

Annual Report and Financial Statements

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GCP Infrastructure Investments Ltd
14 December 2018

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GCP Infrastructure Investments Limited
(‘GCP Infra’ or the ‘Company’)

LEI 213800W64MNAISIV5Z47

Annual report and financial statements for the year ended 30 September 2018

The Directors of the Company are pleased to announce the Company's annual results for the year ended 30 September 2018. The full Annual Report and Accounts can be accessed via the Company's website <https://www.graviscapital.com/funds/gcp-infra/about> and will be posted to shareholders over the course of the next few weeks.

GCP Infrastructure Investments Limited

HIGHLIGHTS FOR THE YEAR

- Dividends of 7.6 pence per share paid for the year to 30 September 2018 (30 September 2017: 7.6 pence)
- Total shareholder return for the year of 4.8% and total return since IPO in 2010 of 107.3%
- Profit for the year of £73.4 million (30 September 2017: £46.7 million)
- £100 million successfully raised through a significantly oversubscribed share issue
- New credit arrangements of up to £150 million, with a temporary £15 million extension agreed post year-end.
- Loans advanced totalling £377.3 million secured against UK renewable energy, social housing and PFI projects
- Third party independent valuation of the Company's partially inflation-protected investment portfolio of £1.1 billion (30 September 2017: £899.3 million)
- Company NAV per ordinary share at 30 September 2018 of 112.49 pence (30 September 2017: 110.57 pence)
- Post year end the Company made further investment commitments of £11.3 million and received repayments of £71.8 million

1. Share price and market capitalisation at 28 September 2018, being the last trading day of the financial year.

Ian Reeves CBE, Chairman of GCP Infra, commented:

"Against a market backdrop of uncertainty and volatility, GCP Infra has continued to deliver an attractive dividend income and stable NAV per share by investing in a diversified portfolio of UK infrastructure projects. In the context of an ever-moving Government infrastructure policy, we are confident that our strategy, which is geared towards long-term investment, will continue to deliver attractive risk-adjusted returns for our shareholders."

INVESTMENT OBJECTIVES AND KPIs

The Company primarily invests in UK infrastructure debt and/or similar assets to meet the following key objectives:

DIVIDEND INCOME	DIVERSIFICATION	CAPITAL PRESERVATION
To provide shareholders with regular, sustainable, long-term dividends	To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects	To preserve the capital value of its investments over the long term
KEY PERFORMANCE INDICATORS		
The Company paid a dividend of 7.6 pence for the sixth consecutive year.	The Company had 50 investments at 30 September 2018. The investment portfolio is exposed to a wide variety of assets in terms of project type and source of underlying cash flow.	The valuation of the Company's investments exceeds the principal value outstanding. The Company's ordinary shares have traded at a premium to their NAV since IPO in 2010.
7.6p Dividends paid 2017/18	50 Number of investments at 30 September 2018	112.49p NAV per share at 30 September 2018
£73.4m Profit for the year ended 30 September 2018	10.5%¹ Size of largest investment as a percentage of total portfolio	124.40p Share price of ordinary shares at 28 September 2018

¹ The size of the largest investment (the Cardale PFI loan) is calculated by reference to the percentage of total assets. The Cardale PFI loan is secured on a cross-collateralised basis against 14 separate operational PFI projects, with no exposure to any individual project being in excess of 10% of the total portfolio.

Further information on Company performance can be found below.

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of GCP Infrastructure Investments Limited for the year ended 30 September 2018.

In the year under review, the Company delivered an attractive dividend of 7.6 pence per share alongside a stable NAV per share during a period of significant volatility in the wider market. Against a background of an ever-moving Government infrastructure policy, the Company's continuing objective of maintaining a diversified portfolio of infrastructure investments is expected to remain a key competitive strength that will enable the continued generation of attractive risk-adjusted returns.

Financial performance

The Company generated a profit of £73.4 million for the year. Earnings per share of 8.6 pence supported total dividend payments of 7.6 pence per share. Returns on the investment portfolio were enhanced by the refinancing of a portfolio of rooftop solar loans and upward revaluations, contributing 1.1 pence per share and 2.8 pence per share respectively. Due to several market and contractual challenges during the year, downward revaluations were made equivalent to 2.5 pence per share. The net asset valuation of the Company increased to £985.5 million (112.49 pence per share) from £874.6 million (110.57 pence per share) the previous year. At the end of the year the Company's share price was 124.40 pence, representing a 10.6% premium to net asset value.

Investment activity

Investments in the year totalled £377.3 million, predominantly in secondary wind and solar projects, with the balance in social housing, PFI projects and drawdowns under existing commitments. Notably, this year saw the Company's first investment in the UK offshore wind sector, with a c.£80 million investment in an operational offshore wind farm. The UK is the world leader in installed offshore wind capacity and the Board is pleased that the Company has made its first investment in a sector that has attractive asset characteristics, significant growth potential and current Government support through the contract for difference ('CfD') mechanism. During the year the Company obtained limited exposure to shareholder interests in certain project companies in mature asset classes. These positions are expected to deliver attractive risk-adjusted long-term and predictable cash flows and introduce the potential for future upside for the Company.

Since the year end, the Company has made further investment commitments of £11.3 million in the social housing and renewable energy sectors. The Company has also received unscheduled prepayments of £70.4 million in respect of two renewable energy investments and a further £1.4 million in scheduled repayments.

Financing

During the year the Company received £19.1 million in scheduled principal payments and £111.9 million in early repayments, £105.9 million of which was prepaid and reinvested in the same underlying assets as part of the refinancing of two existing loans.

The Company raised £100 million in January 2018, pursuant to a significantly oversubscribed placing of new ordinary shares and the Board would like to thank shareholders for their continued support. The Company remains supportive of future growth where the Board believes that the new investment activity associated with such growth is accretive to the risk-adjusted returns on the investment portfolio and brings with it the associated benefits of additional portfolio diversification.

In the year under review, the Company entered into a new revolving credit facility for an aggregate amount of £150 million, replacing its previous facility which expired in March 2018. Post year end, the new facility was temporarily extended by £15 million. The new facility, which was substantially fully drawn at year end, was provided by RBS, ING and NIBC. These arrangements provide the Company with access to flexible debt finance, enabling it to take advantage of investment opportunities as they arise and may also be used to manage the Company's working capital requirements from time to time.

Market outlook

On the tenth anniversary of the Climate Change Act, the UK can reflect on a decade that has seen significant growth in renewable energy generation.

The policies that have historically supported the growth in renewable electricity generation have either expired or are at levels that do not readily promote new investment. The notable exception is the CfD regime, which is expected to continue to encourage developments principally in the offshore wind sector. The Company, therefore, anticipates relatively limited new opportunities to finance primary investments in renewable electricity assets but does expect to remain an active participant in the secondary market for existing operational assets.

Progress in reducing greenhouse gas emissions from heating and transport in the UK remains significantly behind expectations. As such, the Company expects to see attractive investment opportunities that benefit from continuing Government support (such as the renewable heat incentive) that may further diversify the Company's investment portfolio. The Government budget for supported living remains a well-protected area of support. An increase in capital targeting the sector has resulted in a reduction in available investment yields, meaning that any increase in the Company's exposure is likely to come primarily through off-market opportunities typically arising from existing relationships.

The Chancellor announced in his October 2018 Budget that there would be no new UK infrastructure procured through PFI or PF2. However, he reaffirmed the Government's backing for existing PFI projects, which supports the Company's long-held view that existing PFI assets, whether as part of its existing portfolio or as potential secondary opportunities, remain attractive investments. Furthermore, the release in November 2018 of the Infrastructure and Projects Authority's 'Analysis of the National Infrastructure and Construction Pipeline' points to over £600 billion of planned investment in UK infrastructure, around half of which is intended to be sourced from the private sector. The release confirms the Government's commitment to ensuring that levels of private investment remain high, including through established tools such as CfDs, the Regulated Asset Base Model, and the UK Guarantees Scheme. The Company remains well placed to take advantage of investment opportunities that may arise across a widely diversified range of infrastructure sub-sectors in the UK.

At the date of publication, there remains a variety of possible outcomes for Brexit. The Board feels that, given the Company's limited exposure to assets with demand risk and no exposure to assets outside the UK, the Company is well protected from potential adverse impacts on the UK economy and increased volatility in foreign exchange movements that may occur as a result of the UK's withdrawal from the EU. The Board will continue to monitor any potential impact of Brexit closely as more details become known.

Risks

The principal risks of the Company include (but are not limited to) execution risk, portfolio risk, financial risk and other risks. Full details can be found below.

Ian Reeves CBE

Chairman

13 December 2018

STRATEGIC OVERVIEW

The Company seeks to provide shareholders with long-term dividends and preserve the capital value of its investments through exposure to a diversified portfolio of UK infrastructure projects.

Investment objective

The Company's investment objective is to provide shareholders with regular, sustained, long-term dividends and to preserve the capital value of its investment assets over the long term.

Investment policy and strategy

The Company seeks to generate exposure to the debt of UK infrastructure Project Companies, their owners or their lenders and related and/or similar assets which provide regular and predictable long-term cash flows.

Core projects

The Company will invest at least 75% of its total assets, directly or indirectly, in investments with exposure to infrastructure projects with the following characteristics (core projects):

- pre-determined, long-term, public sector backed revenues;
- no construction or property risks; and
- benefit from contracts where revenues are availability based.

In respect of such core projects, the Company focuses predominantly on taking debt exposure (on a senior or subordinated basis) and may also obtain limited exposure to shareholder interests.

Non-core projects

The Company may also invest up to an absolute maximum of 25% of its total assets (at the time the relevant investment is made) in non-core projects, taking exposure to projects that have not yet completed construction, projects in the regulated utilities sector and projects with revenues that are entirely demand based or private sector backed (to the extent that the Investment Adviser considers that there is a reasonable level of certainty in relation to the likely level of demand and/or the stability of the resulting revenue). There is no, and it is not anticipated that there will be any, outright property exposure to the Company (except potentially as additional security).

Diversification

The Company will seek to maintain a diversified portfolio of investments so that not more than 10% in value of its total assets from time to time consist of securities or loans relating to any one individual infrastructure asset (having regard to risks relating to any cross default or cross collateralisation provisions). This objective is subject to the Company having a sufficient level of investment capital from time to time, the ability of the Company to invest its cash in suitable investments and the investment restrictions in respect of 'outside scope' projects described above.

It is the intention of the Directors that the assets of the Company are (as far as is reasonable in the context of a UK infrastructure portfolio) appropriately diversified by asset type (e.g. PFI healthcare, PFI education, solar power, social housing, biomass etc.) and by revenue source (e.g. NHS Trusts, local authorities, FIT, ROCs etc.)

Non-financial objectives of the Company

The key non-financial objectives of the Company are:

- to maintain strong relationships with all key stakeholders of the Company, including shareholders and borrowers; and
- to develop and increase the understanding of the investment strategy of the Company and infrastructure as an investment class.

Key policies

Distribution

The Company seeks to provide its shareholders with regular, sustained, long-term dividend income. The Company has previously offered a scrip dividend alternative and anticipates that it will continue to do so.

Leverage and gearing

The Company intends to make prudent use of leverage to finance the acquisition of investments and enhance returns to investors. Structural gearing of investments is permitted up to a maximum of 20% of the Company's net asset value immediately following drawdown of the relevant debt.

