A[2]
Services Support (Cleveland) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Services Support (Cleveland) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	100%	N/A[2]	N/A[2]	N/A[2]
Services Support (Gravesend) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	73%	N/A[2]	N/A[2]	N/A[2]
Services Support (Gravesend) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	73%	N/A[2]	N/A[2]	N/A[2]
Services Support (Manchester) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	73%	N/A[2]	N/A[2]	N/A[2]
Services Support (Manchester) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	73%	N/A[2]	N/A[2]	N/A[2]
Services Support (SEL) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	50%	N/A[2]	N/A[2]	N/A[2]
Services Support (SEL) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	50%	N/A[2]	N/A[2]	N/A[2]
Sheffield Limited Education Partnership Limited (LEP)	Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ	50%	N/A[2]	N/A[2]	N/A[2]
Sheffield Schools Topco Limited	55 Baker Street, London, United Kingdom, W1U 8EW	38%	N/A[2]	N/A[2]	N/A[2]
Sheppey Route (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N	50%	N/A[2]	N/A[2]	N/A[2]
Sheppey Route Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	50%	N/A[2]	N/A[2]	N/A[2]
Sussex Custodial Services (Holdings) Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
Sussex Custodial Services Limited	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, United Kingdom, PR2 2YP	100%	N/A[2]	N/A[2]	N/A[2]
The Hospital Company (Oxford John Radcliffe) Holdings Limited	2 Hunting Gate, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	100%	31/12/2018	3.6	(73.9)
The Hospital Company (Oxford John Radcliffe) Limited	2 Hunting Gate, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	100%	31/12/2018	3.6	(73.9)
The Hospital Company (QAH Portsmouth) Holdings Limited	2 Hunting Gate, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	100%	N/A[2]	N/A[2]	N/A[2]
The Hospital Company (QAH Portsmouth) Limited	2 Hunting Gate, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ	100%	N/A[2]	N/A[2]	N/A[2]
The Hospital Company (Southmead) Holdings Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	63%	31/12/2018	(3.7)	(110.7)

23. RELATED UNDERTAKINGS (CONTINUED)

Entity	Registered address	Shareholding 31-Mar-20	Year end	Profit/ (Loss) £m	Aggregate Capital & Reserves £m
The Hospital Company (Southmead) Limited	8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG	63%	31/12/2018	(3.7)	(110.7)
The Renfrewshire Schools Partnership Limited	Precision House, Mcneil Drive, Motherwell, United Kingdom, ML1 4UR	30%	N/A[2]	N/A[2]	N/A[2]
Transpark Highway Finance Inc. (Incorporated in Canada)	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Transpark Highway General Partnership (Incorporated in Canada)	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Transpark Highway Holdings Inc. (Incorporated in Canada)	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Transpark Highway Inc. (Incorporated in Canada)	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada	50%	N/A[2]	N/A[2]	N/A[2]
Transpark Highway Investment Inc. (Incorporated in Canada)	2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada	50%	N/A[2]	N/A[2]	N/A[2]
TW Accommodation Services Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
TW Accommodation Services (Holdings) Limited	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF	100%	N/A[2]	N/A[2]	N/A[2]
UK GDN Investments Holdco Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
UK GDN Investments Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
UK GDN Investments Topco Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Willcare (MIM) Limited	128 Buckingham Palace Road, London, United Kingdom, SW1W 9SA	100%	N/A[2]	N/A[2]	N/A[2]
Willcare Holdings Limited	128 Buckingham Palace Road, London, United Kingdom, SW1W 9SA	100%	N/A[2]	N/A[2]	N/A[2]
Wooldale Partnerships Holdings Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Wooldale Partnerships Limited	55 Baker Street, London, United Kingdom, W1U 8EW	50%	N/A[2]	N/A[2]	N/A[2]
Yorker Holdings PKR Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]
Zealburg Holdings Limited	12 Charles II Street, London, United Kingdom, SW1Y 4QU	100%	N/A[2]	N/A[2]	N/A[2]

[1] Denotes a direct shareholding
[2] In line with Companies Act requirements, no disclosure has been made where capital and reserves and profit or loss amounts are not considered to be material