STRATEGIC OVERVIEW
DELIVERY OF INVESTMENT OBJECTIVES

The Company invests in UK infrastructure debt and/or similar assets to meet the following key objectives:

INVESTMENT OBJECTIVE: DIVIDEND INCOME

To provide shareholders with regular, sustainable, long-term dividends

Implementation of investment strategy

Investment in long-term cash flows generated by projects in the PFI, social housing and renewable energy sectors

Exposure to availability-based cash flows that are not dependent on the level of use of the underlying infrastructure asset

Investment primarily in debt where there is equity that takes the first loss position in the event of project underperformance

Careful attention is paid to the control and management of costs associated with running the Company

The Company raises capital on a highly conservative basis, with consideration given to scheduled repayments, and only when it has an advanced pipeline of investment opportunities

Delivery of investment objectives

The Company has paid a dividend of 7.6 pence for the sixth consecutive year.

7.6p

Dividends paid 2017/18

8.6p

Earnings per share for the year ended 30 September 2018

Principal risk exposure

- Execution risk
1, 2
- Portfolio risk
4, 5, 6, 7, 8, 9, 10
- Financial risk
11, 13, 14
- Other
15

Refer to principal risks and uncertainties below.

INVESTMENT OBJECTIVE: DIVERSIFICATION

To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects

Implementation of investment strategy

Investment strategy with set exposure limits to ensure appropriate portfolio diversification and mitigation of risk

Exposure to multiple borrowers with extensive due diligence carried out on Project Company owners

New investments are evaluated to ensure synergy with existing portfolio to ensure balance and diversification

Key exposures are regularly monitored to ensure any concentration of risk falls within acceptable parameters

The Company invests in multiple asset classes, e.g. PFI, solar, social housing, biomass etc, to ensure appropriate spread of risk

Delivery of investment objectives

During the year, the Company has increased the number of investments in its portfolio from 46 to 50. The investment portfolio is exposed to a wide variety of assets in terms of project type and source of underlying cash flow.

50

Number of investments at 30 September 2018

10.5%¹

Size of largest investment as a percentage of total portfolio¹

¹ The size of the largest investment (the Cardale PFI loan) is calculated by reference to the percentage of total assets. The Cardale PFI loan is secured on a cross-collateralised basis against 14 separate operational PFI projects, with no exposure to any individual project being in excess of 10% of the total portfolio.

Principal risk exposure

- Execution risk
2
- Portfolio risk
4

INVESTMENT OBJECTIVE: CAPITAL PRESERVATION

To preserve the capital value of its investment assets over the long term

Implementation of investment strategy

Where possible, the Company invests in projects with partial inflation protection characteristics to protect the capital value of the investments

The Company invests in projects that are relatively straightforward in terms of construction, operation, maintenance and technology

Extensive due diligence performed by the Investment Adviser and professional third party advisers providing an independent view of the key risks of a project

Delivery of investment objectives

The valuation of the Company's investment portfolio is in excess of the principal value outstanding. The increase in valuation has resulted in a NAV per share of 112.49 pence.

112.49p

NAV per share at 30 September 2018

124.40p

Share price of ordinary shares at 28 September 2018

Principal risk exposure

- Execution risk
1, 3
- Portfolio risk
4, 5, 6, 7, 8, 9, 10
- Financial risk
11, 12
- Other
16

INVESTMENT ADVISER'S REPORT

The Investment Adviser, Gravis Capital Management Limited, is responsible for the management of the Company's assets in accordance with its investment policy.

EVOLUTION OF UK INFRASTRUCTURE SECTOR

Infrastructure as an asset class is characterised by the financing of highly capital-intensive physical assets, often designed to provide a public benefit over the long term. Given the public service that they provide, such infrastructure assets typically benefit from public sector backing through long-term revenue support arrangements. As a result, new infrastructure development is linked to the availability of such support, which in turn is dependent at any time on prevailing policy.

Since the Company's IPO in 2010, there have been varying levels of Government support for PFI and renewable energy projects. Political support for PFI has generally diminished and subsidy support for renewable energy projects has come and, in many cases, disappeared entirely.

Conversely, housing benefit for supported living accommodation remains a highly protected budget.

Investment in infrastructure assets offers private sector investors exposure to long-dated and relatively predictable cash flows. Amid a background of historically low interest rates, demand for exposure to such investments has grown steadily over the last decade. A dependable yield derived from progressively more mature and better understood infrastructure sectors has become increasingly attractive to a wide range of investors, from individuals to large institutions.

The evolving balance of new infrastructure projects and investor demand has resulted in significant price movements throughout the infrastructure sector since the Company's IPO in 2010. Whilst the Company was originally established with a focus on subordinated debt investments in PFI projects, it has since invested in sectors, within the context of its investment policy and return target, that have offered the most attractive balance of risk and reward. Over time this has resulted in a diversified portfolio that has varied in terms of sector exposure, seniority of investment and construction risk. The Company's ability to diversify has been, and continues to be, an important competitive strength. With a market capitalisation of over £1 billion, the Company provides investors with significant portfolio diversification and secondary market share liquidity.

SECTOR BACKGROUND AND UPDATE

RENEWABLE ENERGY

Projects that transform the way we use energy across electricity, heat and transport that benefit from long-term government subsidies.

66%¹

Percentage of portfolio by value

£746.6m¹

Valuation of sector

¹ Includes asset finance and energy efficiency which comprise 2% of the portfolio.

Background

The Climate Change Act, which is ten years old this year, saw the UK take on binding obligations to reduce greenhouse gas emissions. The Government introduced various subsidy regimes to incentivise the private sector to invest in the development of renewable energy projects. Policies such as the Renewables Obligation ('RO'), the Feed-in Tariff ('FIT'), the Renewable Heat Incentive ('RHI') and Contracts for Difference ('CfDs') offer owners of renewable energy projects long-term (up to 25 years) contracted cash flows, inflating at RPI or CPI, based on the amount of renewable energy generated.

The introduction of renewable subsidies successfully prompted the development of widespread renewable energy projects throughout the UK. A total of 29% of the UK's electricity generation in 2017 came from renewable technologies compared with 9% in 2011.

Current position

Policy priorities have shifted under the current Conservative government to limiting the cost of energy (renewable support mechanisms have, in part, been financed through consumer energy bills) and ensuring security of supply.

As the UK has moved closer to achieving its renewable electricity targets, support mechanisms for new renewable generation have become more limited. Subsidies for onshore wind and solar have all but ended, resulting in a significant reduction in primary development of projects in those sectors.

The key remaining Government support for renewable energy is under the CfD mechanism and this is expected to encourage investment principally in new offshore wind projects.

The UK remains well behind in meeting its renewable heat and renewable transport targets. The Investment Adviser continues to monitor Government support for these areas, including under the existing RHI.

SUPPORTED LIVING

Supported living projects create long-dated cash flows supported by the UK Government through the secured pledge of centrally funded benefits.

14%

Percentage of portfolio by value

£154.4m

Valuation of sector

Background

In England, supported accommodation for people with mental or physical disabilities is provided by specialist housing associations, or registered providers of social housing ('RPs'). RPs are independent bodies established to provide low cost social housing for people in need of housing on a not-for-profit basis and are regulated in England by the Regulator of Social Housing.

RPs active in the supported accommodation area typically access suitable properties through ownership within their portfolios or entry into long-term (typically 20 to 50 year) fully repairing and insuring leases from private sector landlords. Payments under such leases are supported by housing benefit received in most cases by the RP directly from local authorities. The housing benefit available to the supported living subset of the wider social housing benefit provision has historically been, and remains, a highly protected budget.

Current position

Over the last few years a substantial volume of capital has been raised from investors seeking exposure to the supported living sector. This has resulted in the rapid growth of some specialist RPs looking to expand their property portfolios. However, certain issues have arisen, and in February 2018, the social housing regulator, Homes England, released a statement to the effect that First Priority Housing Association ('FPHA'), an RP to which the Company had an exposure, was no longer compliant with its financial viability requirements. As a result, the leases in place with FPHA were transferred by the borrower to Bespoke Supportive Tenancies, a national RP of social housing for vulnerable adults. This was achieved with no current material impact to the Company NAV, an outcome that supported the investment model of financing the delivery of infrastructure through structures that may be fulfilled by multiple parties at a similar level of cost and risk transfer.

PFI

PFI, and its variants, enable the procurement of infrastructure through access to long-term, public sector backed, availability based payments.

20%

Percentage of portfolio by value

£229.4m

Background

PFI (and similar structures) originated in the UK during the mid-1990s as a public sector procurement model to privately finance, build and operate social infrastructure projects. Projects were procured on the basis of a contracted commitment from central or local government or an NHS Trust to pay for the use of the assets for 25 to 30 years. Significant development of new assets in the leisure, healthcare, education, transport, justice and defence sectors occurred under PFI contracts over a 15-year period, with an estimated £60 billion of projects developed.

Current position

Notwithstanding the significant evolution of the sector, the value for money of PFI as a Government procurement mechanism has become increasingly debated over recent years. As a result, political parties of all leanings have distanced themselves almost entirely from PFI, leading to the announcement in the 2018 Budget that the current government would not be supporting any new PFI schemes, but would continue to support existing schemes.

Further, on several occasions over the last twelve months, the Shadow Chancellor has proposed the nationalisation of existing UK PFI projects should Labour win the next general election. We continue to believe it is difficult to draw useful conclusions as to the theoretical impact of such a policy on the Company without any detail as to what such nationalisation would entail from a legal and commercial perspective.

In January 2018, the compulsory liquidation of Carillion plc ('Carillion') was announced. As one of the then-largest providers of facilities management and construction services to infrastructure projects in the UK, the risk of disruption to continuity of service on those projects serviced by Carillion has been a key focus of investors in the sector. The Company had a non-material exposure to investments in companies to whom Carillion provided services and there has been no impact on the valuation of these investments as a result of Carillion's liquidation.

However, despite these headwinds, the Investment Adviser has not seen evidence of any material adverse impact on the valuation of UK PFI projects and, conversely, noted several large secondary market transactions and the privatisation of the John Laing Infrastructure Fund Limited at a valuation representing a significant premium to prevailing net asset value.

INVESTMENT ACTIVITY

Key investment activity in the year

The Investment Adviser has continued to see attractive opportunities for investment in UK infrastructure, primarily in secondary transactions in the mature renewable energy sectors. Although demand for these assets has remained high, the Investment Adviser has always sought to identify investment opportunities with characteristics that might limit the number of competing bidders and thus deliver more attractive risk-adjusted returns.

In the year, the Company invested £192.7 million in wind, £145.8 million in solar and a further £38.8 million in other renewable energy projects and social housing assets. Non-standard characteristics that have positively affected pricing in these deals have included a limited timeline to complete a portfolio containing a mix of sectors, transaction size (both large and small) and a requirement for flexibility within the capital structure.

As certain renewable technologies have matured over the last decade, particularly wind and solar, asset-specific risks of investments in those sectors have reduced. Subsidy regimes have become more established, third party contractors have more experience and are more financially secure, and technological performance and risks are better understood. In such sectors, rather than take leveraged subordinated debt positions with limited downside protection and no upside potential, the Company has, in certain instances, invested additional capital to benefit from the economics of ownership and control.

An example of this is the Company's first offshore wind investment (see case study below) in which the Company has invested in loan notes that finance a shareholder's interest in the underlying project. A similar approach has been taken during the period with certain investments in mature onshore wind and solar sectors. Any potential increase in risk resulting from the Company taking an incrementally new position in the capital structure that has more limited first loss protection is, in the Investment Adviser's view, offset by reduced risks associated with the predictability of cash flows arising from the mature asset classes in which the investments have been made, as well as potential future value enhancement.

For full details of the Company's investments during the year and for details of portfolio exposure, see below.

Current opportunities

Since the start of the reporting year, the Company has received £6 million in unscheduled principal prepayments, with a further £70.4 million received since the year end. Whilst some prepayments were not surprising given the relatively modest associated financial penalties, prepayment is also occurring on certain loans with material prepayment fees. Whilst this is mostly a reflection of the highly competitive secondary market in certain sectors, it also highlights the importance of maintaining a pipeline of investment opportunities to redeploy prepaid capital in order to maintain portfolio diversification and liquidity.

For full details of the Company's repayments during the year see below.

The Investment Adviser expects to continue to see an active secondary market for renewable energy assets with short-term investors and fixed life funds seeking to dispose of investments to longer-term investors. These opportunities are likely to arise in various parts of the capital structure. The Investment Adviser does not expect to see any new primary investment opportunities in PFI and renewable electricity as Government policy has moved away from supporting these sectors, although ongoing support continues to exist in areas such as renewable heat and transport, which may provide attractive investment opportunities in future. The Investment Adviser anticipates a continued pipeline of social housing investments with existing borrowers, but generally observes an increased volume of capital targeting a limited pool of assets, impacting yields. The increase in secondary investment opportunities has reduced the Company's exposure to construction stage assets, a trend that is expected to continue in the near term.

Looking further forward, the UK National Infrastructure Commission published the UK's first National Infrastructure Assessment in July 2018, highlighting several areas including broadband, renewable heat, transport, recycling, electric vehicle infrastructure and building resilience to extreme weather that are seen as priorities for future infrastructure development. This indicates a direction of travel for wider UK infrastructure development and the Company remains well positioned to provide private sector capital to support this development.

Race Bank

The Company has invested c.£80 million in Race Bank, an operational 573MW offshore wind farm located c.27 km from the coast of Norfolk, through the subscription of a series of loan notes issued by an SPV company, GreenCo Alpha Holdings Limited. The 91 turbines are forecast to produce c.2,500 GWh of renewable electricity annually, enough to power over half a million average UK homes. The project achieved commercial operations in February 2018 after a three year construction period and benefits from Government support under the RO. This is the largest individual project to which the Company has an exposure.

The UK is the world leader in the offshore wind market in terms of capacity, with 7GW installed at the end of 2017.]

APPROACH TO RISK

Given that the Company invests across multiple sectors and in senior and subordinated positions within capital structures, like-for-like risk and return comparisons are difficult. The Investment Adviser has thus developed a very structured approach to analysing and comparing investment opportunities to ensure the Company can evaluate the different sectors and target those with the most attractive risk-adjusted returns.

1 Market risks

The revenues generated by most infrastructure assets are to some degree exposed to changes in market prices. Within the Company's portfolio, such relevant exposures are primarily to inflation and electricity pricing.

Current context

Investment cases are based on long-term electricity price forecasts provided by independent consultants. Electricity price risks are characterised by short-term movements in price, driven by factors such as weather, and longer-term trends based on the energy generation mix, wider energy markets and political factors.

Whilst price volatility causes short-term price fluctuations above and below the independent forecasts, there has been a trend of reducing long-term expectations of electricity prices since 2014.

Further analysis of the Company's exposure to market risks is detailed below.

2 Credit risks

Privately financed infrastructure projects are typically procured using a project finance model in which a new company is established to build, own and operate an asset. The asset (and therefore the value of the asset) is delivered through putting in place contractual arrangements with third parties to deliver services that include construction and operation. Critically, the risks involved in these activities are also passed to the third parties. The performance of an asset financed through this structure is therefore reliant on each party being able to provide the services allocated to them and manage the associated risks that are transferred.

Current context

The collapse of Carillion and challenges encountered by FPHA have highlighted the impact of a failure of a counterparty to perform its obligations. This has re-emphasised the need, as part of upfront and ongoing investment due diligence, to fully understand the financial position of a service provider and how able that party is to manage (financially

and technically) any risks allocated to them. Further, the ability to replace a service provider under similar terms is a critical piece of analysis that supports an investment case.

Further analysis of the Company's exposure to third party counterparties is detailed below.

3 Operational/project risks

Infrastructure projects are physical assets providing a service. The operation of such assets varies significantly in level of complexity and inter-dependencies between the asset and third parties. The more complicated an asset, the harder it becomes to effectively identify and allocate risks to third parties as part of a project finance investment model.

Current context

The project delivery model for a number of renewable asset classes has become well established. Significant deployment of solar and wind in the UK has resulted in the evolution of a contractual delivery model that has been extensively due diligenced and with risk allocations that have been well tested across a number of competent third parties. Biomass and anaerobic digestion remain more nascent, with a number of varying approaches seen to project delivery.

4 Legal/regulatory risks

The value of an infrastructure asset is linked to the legal and regulatory framework in which that asset is embedded. The Company invests solely in UK infrastructure and therefore considers this risk in the context of the UK. A number of such risks are a direct function of investments being part of a 'UK plc', such as changes to the corporation tax rate or legislation relating to health and safety or environmental matters with which projects are obliged to comply (and may result in additional costs). Other such risks are specific to an asset class. For example, renewable energy investments rely on the applicable government subsidy frameworks to endure over 15 to 25 year time horizons and the UK Government has remained committed to a grandfathering of such arrangements.

Current context

This risk has come to the fore following the Shadow Chancellor's stated intention, should Labour win the next election, to 'bring PFI back in house'. Precisely what this would mean is unclear. Any nationalisation would potentially have an impact on the Company given its exposure to PFI, but it is the Investment Adviser's view that the likelihood of termination of all PFI contracts, particularly for smaller assets that are efficiently providing critical public services, would be a costly and time-consuming exercise that would not represent a good use of limited government resource.

Further analysis on the impact of the termination of PFI projects to which the Company is exposed is detailed below.

Further analysis on the position in the capital structure of the investment portfolio is detailed below.

FINANCIAL REVIEW

The Company raised a total of £100 million through a share issue, secured additional debt facilities of £75 million, made 30 investments totalling £377.3 million and delivered a total shareholder return of 4.8%.

Financial performance

The Company has delivered another year of strong results. Investment income was £87.5 million (30 September 2017: £56.9 million). Income has increased significantly this year due to the impact of growth of the portfolio, net revaluations and the impact of the refinance of the solar portfolio, and the more efficient deployment of capital compared with the prior year.

Investment income is offset by administration costs for the year of £10.9 million (30 September 2017: £9.1 million) which include the Investment Adviser's fee and other third party service provider costs. Administration costs have increased year-on-year predominately reflecting the variable nature of the Investment Adviser and Administrator fees as a percentage of NAV. Other administration costs have remained broadly in line, as demonstrated by the Company's ongoing charges ratio below which has remained static year-on-year.

Financing costs have increased, reflecting the Facilities being substantially fully drawn for the second half of the year and further interest expense in respect of the additional debt secured through the Company's credit arrangements. The Company remains modestly geared at the year end with a loan to value (borrowings as a percentage of net assets) of 14.8%.

Total profit has increased from £46.7 million in the prior year to £73.4 million.

Ongoing charges

The Company's ongoing charges ratio, calculated in accordance with the AIC methodology, was 1.1% for the year ended 30 September 2018 (30 September 2017: 1.1%).

Net assets

The net assets of the Company have grown from £874.6 million at 30 September 2017 to £985.5 million at 30 September 2018. The Company's NAV per share has increased from 110.57 pence at the prior year end to 112.49 pence at 30 September 2018, due to the accretive nature of the share issuances issued at a premium to net asset value and retained profits.

Cash generation

The Company received debt service payments of £81.3 million (30 September 2017: £79.8 million) during the year, comprising £55.8 million of interest payments and £25.5 million of partial loan principal repayments (30 September 2017: £44.3 million and £35.5 million). The Company paid dividends of £64.8 million during the year (30 September 2017: £55.4 million). The Company aims to manage its cash position effectively by minimising cash balances, while maintaining the financial flexibility to pursue a pipeline of investment opportunities. This is achieved through active monitoring of cash held and income generated from the portfolio and efficient use of the Company's Facilities.

Capital raised

The Company raised a total of £100 million during the year through a substantially oversubscribed capital raise under the placing programme, at a placing price per new ordinary share of 122 pence.

Facilities

During the year, the Company entered into new credit arrangements for an aggregate amount of £150 million, replacing its previous revolving credit facility which had expired. The new arrangements, which include a £50 million fixed three-year term tranche and a £100 million revolving tranche, will expire in March 2021 and are held with three lenders, RBSI, ING and NIBC. The facility terms in place at year end are summarised below:

Facility	Size	Margin	Expiry
Fixed tranche	£50m	190 bps	March 2021
Revolving tranche	£100m	190 bps	March 2021

Post year end, the Company entered into an agreement with Royal Bank of Scotland International and ING in respect of a temporary £15 million increase to its revolving tranche. The Company also repaid £75 million of the Facilities. At the date of publication, the Company's revolving credit arrangements, of which £90 million is drawn, are for an aggregate amount of £165 million.

Dividends

The Company aims to provide shareholders with regular, sustainable, long-term dividends. For the year ended 30 September 2018, the Company paid a dividend of 1.9 pence (30 September 2017: 1.9 pence) per ordinary share in respect of each of the four quarters, in line with prior years.

Share price performance

The Company has delivered a shareholder total return (share price growth plus dividends reinvested) of 4.8% over the past twelve months and 107.3% since IPO in 2010. The Company has continued to trade at a significant premium to NAV, with an average of 8.6% for the year and 10.6% at the year end. The share price at 28 September 2018 was 124.40 pence per share, being the last trading day of the financial year.

Further details on share movements are disclosed in note 16.

INVESTMENT PORTFOLIO

The Company is exposed to a portfolio of 50 investments with an average annualised yield of 8.2% and average life of 15 years.

PORTFOLIO SUMMARY

In the reporting year, the valuation of the portfolio grew by £231 million to a total value of £1.1 billion with significant new secondary investments in the renewable electricity generation portfolio.

A full list of the Company's portfolio can be found on the Company's website.

Top ten revenue counterparties	% of total assets
Ofgem	27.3%

E.ON Energy Limited (Ofgem)	24.1%
Bespoke Supportive Tenancies Limited	6.7%
Power NI (Ofgem)	5.6%
Centrica (Ofgem)	4.6%
Inclusion Housing Community Interest Company	2.4%
Viridian Energy Supply Limited (Ofgem)	2.1%
Smartest Energy Limited (Ofgem)	1.6%
Aberdeen City Council	1.4%
Gloucestershire County Council	1.3%

Top ten project service providers	% of total assets
A Shade Greener Maintenance Limited	9.5%
Solarplicity Asset Limited	9.4%
Orsted A/S	7.8%
Vestas Wind Systems A/S	7.0%
Burnmeister & Wain Scandinavian Contractor A/S	6.5%
Agrivert Limited	5.2%
Care Management Group	4.3%
Agrikomp (UK) Limited	3.7%
Grosvenor Facilities Management Limited	2.9%
Siemens plc	2.4%

Portfolio overview

During the year, the Company experienced significant growth in the investment portfolio, principally driven by investment in secondary renewable energy opportunities. The valuation of the Company's investments at 30 September 2018 was £1.1 billion. During the year, the Company made 30 investments totalling £377.3 million (£66.1 million under 19 existing facilities and £311.2 million under eleven new facilities) and received seven full unscheduled repayments of £105.9 million, taking the number of investments from 46 to 50 at the year end. Additionally, the Company received unscheduled partial repayments of £6.0 million and received £19.1 million of scheduled partial repayments during the year.