Glossary

Item	Definition
Acquisition Strategy	This identifies the scope for current acquisitions, further details can be found in Section 2.3 – HICL's Business Model & Strategy
AIPs	Approved Investment Parameters
AIF	Alternative investment fund
AIFM	Alternative investment fund manager
AIFMD	The Alternative Investment Fund Managers Directive seeks to regulate alternative investment fund managers ("AIFM") and imposes obligations on Managers who manage alternative investment funds ("AIF") in the EU or who market shares in such funds to EU investors
AIC	The Association of Investment Companies is a United Kingdom trade association for the closed-ended investment company industry
AIC Code	The 2019 AIC Code of Corporate Governance
AMP7	The UK water industry regulatory period from 2020 to 2025
Corporate assets	These are assets that provide services or access to essential assets for corporate counterparties. The relationship between the infrastructure asset owner and the corporate counterparty is usually contractual, with prices set through a commercial negotiation or a market-clearing price. See Section 2.1 – The Infrastructure Market
Corporate Group	Refers to HICL and its Corporate Subsidiaries
Corporate Subsidiaries	The Luxembourg subsidiaries and the English limited partnership (the "Partnership"), being HICL Infrastructure 1 S.a.r.l, HICL Infrastructure 2 S.a.r.l and Infrastructure Investments Limited Partnership until 12 March 2020, and HICL Infrastructure 2 S.a.r.l and Infrastructure Investments Limited Partnership thereafter
Demand-based assets	Infrastructure assets with revenues linked to the usage of the underlying assets. See Section 2.1 – The Infrastructure Market
Directors' Valuation	Fair market valuation of HICL's investments, further details can be found in Section 3.4 – Valuation of the Portfolio
ESG	Environmental, Social and Governance
EPS	Earnings per share
FATCA	The Foreign Account Tax Compliance Act provisions of the US Hiring Incentives to Restore Employment Act
FCA	UK Financial Conduct Authority
IFRS Basis	Basis on which HICL prepares its IFRS financial statements. HICL applies IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) and therefore does not consolidate any of its subsidiaries, including those that are themselves investment entities
HICL	HICL Infrastructure Company Limited prior to 31 March 2019 and HICL Infrastructure PLC from 1 April 2019
InfraRed	InfraRed Capital Partners and its Group, more details of which can be found at www.ircp.com
Investment Manager	InfraRed Capital Partners Limited acting in its capacity as Investment Manager to HICL pursuant to the Investment Advisory Agreement
Investment Basis	Pro forma financial information on the basis that HICL consolidates the results of the Corporate Subsidiaries

Item	Definition
Investment Policy	HICL's Investment Policy has not materially changed since IPO and can be found on the website at www.hicl.com/about-hicl/strategy-and-investment-policy
IPO	Initial Public Offering, the act of offering the stock of a company on a public stock exchange for the first time. HICL completed its IPO in March 2006
Lifecycle	Concerns the replacement of material parts of an asset to maintain it over its concession life
Market capitalisation	A measure of the size of a company calculated by multiplying the number of shares in issue by the price of the shares
NAV	Net Asset Value, being the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium
Ofwat	The Water Services Regulation Authority
Ongoing charges	A measure of the regular, recurring costs of running an investment company, expressed as a percentage of NAV
Operating company	A company that owns and operates infrastructure assets
Partnership	Infrastructure Investments Limited Partnership
Portfolio company	Project Companies and Operating Companies to HICL that own or operate infrastructure assets, in which HICL has an investment
PPP project	Public-Private Partnership projects involving long-term contracts between a public sector client and a private company for the delivery of a service or facility for the use by the general public, public bodies, authorities or agencies usually in return for an availability payment. See Section 2.1 – The Infrastructure Market
PR19	Ofwat's final methodology for the 2019 Price Review, covering the regulatory period from 2020 to 2025 ("AMP7")
PRI	Principles for Responsible Investment
Project company	An infrastructure project or concession with a defined expiry date, including a special purpose company (or other entity) formed with the specific purpose of undertaking an infrastructure project
Regulated assets	Infrastructure assets with monopolistic characteristics and which are subject to regulatory price controls. See Section 2.1 – The Infrastructure Market
Revolving credit facility	An acquisition facility provided by lenders, held via a Corporate Subsidiary and expiring in May 2023. See Section 3.3 – Financial Review and Note 17 to the financial statements
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
Total Shareholder Return	Return based on interim dividends paid plus movement in the period, divided by opening NAV per share
UN SDG	United Nations' Sustainable Development Goals

Directors & Advisers

Directors
Ian Russell, CBE (Chairman)
Rita Akushie
Mike Bane
Frances Davies
Susie Farnon
Simon Holden
Frank Nelson
Kenneth D. Reid

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Registrar
Link Asset Services
The Registry
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Helpline: 0871 664 0300

Administrator to Company, Company Secretary
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London E14 5GL

Joint Corporate Brokers
Investec Bank plc
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London EC2V 7QP

RBC Capital Markets
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EC4R 3BF

Company
HICL Infrastructure PLC incorporated in England and Wales under the Companies Act 2006 with registered no. 11738373 and registered as an investment company under Section 833 of the Companies Act 2006.

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

Company Secretary and Administrator
Aztec Financial Services (UK) Limited

Shareholders' Funds
£2.8bn as at 31 March 2020

Market Capitalisation
£3.0bn as at 31 March 2020

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

1.0% from £750m up to £1.5bn

0.9% from £1.5bn up to £2.25bn

0.8% from £2.25bn to £3.0bn

0.65% above £3.0bn

plus £0.1m per annum investment management fee

No fee on new acquisitions

No performance fee

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

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

NMPI Status
HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an "excluded security" and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

AIFMD Status
HICL is a UK domiciled and tax-resident public limited company, which intends to continue operating its affairs as a UK Investment Trust Company, and an Alternative Investment Fund under the AIFM Directive. HICL has appointed InfraRed Capital Partners Limited as its investment manager and AIFM under the Investment Management Agreement.

FATCA
HICL has registered for FATCA and has GIIN number E6TB47.99999.SL.826

Investment Policy
HICL's Investment Policy is summarised in the Strategic Report and can be found in full on the website at www.hicl.com.

ISIN and SEDOL
ISIN: GB00BJLP1Y77

SEDOL: BJLP1Y7

Website
www.hicl.com

[1] Adjusted Gross Asset Value means fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations

HICL Infrastructure

Delivering Real Value.

Registered Address
HICL Infrastructure PLC
(Registered number: 11738373)

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