Investments made/repaid during the year

Sector	Status ¹	Security ¹	New investments	Further advances	Scheduled repayments	Unscheduled repayments
Solar	Operational	Senior/Subordinated	£144.8 million	£1.0 million	£1.6 million	£80.8 million
PFI	Operational	Subordinated	£0.8 million	£5.9 million	£1.8 million	£0.1 million
Supported living	Operational	Senior	-	£20.4 million	-	£0.2 million
Anaerobic digestion	Construction	Senior	-	£3.1 million	£3.1 million	£3.0 million
Wind	Operational	Senior/Subordinated	£165.6 million	£27.1 million	£9.6 million	£27.8 million
Biomass	Operational	Senior/Subordinated	-	£8.6 million	£2.3 million	-
Other	Operational	Senior	-	-	£0.7 million	-
Total			£311.2 million	£66.1 million	£19.1 million	£111.9 million

Advances made post year end

Sector	Status	Security	New investments	Further advances	Scheduled repayments	Unscheduled repayments
Renewables	Operational	Senior/Subordinated	-	£6.2 million	£1.2 million	£70.4 million
Supported living	Operational	Senior/Subordinated	-	£5.1 million	-	-
PFI	Operational	Senior/Subordinated	-	-	£0.2 million	-
Total			-	£11.3 million	£1.4 million	£70.4 million

1. In respect of new investments and further advances.

Capital structure

As part of its portfolio of investments, the Company has targeted investments across a number of asset classes and different parts of the capital structure.

Repayment timings

The Company expects a periodic return of capital from underlying loans through scheduled principal repayments. In addition, on an ad-hoc basis, the Company may receive a return of capital earlier than planned as part of early prepayments driven by the refinancing or change of control of the underlying asset. As the asset classes in which the Company has historically invested are in certain cases reaching high levels of maturity, with an associated reduction in the cost of capital available to those asset classes, there is an increased risk that early prepayment becomes an attractive proposition for asset owners.

With any capital that is returned, and as part of any future growth, the Company will continue to focus on making investments that balance asset risk with capital structure protection.

To the extent amounts prepaid cannot be reinvested at attractive rates, there will be an impact on the overall profitability of the portfolio. At the same time, where reinvestment can be achieved, prepayment fees have the ability to provide additional profit for the Company. The investment portfolio is split into:

- investments where there is no ability to prepay loans prior to the scheduled repayments;
- investments with the ability to prepay with a prepayment fee that is calculated by discounting all future scheduled payments of principal and interest at a discount rate referenced to prevailing gilt rates (a 'spens' payment). Given current gilt rates have typically fallen since investments were made, this is a significant fee in most cases; and
- investments where prepayment is permitted with a fixed fee (typically 5% of the amount being prepaid).

FEATURED ASSETS

GCP ONSHORE WIND 3 LIMITED

A onshore wind farm in Northern Ireland

Valuation: £23.3 million

Security: Senior

Project information: The Company is exposed to a senior loan secured against the Molly Mountain Wind Farm in Enniskillen, Northern Ireland. The wind farm, which reached commercial operations in 2014, comprises five Vestas V90 turbines and benefits from a long-term service and availability contract with Vestas. It generates c.38 GWh of electricity each year and earns ROC cash flows under the Renewable Obligations scheme.

GCP ROOFTOP SOLAR FINANCE PLC

A portfolio of rooftop solar assets across the UK

Valuation: £41.6 million

Security: Subordinated

Project information: In November 2017, the Company refinanced a portfolio of its senior solar loans with a long-term institutional investor. This transaction left the Company with a subordinated position valued at £41.6 million secured against a portfolio of c.14,000 residential rooftop solar panels. The panels generate revenue under the FIT scheme.

GCP CARDALE PFI LIMITED

A loan secured against a portfolio of PFI projects

Valuation: £119.3 million

Security: Subordinated

Project information: The Company's largest single loan exposure is to a subordinated loan secured against operational healthcare and accommodation PFI projects including healthcare facilities, primary and secondary schools, accommodation for adults with learning difficulties, leisure centres, policing facilities and a court building. The projects are in receipt of 25 to 30-year cash flows (the unitary charge) payable by an NHS Trust or a local authority under a PFI contract.

GCP PROGRAMME FUNDING 1 LIMITED

A portfolio of operational social housing assets across the UK

Valuation: £91.0 million

Security: Senior

Project information: This senior loan is secured against a portfolio of 91 properties located across the UK that provide housing for vulnerable adults. The properties are all rented on long-term fully repairing and insuring leases to registered providers of such housing, entities that are all regulated by the Home and Communities Agency.

PORTFOLIO PERFORMANCE AND VALUATION

The Company's Valuation Agent, Mazars LLP, carries out a fair market valuation of the Company's investments on behalf of the Board on a quarterly basis. The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. A fair value of each asset acquired by the Company is calculated by applying an appropriate discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset.

The weighted average discount rate used across the Company's investment portfolio at 30 September 2018 was 7.57%, compared to 7.81% at 30 September 2017. The valuation of investments is sensitive to changes in discount rates and the sensitivity analysis detailing this is presented in note 18.

From an operational perspective, the investment portfolio is materially performing in line with expectations. At 30 September 2018, c.11% of the investment portfolio was exposed to construction stage assets. This is principally a senior loan to a waste PPP project that remains on time and on budget and is expected to come out of construction in late 2019, and a portfolio of gas-to-grid anaerobic digestion projects that are expected to complete construction in early 2019.

Performance updates

The specific factors that have impacted the valuation in the reporting period are summarised in the table below.

Category	Factor	Description	Portfolio exposure (%)	Impact (pence per share)
Credit	First Priority Housing Association	FPHA was found to be no longer compliant with its financial viability requirements. As a result, the leases in place with FPHA were transferred, at slightly lower guaranteed rents, to Bespoke Supportive Tenancies, a national RP of social housing for vulnerable adults.	3.2	(0.5)
Operational	Biomass performance	Due to a contractual dispute at one of the Company's biomass investments, the Company's investment has been restructured in the period to ensure the long-term sustainability of that project.	2.5	(0.2)
	Anaerobic digestion performance	The Company continues to work through the impact of historic issues on a Northern Ireland portfolio of anaerobic digestion assets that are now fully connected to the grid and are operating well. A further downward revaluation has been made in the period to reflect higher operating cost forecasts.	3.7	(0.5)
Financial	Construction claim	Failure of a construction contractor to meet its obligations in relation to a housing refurbishment scheme against which the Company is a subordinated lender is likely to lead to a litigation process. A downward revaluation reflects the expected costs of remedying the relevant works.	0.5	(0.8)
	Council litigation	A downward revaluation has been made against an investment in which the relevant borrower is in dispute with a county council following non-payment by a related entity of such council. The Company remains confident of a successful resolution through the current process.	0.3	(0.2)
	Revaluations	Discount rate movements in the year reflect a change in the market view of asset risk and/or specific asset factors.	34.3	2.1
	Revised forecast up	Valuations have been impacted by actual performance and revised forecasts of, inter alia, electricity prices and inflation. Sensitivity analysis on the impact of electricity prices on the portfolio is provided below.	1.4	0.7
	Revised forecast down		1.5	(0.3)
TOTAL UNREALISED MOVEMENTS				(0.3)
	Solar refinancing	Realised gain on refinancing of solar portfolio.	3.7	1.1
TOTAL REALISED MOVEMENTS				1.1

PORTFOLIO SENSITIVITIES

This section details the sensitivity of the value of the investment portfolio to a number of the risk factors to which it is exposed. A summary of the overall investment portfolio risks, and the Investment Adviser's approach to risk, can be found above.

Electricity prices

A number of the Company's investments rely on market electricity prices for a component of their revenues. Changes in electricity prices will therefore impact a borrower's ability to service debt or, in cases where the Company has stepped into projects and/or has direct exposure through its investment structure, impact on overall returns. The table below shows the forecast impact on NAV per share of a given percentage change in electricity prices over the full life of the forecast period.

Sensitivity applied to base case electricity price

forecast assumption	(10%)	(5%)	0%	5%	10%
NAV impact (pence per share)	(2.45)	(1.20)	-	1.13	2.23

PFI termination

The risk to the Company of the shadow Labour government's policy to 'bring PFI back in-house' is hard to evaluate given the lack of specificity of the statements made and potential cost and complexity of terminating PFI arrangements. Whilst the Company's view remains that the probability of wide-scale nationalisation of PFI projects is low, the table below analyses the impact should such circumstances occur. Project agreements, the arrangements in a PFI scheme under which a local authority commits to pay for the use of an asset over its life, typically have termination provisions that allow the local authority to terminate the contract. These provisions vary between contracts, summarised below.

Provision type	Portfolio exposure (%)	Impact if exercised
Assets with no right for the local authority to terminate (primarily a number of healthcare investments).	1.1	No impact - no ability to terminate.
Assets where the termination payment is based on a market test mechanism to compensate investors.	10.3	Given that the assets are held by the Company at fair value, a termination of these arrangements should not have a material impact on the valuation.
Assets where the termination payment is based on a fixed IRR target for investors.	4.7	Given that discount rates have fallen significantly as the sector has matured, it is anticipated that payments under this mechanism would not fully compensate the Company as a subordinated lender. The Company has assessed the potential impact upon the termination of these arrangements as a reduction in value of £27.2 million or 3.1 pence per share.

Inflation

A number of the Company's investments (making up c.54% of the investment portfolio by value) have some form of inflation protection. This is structured as a direct link between the return and realised inflation (relevant to the social housing portfolio and certain renewable investments) and a principal indexation mechanic which increases the principal value of the Company's loans outstanding by a share of realised inflation over a pre-determined strike level (typically 2.75 - 3%).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company aims to operate a fully sustainable business model with a low carbon footprint for all its wider stakeholders.

ENVIRONMENTAL

Renewables

The Company's activities are beneficial to the environment as they comprise, in part, renewable energy investments that positively impact environmental and climate change, regulatory and UK Government targets.

Since launch in 2010, the Company has facilitated the operation and/or construction of facilities with a total combined output of c.2,500 GWh per annum, enough to power c.800,000 average UK homes, including 28 wind sites, 39,820 solar installations and three hydro-electric schemes with c.60% of the portfolio by value comprised of green energy assets (inclusive of the Company's anaerobic digestion and biomass investments). These assets generate renewable energy which feeds into the National Grid and contributes to the Government's target of reducing CO2 emissions under the Climate Change Act.

The Company's investments in wind and solar provide alternative energy sources to fossil fuels. Additionally, the biomass and anaerobic digestion plants use waste of many types to produce sustainable fertilisers and electricity or gas which is provided to the National Grid. By investing in renewable energy projects, the Company has contributed to the reduction of greenhouse gas emissions into the atmosphere.

Greenhouse gas emissions reporting

The Company funds renewable energy projects which are seeking to reduce the United Kingdom's greenhouse gas emissions. The Company has no employees or property, and it does not purchase electricity, heat, steam or cooling for its own use.

The Company outsources all services on a fee basis and, as such, it is not practical to attempt to measure or quantify emissions in respect of any outsourced energy use. Therefore, the Directors believe the Company has no reportable emissions for the year ended 30 September 2018.

Climate change

Climate change has become an increasingly important issue in the UK.

Whilst the Board does not consider climate change a principal risk, the Company is invested in renewable energy projects which may be impacted by changes in the weather as a direct result of climate change. A summary of the impact on the Company's renewables portfolio is included below:

WIND

Forecast climate change impact

Higher incidence of extreme weather events such as storms.

Changing weather patterns.

Asset classes potentially impacted

Wind generation

Portfolio impact

Wind turbines are shut down during high winds. More storms would therefore be negative for energy production.

Changing weather patterns could be positive or negative for wind resources at a given location and therefore wind generation.

SUN

Forecast climate change impact

Changing weather patterns.

Asset classes potentially impacted

Solar generation

Portfolio impact

Changes in weather patterns could be positive or negative for levels of solar irradiation received by the UK and therefore the solar portfolio.

RAIN

Forecast climate change impact

Higher incidence of extreme weather events such as storms and associated flooding.

Changing weather patterns.

Asset classes potentially impacted

Hydro generation

Solar generation

Portfolio impact

Hydro-electric plants perform best with consistent levels of rainfall. Increased levels of storms would have potential negative impacts and flooding has the potential to damage assets.

Changing weather patterns could be positive or negative for rainfall and therefore hydro-electric generation.

TEMPERATURE

Forecast climate change impact

Hotter global temperatures.

Potential for strong regional differences in variations (up or down).

Asset classes potentially impacted

Solar generation

Portfolio impact

Temperature impacts the efficiency of solar panels. Whilst increased solar irradiation would be broadly positive for solar generation, higher temperatures may have a negative impact.

SOCIAL

Stakeholders

The Company's primary objective is to provide shareholders with regular, sustained, long-term dividends and to preserve the value of its investment assets over the long term by generating exposure to infrastructure debt assets and/or similar assets.

The stakeholder model below demonstrates how the Company interacts with stakeholders. These relationships provide the foundation for the Company's sustainability, which in return provides benefits to all parties. The Board values the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Company operates.

Shareholders

The Company creates earnings that benefit shareholders through dividend income. Further information on how the Company and the Board engages with shareholders can be found below.

Borrowers

The Company values its relationships with borrowers, ensuring time is spent building and maintaining these relationships via the Investment Adviser. The Company has been able to advance a further £66.1 million to current borrowers in the financial year under review, or by way of, extensions to existing facilities.

Public sector

Governments and regulators play a central role in shaping the renewable energy, PFI and social housing sector policy. The Company engages with local government and regulatory bodies via the Investment Adviser.

Lenders

Lenders are financial institutions that provide the Company with debt finance in the form of fixed and revolving credit facilities. The credit facilities are used in the making of investments in accordance with the Company's investment policy.

Suppliers

The Company's suppliers include third-party service providers engaged to provide corporate or administration services, in addition to the investment advisory services provided by the Investment Adviser. These services are critical to the ongoing operational performance of the Company. The Board has a close working relationship with all its advisers and regularly engages with all parties. The MEC regularly monitors the performance and reviews the terms of each service contract. Further information can be found below.

Society

The Company provides benefits to society through its investing activities, generating green energy and the reduction of greenhouse gas emissions into the atmosphere. The Company also provides funding to numerous areas in the public sector, such as schools, hospitals and fire services. In addition, the Company has provided financing to operators of social housing, helping to reduce the pressure on local housing stock. Further information on green energy generation can be found above.

GOVERNANCE

Statement on modern slavery

In October 2015, the UK Government introduced the 2015 Modern Slavery Act (The 'Act'). The Act requires companies operating in the UK, with a Group turnover of more than £36 million per year, to publish a statement setting out the steps that they have taken during that financial year to ensure that slavery and human trafficking are not taking place:

- anywhere in their supply chains; and/or
- in any part of their own business.

The Board is responsible for matters of corporate responsibility, including the issue of combating modern slavery and human trafficking. The Board and its committees regularly review the Company's policies and practices and address any issues which arise.

The Company will not tolerate human trafficking, slavery or forced labour of any type and recognises its responsibilities to society in relation to the Company's supply chain, (being the projects/companies in which the Company invests) and engages with those persons and entities within that supply chain to ensure that they share the Company's values and comply with relevant legislation. In this regard, the Company is committed to identifying and eliminating any slavery and human trafficking in its supply chains. The Board will continue to monitor its supply chain and investment portfolio in relation to slavery and human trafficking at regular reviews. Members of the Board and the Company's service providers and counterparties at Project Companies are encouraged to report any concerns related to slavery/trafficking promptly. Looking ahead, the Board will continue to enhance its procedures to help identify, prevent and mitigate any risks of modern slavery.

Anti-bribery and tax evasion

With the enactment of the UK Bribery Act 2010, the Company has developed appropriate anti-bribery policies and procedures. The Company has a zero-tolerance policy towards bribery and is committed to carry out its business fairly, honestly and openly.

The Criminal Finances Act ('CFA') (Commencement No. 1) Regulations 2017 (SI 2017/739) brought Part 3 of the CFA, the corporate offences of failure to prevent facilitation of tax evasion, into force on 30 September 2017. The Company does not tolerate tax evasion in any of its forms in its business. The Company complies with the relevant UK law and regulation in relation to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide, and works to make sure its business partners share this commitment.

Diversity

As noted in the corporate governance statement below, the Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with a mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard.

RISK MANAGEMENT

The Board and the AIFM recognise that risk is inherent in the operation of the Company and are committed to effective risk management to protect and maximise shareholder value.

Approach to risk management

The Board has the ultimate responsibility for risk management and internal control within the Company. The Board recognises the existence of inherent risks within the Company's operation and that effective risk management is critical to the success of the organisation. When setting the risk management strategy, the Board also determines the nature and extent of the principal risks they are willing to take to achieve the Company's strategic objectives.

Risk review process

The Board, with the assistance of the Audit and Risk Committee, undertakes a formal risk review twice a year to assess the effectiveness of the Company's risk management process and internal control systems. The review covers the operational, compliance and financial risks facing the Company. During the course of such review, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be of a material nature. The Company's principal risks have not, in the view of the Board, materially changed year to year.

In addition to the Audit and Risk Committee, the Company's Investment Committee and Management Engagement Committee have a key role and contribute to the overall risk management and governance structure. Consideration is given to the materiality of risks in designing systems of internal control; however, no system of control can provide absolute assurance against the incidence of risk, misstatement or loss.

The following are the key components which the Company has in place to provide effective internal control:

Execution

- The Board and Investment Committee have agreed clearly defined investment criteria, which specify investment characteristics, authority and exposure limits.
- The Board and Audit and Risk Committee receives and reviews assurance reports on the controls of the Investment Adviser and the Administrator undertaken by professional service providers.
- The contractual agreements with the Investment Adviser and other third party service providers, and their adherence to them and their ongoing performance, is regularly reviewed by the Board and at least annually by the Management Engagement Committee.

Financial

- The Investment Adviser and Administrator prepare financial projections and financial information which allow the Board to assess the Company's activities and review its financial performance.
- The Company has policies and procedures in place to ensure compliance with the UK Corporation Tax Act 2010 and which are monitored by the Board.

Portfolio

- The Investment Adviser prepares quarterly reports which allow the Board to assess the performance of the Company's portfolio and more general market conditions.

Other

- The Board monitors the outputs from the Company's and the Investment Adviser's compliance officers.

Risk appetite

As a closed-ended investment company, the Company seeks to take investment risk. The Company's investment policy above sets out the key components of its risk appetite. The Company and the Board seeks to manage investment risk within set risk/return parameters. Information on the Investment Adviser's approach to analysing risk and comparing investment opportunities is included in the Investment Adviser's report above.

Role of the AIFM

The Investment Adviser is the appointed AIFM to the Company and is required to operate an effective and suitable risk management framework to allow the identification, monitoring and management of the risks to which the Investment Adviser and the AIFs under its management are exposed.

The Investment Adviser's permanent risk management function has a primary role alongside the Board in shaping the risk policy of the Company, in addition to responsibility for risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the Company's risk profile.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the Company include (but are not limited to) execution risk, portfolio risk, financial risk and other risks¹.

1. The principal financial risks, the Company's policies for managing these risks and the policy and practice with regard to financial instruments are summarised in note 18.

RISK 1: EXECUTION RISK

Risk	Impact	How the risk is managed	Change in residual risk over the year
1 Sufficiency of due diligence			Stable
Investment due diligence may not reveal all the facts relevant in connection with an investment and may not highlight issues that could affect that investment's performance.	Investment underperforms, the interest and principal received on the investment may be lower than envisaged, negatively impacting the performance of the Company.	In addition to due diligence carried out by the Investment Committee of the Board, the Investment Adviser, various third party financial, technical, insurance and legal experts are engaged to advise on specific	There have been no new issues identified during the year, with the investment portfolio materially performing in line with the Investment Adviser's expectations.

Link to strategy: 1, 3

project risks.

2 Availability of suitable investments and reinvestment risk There is no guarantee that the Company will be able to identify suitable investments with risk and return characteristics that fit within the investment strategy of the Company, or that suitable investments that can be identified will be made in a timely manner. This is a risk when raising capital and when reinvesting principal returned to the Company under existing loan agreements.	If the Company cannot invest capital in suitable assets in a timely and appropriate manner, the uninvested cash balance will have a negative impact on the Company's returns. If the only available investments with an appropriate risk profile yield lower rates of return than have historically been achievable, the Company's overall returns may be adversely affected.	The Investment Adviser is constantly in touch with the market seeking new deals and builds a specifically identified investment pipeline before the Board seeks to raise additional finance to ensure that capital is deployed in a timely fashion. Consideration is also given to any scheduled capital repayments.	Stable The Company successfully raised £100 million through a significantly oversubscribed share issue, the proceeds of which have been fully invested.
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Link to strategy: 1, 2

3 Reliance on the Investment Adviser and third party service providers The Company is heavily reliant on third party service providers to carry out its main functions. In particular, the Company depends on the Investment Adviser to implement the Company's strategy and investment policy to deliver its objectives. Should the engagement with the Investment Adviser be terminated, there is a potential risk that the Company may not be able to find an appropriate replacement Investment Adviser.	Failure by a third party service provider to carry out its obligations in accordance with the terms of its appointment, or to exercise due skill and care, could have a material effect on the Company's performance. Any poor performance, misconduct or misrepresentation by the Investment Adviser or other third party providers may manifest itself in direct financial losses or result in damage to reputation causing longer-term financial consequences to the performance of the Company.	The performance of the Company's service providers is closely monitored by the Board. In addition, at least once a year the Management Engagement Committee performs a formal review process to consider the ongoing performance of the Investment Adviser and other third party providers. The Investment Adviser has industry and asset knowledge of specific use and importance to the Company. The Company has entered into a contractual engagement with the Investment Adviser on the terms that it considers to be mutually fair and reasonable. The Board maintains an awareness of other advisers that could replace the Investment Adviser if required.	Stable The Investment Adviser continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Adviser and AIFM to the Company.
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RISK 2: PORTFOLIO RISK

4 Change in laws, regulation and/or Government policy Any change in the laws, regulations and/or Government policy as a result of Brexit and/or other factors, in particular those relating to the PFI and renewable energy markets.	Potential adverse effect on the performance of the Company's investment portfolio and the returns achieved by the Company.	Any changes in laws, regulation and/or policy are monitored by the Board on an ongoing basis. Given the UK Government's reliance on private capital for, inter alia, the funding of new social and economic infrastructure and renewable energy projects, it is the view of the Investment Adviser and the Board that the risk of any future significant changes in policy is low and is more likely to have a prospective rather than a retrospective effect.	Increase There remains considerable uncertainty over the long-term impact of Brexit.
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Link to strategy: 1, 2, 3

5 Performance of, and reliance on, subcontractors The performance of the Company's investments is typically, to a considerable degree, dependent on the performance of subcontractors, most notably facilities managers and operation and maintenance contractors. The Company is heavily reliant on subcontractors to carry out their obligations in accordance with the terms of their appointment and to exercise due skill and care.	If a key subcontractor was to be replaced due to the insolvency of that subcontractor or for any other reason, the replacement subcontractor may charge a higher price for the relevant services than previously paid. The resulting increase in costs may result in the Company receiving lower interest and principal payments than envisaged.	The competence and financial strength of contractor, as well as the terms and feasibility of contractors' engagements, is a key focus of investment due diligence. The Board and the Investment Adviser monitor the Company's exposure to any given subcontractor, and ensures that the risk of underperformance is mitigated by diversification.	Increase There have been a number of high-profile contractor failures in the sector during the year. Currently, the Company has been successful in mitigating any material financial loss in respect of these failures.
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Link to strategy: 1, 3

6 Operational or construction issues The investments the Company holds are exposed to construction and/or operational risks and may not perform as expected.	In the event of material operational or construction issues, the interest and principal payments received by the Company may be lower than expected.	The Company's construction exposure is limited to 25% of its total assets. The Board and the Investment Adviser monitor this limit and the status of any project in the construction phase on an ongoing basis. The Investment Adviser undertakes extensive due diligence on all projects regarding expected performance. A full package of insurance and manufacturer guarantees is put in place to protect the Company from any unforeseen events. The Board ensures that the Company has security over the assets against which it is lending, so in an instance of borrower default it can enforce security over the assets.	Increase The Company is exposed to a housing refurbishment scheme where the construction contractor has failed to meet its obligations, which is likely to lead to future litigation. Additionally, the Company's biomass plants that were underperforming continue to undergo remedial capital works.
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Link to strategy: 1, 3

7 Technology risk Some of the projects that the Company invests in utilise	Such issues may give rise to additional costs or may otherwise	The Investment Committee of the Board and the Investment	Stable The Company's operational investments are generally
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relatively new or developing technologies. There may be issues in relation to those technologies that become apparent only in the future.	result in the financial performance of the relevant investment being worse than anticipated. This may adversely affect the value of, and the returns generated by, the Company's investments.	Adviser ensure that due diligence is carried out by technical experts to advise on specific project risks, including technology risk.	performing in line with expectations.
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Link to strategy: 1, 3

8 Lifecycle and maintenance costs			Increase
From time to time, components of a project may need to be replaced or undergo a major refurbishment. Over the life of a project the cost of such replacements or refurbishments may be higher than projected.	In such circumstances the cash flow available to service the Company's debt may be reduced to an extent where the interest and principal payments received by the Company are less than forecast.	Project lifecycle and maintenance timings and costs are typically based on manufacturers' data and warranties and advice received from specialist consultants. Updated lifecycle cost projections are received on a regular basis and appropriate provisions are made which are monitored on an ongoing basis by the Investment Adviser.	During the period, remedial works have been identified as being required at some of the Company's biomass plants. This work has been agreed in relation to two plants and discussions are ongoing relating to another. Forecast budgeted costs have increased in respect of a number of the Company's anaerobic digestion investments.

Link to strategy: 1, 3

9 Insurance			Stable
There is a risk that a project encounters issues resulting in a loss that is uninsured, either because it is not covered by the insurance that is in place or because no insurance is in place. All the projects that the Company is exposed to are required under the loan documentation to have appropriate insurance in place.	The Company could lose all or part of the value of its investment if appropriate insurance is not in place.	The Investment Adviser requires confirmations and evidence from all borrowers that the insurance required by the relevant loan documentation is in place.	The Company's investments remain adequately insured.

Link to strategy: 1, 3

10 Project Company owner			Increase
The owners of the Project Companies to which the Company lends money are responsible for the underlying asset performance. There is a risk that these equity owners do not have the experience, track record, ability or financial resources to satisfactorily fulfil their required role.	In the event of material operational or construction issues, the interest and principal payments received by the Company may be lower than expected.	The Investment Adviser and the Investment Committee of the Board ensure that equity owners have appropriate expertise and financial standing to own, construct and operate the underlying projects by carrying out the appropriate due diligence and have the ability to take over contracts to address relevant issues where required.	In the period, the Company has seen evidence of some third party service providers failing to support owners under project agreements, such as Carillion and FPHA. The Company is exposed to a number of claim processes in relation to non-payment and failure of service providers to meet contractual obligations.

Link to strategy: 1, 3

RISK 3: FINANCIAL RISK

11 Assumptions			Stable
The Company makes investments which rely on detailed financial models based on certain assumptions, estimates and projections of each investment's future cash flow. Such assumptions include, inter alia, inflation, power price, feedstock cost, asset productivity, lifecycle and insurance cost.	There can be no assurance that these assumptions will turn out to be accurate, and actual data could have an adverse impact on the performance of the Company's investments.	When modelling future cash flows and structuring debt profiles, the Investment Adviser uses assumptions considered to be conservative by third party experts. The Investment Adviser constantly monitors the actual performance of projects and takes action where appropriate.	The Company's operational investments are materially performing in line with expectations.

Link to strategy: 1, 3

12 Valuation			Increase
The value of the investments made by the Company will change from time to time according to a variety of factors, including movements and expected movements in energy prices, interest rates, inflation and/or general market pricing of similar investments. Further issues arising from Brexit may impact the factors outlined above.	Such changes may negatively impact the value of the Company's investment portfolio.	The Company's infrastructure investments are generally low volatility investments with stable, pre-determined, very long-term, public sector backed revenues. Approximately 60% of the Company's investment portfolio is exposed to some form of inflation protection mechanism. The Company's investments are valued with reference to duration-matched interest rates, typically between 15 and 25 year rates. The discount rates currently used to value the Company's investments include a material premium that offers protection in the event of rate rises.	The Valuation Agent has decreased the discount rates on certain of the Company's assets during the year due to increased market pricing in those sectors.

Link to strategy: 3

13 Interest rates			Increase
The Company has a floating rate revolving credit facility and, as such, the financial performance of the Company will be adversely affected in the event that there is a material increase in interest rates as a result of Brexit and/or other factors. Further, changes in interest rates may also affect the valuation of the Company's assets.	Any material increase in interest rates would increase the Company's cost of borrowing, impacting the financial performance of the Company.	Consideration is given to interest rate hedging which may be carried out by the Company to seek to provide protection against increasing interest rates as and when any floating rate liabilities are entered into by the Company.	The Bank of England increased interest rates during the year by 0.25% with the expectation that there may be further rate increases.

Link to strategy: 1

14 Borrowings			Stable
The Company utilises borrowing facilities to finance and/or part-finance further acquisitions in accordance with the Company's investment policy.	If the Company was unable to secure borrowing facilities this may adversely affect the Company's investment returns and may have a material adverse	The facilities are in place to fund potential investments in the near term and to avoid holding material amounts of uninvested cash awaiting investment.	The facilities are a short-term measure and the loan to value (borrowings as a percentage of net assets) at year end was 14.8%.

However, there can be no effect on the Company's financial position and results of operations. Consideration may also be given to other forms of credit as part of the Company's future funding strategy.

Link to strategy: 1

RISK 4: OTHER RISKS

15 Compliance with laws and regulations			Stable
Changes in the laws, regulations on the ability of the Company to and/or Government policy affecting the Company, including any change in the Company's tax status or in taxation legislation in the Channel Islands, the UK and/or Europe (including a change in interpretation of such legislation).	Potential material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective or provide favourable returns to shareholders.	The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in the Channel Islands and Europe along with regulatory developments in the UK as well as Listing Rules and FCA marketing rules. The Company has a comprehensive compliance monitoring programme to ensure full compliance with legislation/regulation relevant to the Company's operations.	The Company's internal compliance monitoring processes continue to operate effectively. In the year under review the Company has implemented a new procedure in respect of GDPR.
Link to strategy: 1			
16 Cyber-attack risk			Stable
A failure of systems, policies and procedures in place to prevent against cyber-attack at the Investment Adviser, other third-party service providers and/or subcontractors causing theft or loss of data, or damage to control systems and equipment.	May manifest itself in financial losses, theft of intellectual property or damage to the Company's reputation as a consequence.	The Company has no dedicated IT systems and it relies on those of its service providers and subcontractors. The Board monitors reports and compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in the Channel Islands and Europe to ensure the risk is mitigated.	The Company's internal compliance monitoring processes continue to operate effectively, which includes monitoring of third party service providers.
Link to strategy: 3			

Going concern

The Directors have assessed the financial prospects of the Company for the next twelve months and made an assessment of the Company's ability to continue as a going concern. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future and furthermore are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Viability statement

At least twice a year, the Board carries out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors have considered each of the Company's principal risks and uncertainties detailed above and, in particular, the risk and impact of changes in Government policy that could materially affect the cash flows of the underlying projects that support the Company's investments. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

The Directors have assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision. The Board has conducted this review for a period covering the next five years as, over this period, it believes the risk of changes in Government policy that would result in retrospective adjustments to such public sector backed cash flows is low.

This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. The sensitivity analysis undertaken considered the impact of a significant proportion of the portfolio not yielding, which is a plausible consequence of a number of the principal risks materialising, either in isolation or in parallel. The sensitivity analysis was based on a number of assumptions, including that the Company's credit facility remains in place to provide short-term finance for further investments and that there will be sufficient liquidity in the market to raise new capital as and when required.

Given the projects that the Company's investments are secured against are all UK infrastructure projects that generate long-dated, public sector backed cash flows, the Board thus considers the revenue of the Company over that period to be dependable. This is supported by a diversified portfolio of investments, reducing exposure to risks affecting a single sector.

Additionally, the Company primarily invests in long-dated UK infrastructure debt that earns a fixed rate of interest and is repaid over time according to a pre-determined amortisation schedule. As such, assuming that the underlying projects perform as expected, the Company's cash inflows are also predictable.

Based on this assessment of the principal risks facing the Company and the stress-testing based assessment of the Company's prospects, 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 of their assessment.

The strategic report has been approved by the Board and signed on its behalf.

Ian Reeves CBE
Chairman

13 December 2018

GOVERNANCE: LEADERSHIP BOARD OF DIRECTORS

The Board of Directors is responsible for the effective stewardship of the Company's activities in order to ensure the long-term success of the Company in the interest of shareholders.

Ian Reeves CBE, CCMI, FCInstCES, FRSA, FINSTD
Chairman

Ian Reeves CBE, a Jersey resident, is an entrepreneur, international businessman and adviser. He is Chairman of the Estates and Infrastructure Exchange Limited and of ALT Financial Group Limited, Senior Independent Director of Triple Point Social Housing REIT plc, and visiting Professor of Infrastructure Investment and Construction at Alliance Manchester Business School, the University of Manchester. He was made a Commander of the Most Excellent Order of the British Empire (CBE) in 2003 for his services to business and charity.

Ian has served as a Director since 15 June 2010.

Clive Spears ACIB, MCISI
Senior Independent Director

Clive Spears, a Jersey resident, is a career qualified corporate banker with 32 years' experience with the Royal Bank of Scotland Group, of which the last 18 years were spent in Jersey until retirement in 2003. Relevant experience has spanned corporate finance, treasury products, global custody and trust & fund administration. Listed company appointments include Invesco Perpetual Enhanced Income Fund and AIM listed ESO Limited. Clive also has wide coverage in the private equity sector across a number of Nordic Capital and Intermediate Capital Group structures. He is currently also a non-executive Director of Jersey Finance Limited, the promotional body for the finance sector in Jersey.

Clive has served as a Director since 7 February 2014.

David Pirouet FCA

Audit and Risk Committee Chairman

David Pirouet, a Jersey resident, is a qualified accountant. He was an audit and assurance partner for 20 years with PwC CI LLP until he retired in June 2009. He specialised in the financial services sector, in particular in the alternative investment management area. Since retiring from PwC CI LLP, David serves on the boards of a number of privately held investment entities.

David has served as a Director since 15 June 2010.

Julia Chapman**Non-executive Director**

Julia Chapman, a Jersey resident, is a solicitor qualified in England & Wales and Jersey with over 25 years' experience in the investment fund and capital markets sector. Having trained with Simmons & Simmons in London, Julia moved to Jersey to work for Mourant du Feu & Jeune (now known as Mourant) and became a partner in 1999. Julia was then appointed general counsel to Mourant International Finance Administration (the firm's fund administration division) with responsibility for legal, risk and compliance oversight of third party administration services to alternative investment funds. Julia serves on the boards of a number of other Main Market listed companies, including Henderson Far East Income Limited, BH Global Limited and Sanne Group PLC.

Julia has served as a Director since 1 October 2015.

Paul De Gruchy**Non-executive Director**

Paul De Gruchy, a UK resident, is a qualified Jersey Advocate with 20 years' experience in financial services law. Paul was previously the Head of Legal for BNP Paribas Jersey within the UK offshore area. He has extensive experience in the financial services sector, in particular in the area of offshore funds. He has held senior positions at the Jersey Economic Development Department, where he was the director responsible for finance industry development, and the Jersey Financial Services Commission (the regulator of the Company). Paul is a graduate of Queens' College, Cambridge.

Paul has served as a Director since 7 February 2014.

Michael Gray FCIBS, AMCT, DIP IoD**Non-executive Director**

Michael Gray, a Jersey resident, is a qualified corporate banker and corporate treasurer. Michael was most recently the Regional Managing Director, Corporate Banking for RBS International, based in Jersey but with responsibility for The Royal Bank of Scotland's Corporate Banking Business in the Crown Dependencies and British Overseas Territories.

In a career spanning 31 years with The Royal Bank of Scotland Group plc, Michael has undertaken a variety of roles, including that of an auditor, and has extensive general management and lending experience across a number of industries. He is also a non-executive director of Jersey Finance Limited, the promotional body for the finance sector in Jersey, and a Main Market listed company, JTC Plc.

Michael has served as a Director since 1 October 2015.

LEADERSHIP**THE INVESTMENT ADVISER**

The Board of Directors has appointed Gravis Capital Management Limited to provide day-to-day investment management services to the Group.

Stephen Ellis**Director, founder**

Stephen Ellis co-founded the Investment Adviser in 2008 and acts as fund manager for GCP Infrastructure Investments Limited.

After a short service commission in the British Army, Stephen spent 16 years in investment banking in the City, focused on securitisation and tax-based financing. On leaving the City, he became head of structured finance at DTZ Corporate Finance, where he was primarily involved in the UK infrastructure and student accommodation sectors.

Stephen has a Masters degree in Modern History from Oxford University.

Phillip Kent**Director**

Phillip Kent is a director of the Investment Adviser and acts as lead fund manager for GCP Infrastructure Investments Limited.

Phillip joined the Investment Adviser from Foresight Group where he was responsible for investments in the waste and renewable sectors, including large waste wood combustion projects and a pipeline of anaerobic digestion projects across the UK. Phillip has been involved in the energy sector for over ten years, working initially as a consultant within PA Consulting's energy practice, focusing on energy markets and energy asset valuations. In 2008, he moved to Gazprom Marketing and Trading, working in risk management across a number of commodities before moving into the clean energy team.

Phillip graduated with a degree in Geography from Oxford University.

Rollo Wright**Director, founder**

Rollo Wright is a director and co-founder of the Investment Adviser. He acts as fund manager for GCP Infrastructure Investments Limited.

Rollo was in the audit and advisory division of Arthur Andersen and Deloitte, working with a broad range of financial markets clients. He worked in the capital markets division of Commerzbank Securities before moving to DTZ Corporate Finance, where he specialised in structuring tax and accounting driven infrastructure and property debt transactions.

Rollo graduated with a degree in Mathematics from Oxford University and qualified as a Chartered Accountant.

Saira Johnston**Chief Financial Officer****Dion Di Miceli****Head of Investment Companies****Chloe Marlow****Head of Fund Financial Control****Ben Perkins****Associate Director****Gabriel Oke****Head of Portfolio Management****William Parry-Jones****Fund Financial Controller****Max Gilbert****Fund Analyst**

The Investment Adviser has advised extensively on debt structures in a wide variety of infrastructure sectors.

Investment Adviser

Gravis Capital Management Limited is the appointed Investment Adviser and AIFM to the Company. The Investment Adviser was appointed upon the Company's launch in 2010, at which time the Investment Advisory Agreement was held with Gravis Capital Partners LLP. On 20 April 2017, the Company approved the novation of its Investment Advisory Agreement from Gravis Capital Partners LLP to Gravis Capital Management Limited, as part of the transfer of the Investment Adviser's fund management and advisory business from a limited liability partnership to a newly-incorporated limited company under substantially the same ownership. The Investment Adviser was incorporated in England and Wales on 9 November 2016 (registered number 10471852) and is authorised and regulated by the FCA (registration number 770680).

The Investment Adviser has advised extensively on debt structures in a wide variety of infrastructure sectors, including a variety of renewable energy sectors, healthcare, education, court buildings, specialised offices, registered social landlord accommodation and transport. The officers and employees of the Investment Adviser have a long track record of working within the UK infrastructure market, particularly with regard to debt advisory work, and have established close relationships with many of the key participants in the UK infrastructure market, including equity investors and lenders. The Investment Adviser and its senior management team have extensive specialist expertise and a demonstrable track record of originating, structuring and managing infrastructure debt investments. The personnel primarily responsible for delivering investment advice to the Company on behalf of the Investment Adviser are detailed above.

The Investment Adviser had assets under management of approximately £2.6 billion at 30 September 2018. It provides investment management services in respect of three closed-ended investment companies admitted to the Premium Listing segment of the Official List and traded on the London Stock Exchange. These comprise the Company, GCP Student Living plc and GCP Asset Backed Income Fund Limited. The Investment Adviser further provides investment advice in respect of two open ended investment companies.

Investment Advisory Agreement

The Company is party to an Investment Advisory Agreement dated 28 June 2010, as amended and restated most recently on 13 December 2017, under which the Investment Adviser provides advisory services relating to the Company's assets on a day-to-day basis in accordance with the investment objectives and policies agreed by the Company and under the overall supervision and direction of the Board of Directors.

Under the terms of the Investment Advisory Agreement, the Investment Adviser receives an investment advisory fee from the Company equal to 0.9% per annum of the NAV of the Company (net of cash holdings). This fee is calculated and payable quarterly in arrears. The Investment Adviser is also entitled to an arrangement fee of up to 1% (at the discretion of the Investment Adviser) of the cost of each asset acquired by the Company.

The Investment Adviser will generally seek to charge the arrangement fee to borrowers rather than the Company where possible but, in any event, any such fee payable to the Investment Adviser will not exceed (and has not to date exceeded) 1%. To the extent any arrangement fee negotiated by the Investment Adviser with a borrower exceeds 1%, the benefit of any such excess shall be paid to the Company. No performance fee is charged.

The Investment Adviser receives a fee of £60,000 (subject to RPI adjustments) per annum for acting as AIFM.

The Investment Advisory Agreement may be terminated by the Company or the Investment Adviser by giving 24 months' written notice, with such notice not to be given prior to 29 February 2020.

Provision of advice

The Investment Adviser provides advice which enables the Directors of the Company to identify potential investments, monitor the performance of existing assets and the financial and infrastructure markets generally. The scope of services provided by the Investment Adviser includes, inter alia:

- making investment recommendations to the Investment Committee of the Board in line with the Company's investment policy and strategy;
- identifying potential investments and making recommendations to the Company in respect of the acquisition, sourcing of financing, assets management and disposal of assets;
- performing due diligence, including, but not limited to legal, financial, technical and market projections;
- monitoring and reporting to the Board the performance of the Company and its investments;
- regularly reviewing the Company's investment policy and strategy and providing recommendations to the Board;
- overseeing and arranging borrowings for the Company within such limits set out in the prospectus;
- advising the Company in relation to dividends to shareholders; and
- co-operating with third party service providers such as administrators, valuers, tax/legal advisers etc. and statutory auditor.

The approval of asset origination and investment decisions are made by the Investment Committee of the Board on the advice of the Investment Adviser.

Potential conflicts of interest

Under the Investment Advisory Agreement, the Company's prior consent is required for the Investment Adviser to act as the adviser, manager or sponsor of any fund or entity that may invest in assets within the scope of the Company's investments or engage in any activity which may compete in the same or a substantially similar investment area as the Company.

The Company has given its consent for the Investment Adviser to act as the investment manager to GCP Asset Backed Income Fund Limited, a closed-ended investment company listed on the London Stock Exchange's Main Market for listed securities. GCP Asset Backed Income Fund Limited is focused predominantly on debt investments secured against physical assets and/ or contracted cash flows. The Company has given its consent on the basis that where the Investment Adviser identifies an investment which, in its opinion acting reasonably and in good faith, falls within the Company's remit, the Company will have a right of first refusal.

The Directors believe that the Company's investment objectives, and the pipeline of opportunities available to it, will not be adversely affected, and that the right of first refusal agreement protects the Company's interests in the event of any conflict.

LEADERSHIP

CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Company's corporate governance statement for the year ended 30 September 2018.

The AIC Code of Corporate Governance

The 'Disclosure Rules' of the UKLA require certain listed companies to disclose how they have applied the principles, and complied with the provisions, of the UK Corporate Governance Code (the 'UK Code') to which the issuer is subject. As a member of the AIC, the Company has been reporting against the principles and recommendations of the AIC Code and the accompanying AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code and the AIC Guide can be found on the AIC website at www.theaic.co.uk. The UK Code can be found at www.frc.org.uk.

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

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

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the Listing Rules of the UKLA. The Board has put in place a framework for corporate governance which it believes is appropriate for the Company. All Directors contribute to Board discussions and debates. The Board believes in providing as much transparency for shareholders as is reasonably possible. It should be noted that most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and all of the Directors are non-executive.

During the year the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

The role of the Chief Executive

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that the post of Chief Executive is not relevant for the Company, being an externally managed investment company.

The appointment of a Senior Independent Director ('SID')

Following a shareholder vote at the 2018 AGM of the Company, Mr Clive Spears was appointed as SID of the Company.

Executive Directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the AIC Code in respect of executive directors' remuneration.

Remuneration Committee

The Company does not have a Remuneration Committee; the Board fulfils the role of the Remuneration Committee as it was agreed that the size and nature of the Board does not warrant the establishment of a separate committee. A full remuneration report is included on below.

Internal audit function

The Company delegates the majority of its operations to third parties and has no employees. Some of these third parties have their own internal audit function and the Board has therefore determined that there is no need for the Company to have its own internal audit function, but this is reviewed on an annual basis. The Directors consider semi-annually the principal risks relating to the operations of the Company. Such a review includes the consideration of whether the Company's third parties have adequate internal controls in place.

The Chairman of the Company

Mr Ian Reeves CBE is also a member of the Audit and Risk Committee and Chairman of the Nomination Committee. The Board believes it is appropriate for Mr Reeves CBE to be a member of both committees as he is considered to be independent and there are no conflicts of interest.

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

ROLE OF THE BOARD AND ITS COMMITTEES

The Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy.

Board of Directors

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy.

The Board consists of six Directors, all of whom are non-executive and are considered to be independent. Biographical details of the Directors are shown above.

Each of the Directors has signed letters of appointment which set out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. No Director has any contract or arrangement in place between themselves and the Company. Further details as to the terms of appointment of the Directors are set out in the Directors' remuneration report below.

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background. The Board comprises five male Directors and one female Director. The Company has no other employees. The Company's policy on Diversity is set out in the Nomination Committee report below.

Board operation

The Board is responsible to shareholders for the overall management of the Company, and may exercise all the powers of the Company subject to the relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide. The Companies Law authorises the Company to make market purchases of its own shares if the purchase has first been authorised by a resolution of the Company.

At the AGM on 9 February 2018, the shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the forthcoming 2019 AGM are set out in the 2019 notice of the AGM.

At each quarterly meeting of the Board, the Directors follow a formal agenda which includes a review of the Company's investments and associated matters such as gearing, asset allocation, principal risks, marketing and investor relations, and economic and industrial issues. The Board is also active in ensuring any regulatory developments which may affect the operations of the Company are considered. The Board regularly considers the Company's investment objectives and strategy. In July 2018, a strategy day was held and attended by all of the Directors. The discussions focused on general market conditions and future investment opportunities for the Company.

In order to enable the Directors to discharge their responsibilities effectively, they have full and timely access to all relevant information.

The Board holds formal meetings on a quarterly basis and additional ad-hoc meetings are held when necessary. Attendance at the quarterly Board and committee meetings is displayed in the table below under the heading 'Meetings'.

The principal matters considered by the Board during the year (in addition to matters formally reserved to the Board) included:

- the Company's strategic model, related KPIs and performance;
- the annual report and financial statements and half-yearly report;
- the Company's dividend policy;
- organisational capability and succession planning; and
- regular reports from the Board's committees.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved for the Board. The schedule is available upon request from the Company Secretary.

Committees

The structure includes an Audit and Risk Committee, an Investment Committee, a Management Engagement Committee and a Nomination Committee. The terms of reference for each of the committees are available on the Company's website or upon request from the Company Secretary.

Audit and Risk Committee

The membership and activities of the Audit and Risk Committee are described in its report below.

Investment Committee

At 30 September 2018, the Investment Committee comprised three Directors, as set out on above.

The Board has agreed terms of reference for the committee which includes meeting to consider each new investment proposal received from the Investment Adviser and advisory reports and recommendations. The committee met 23 times during the year. The committee is also responsible for ensuring key conditions precedent are complied with for each deal and for sign off on the release of capital advances.

Management Engagement Committee

The Management Engagement Committee comprises all Directors of the Company in view of the wide remit of the committee. The Board has agreed terms of reference for the committee, which meets at least once a year to consider the performance of the Investment Adviser and other third party service providers; the terms of their engagement and their continued appointment. The committee formally met once during the last financial year for an interrogative workshop and follow-up session. Following the committee's assessment of the Investment Adviser, and based on the performance of the Investment Adviser, the continued appointment of the Investment Adviser is considered to be in the interests of shareholders as a whole, and it was recommended that Gravis Capital Management Limited be retained as Investment Adviser. In addition, the continued engagement of the third party service providers whom the committee independently evaluates is also recommended.

Nomination Committee

The membership and activities of the Nomination Committee are described in its report.

Meetings

The number of meetings of the Board and committees held during the year and the attendance of individual Directors are shown below:

	Quarterly Board meetings		Audit and Risk Committee		Investment Committee		Management Engagement Committee		Nomination Committee	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Ian Reeves	4	4	3	3	-	-	1	1	2	2
Clive Spears	4	4	-	-	23	20	1	1	2	2
David Pirouet	4	4	3	3	-	-	1	1	2	2
Paul De Gruchy	4	4	-	-	23	20	1	1	-	-
Julia Chapman	4	4	-	-	23	19	1	1	-	-
Michael Gray	4	4	3	3	-	-	1	1	-	-

A total of 19 additional Board meetings were held during the year. These meetings were predominantly in respect of share issuances, capital raising and investment sector meetings.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Company Secretary. The Company Secretary, the Administrator and Investment Adviser regularly provide the Board with financial information, including an annual expense budget, together with briefing notes and papers in relation to changes in the Company's economic environment, statutory and regulatory changes and corporate governance best practice. A description of the Company's risk management and internal control systems are set out above.

Diversity

Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company.

Market Abuse Regulation

Following the implementation of the EU Market Abuse Regulation ("MAR") on 3 July 2016, the Board formally adopted revised procedures in relation to the management, identification and disclosure of inside information and share dealing in accordance with MAR. The Board is responsible for taking all proper steps to ensure compliance with MAR by the Directors.

AIFM Directive

The Company is classed as an externally managed AIF under the Directive. The Board appointed the Investment Adviser as the authorised AIFM to the Company and Link Corporate Services (Jersey) Limited as the Company's Depositary under the AIFM Directive on 22 July 2014.

AIFM remuneration

With effect from 20 April 2017, the Company's Investment Adviser was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, incorporating the requirements of the AIFMD regulations.

The total annual fee paid to the Investment Adviser by the Company is disclosed in note 19 to the financial statements.

Markets in Financial Instruments Directive

The ordinary shares of the Company are considered as 'non-complex' in accordance with MiFID II.

Non-mainstream pooled investments

The Board notes the rules of the UK FCA on the promotion of non-mainstream pooled investments.

The Board confirms that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be 'excluded securities' under the FCA's rules. This is on the basis that the Company, which is resident outside the EEA, would qualify for the approval as an investment trust by the Commissioners for HM Revenue and Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom. Therefore, the Company's shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Company's shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.

Significant voting rights

Details of shareholders with notifiable interests in the voting rights of the Company can be found in the Directors' report below.

Share repurchase

Subject to the provisions of the Law and the Company's Articles of Association, the Company may purchase all or any of its shares of any class, including any redeemable shares and may hold such shares as treasury shares or cancel them. Further information can be found in the Directors' report below.

Amendment to the Company's Articles of Association

Subject to the provisions of the Law and the Company's Articles of Association, the Company's Articles can be amended by special shareholder resolution.

EFFECTIVENESS

CORPORATE GOVERNANCE STATEMENT

Performance evaluation

The Directors participated in an external evaluation process in July 2017 which was conducted by independent external consultants, Trust Associates. During the year, the Board considered the output from last year's external evaluation, and has implemented, all but one of the recommendations put forward by Trust Associates and is currently working on the remaining matter.

The Board has agreed that external reviews will be carried out every three years, with the next external review to take place in 2020. Internal evaluations, via questionnaires, will be carried out in the intervening years.

As the evaluation of the Board was carried out externally during 2017, the Directors undertook an internal performance evaluation during the year, led by the Chairman and designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors.

The Board evaluation questionnaires were also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The evaluation of the Chairman was carried out by the other Directors of the Company and led by the Senior Independent Director. The results of the Board evaluation process were reviewed and discussed by both the Nomination Committee and Board, as a whole. Further details of the results of the Board evaluation process can be found in the Nomination Committee report below.

Appointment and re-election of Directors

Under the provisions of the Company's Articles, the Directors retire by rotation, with one-third of the Directors submitting themselves for election at each AGM; however, the Board recognises that, as a FTSE 250 company, and in accordance with corporate governance best practice as set out in the AIC Code, all Directors should put themselves forward for re-election every year. As such, each of the Directors is subject to annual re-election by the shareholders at the AGM.

The Board's policy regarding tenure of service is detailed in the Nomination Committee report below.

The Board ensures that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective. Biographical details of the Directors are shown above.

The Board undertakes annual anti-money laundering training and the Jersey-resident Directors undertake the required hours of continuing professional development in accordance with their profession and Jersey regulations, including training on areas relating to the Company's activities such as specialist renewable energy sectors.

Board independence, tenure and statement of Directors' shareholding and share interests

The Board regularly reviews the independence of its members and considers all of the Directors to be independent. The Board's policy regarding tenure of service is that any decisions regarding tenure should balance the need to maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to have the appropriate mix of skills, experience, age and length of service.

Ian Reeves and David Pirouet have served as Directors since 15 June 2010 and, accordingly, will each have served as a Director for over nine years at the time of the AGM of the Company to be held in the first quarter of 2020.

The Board is mindful of the principles set out in the AIC Code and the introduction of the new UK Corporate Governance Code, which will apply to accounting periods beginning on or after 1 January 2019, and the principles therein as regards the tenure of non-executive Directors.

The Board considers that the length of service of a Director should be determined on an individual basis. Further, the Board recognises that length of service may not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can add significantly to the strength of the Board and where the Directors are satisfied as to maintaining a majority of independent non-executive Directors on the Board. Therefore, if a Director has served more than nine years, the Board will consider the issue of independence carefully on an annual basis as part of the Board's self-evaluation and succession planning process and will disclose its conclusions in the Directors' report.

Each of the Directors is subject to annual re-election by shareholders at the AGM of the Company.

The Chairman of the Company and its broker will be consulting with the Company's shareholders in the coming months in connection with the above.

In addition, the Board has reviewed the independence of each Director in accordance with the guidance set out under principle 2 of the AIC Code and the corresponding AIC Guide. The Board acknowledges that Paul De Gruchy has an indirect holding of 504,938 ordinary shares in the Company and that Clive Spears has a holding of 54,423 ordinary shares in the Company, at 30 September 2018. The Board has discussed the interests in the Company held by Mr De Gruchy and Mr Spears and it is satisfied that they do not materially impact their ability to exercise independent judgement on the Board.

Diversity

The Board regularly reviews its composition and effectiveness with the objective of ensuring that it has an appropriate balance of skills and experience required to meet the future opportunities and challenges facing the Company. As part of this, the Directors actively consider the diversity, including the gender and ethnicity, on the Board.

Conflicts of interest

The Directors have declared any conflicts or potential conflicts of interest to the Board of Directors, which has the authority to approve such situations. The Company Secretary maintains the Register of Directors' Conflicts of Interests which is reviewed quarterly by the Board and whenever changes are notified. The Directors advise the Company Secretary and Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

It is the responsibility of each individual Director to avoid a conflict arising. In the event that a conflict of interest arises, the Director(s) must request authorisation from the Board as soon as they become aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing their duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the

Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they believe this is appropriate in the circumstances.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

The Company Secretary

The Board has direct access to the services of the Company Secretary which is responsible for ensuring that the Board and committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring the timely delivery of the information and reports which the Directors require and that the statutory obligations are met.

Key service providers other than the Investment Adviser

Details of the key service providers other than the Investment Adviser can be found in notes 5 to 19 of the financial statements.

Insurance and indemnity provisions

The Company has Directors' and Officers' liability insurance, professional indemnity insurance, and crime and property loss cover for financial institutions to cover legal defence costs. Under the Company's Articles of Association, the Directors are provided, subject to the provisions of Jersey legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment.

Relations with shareholders

Further information regarding the Company's relations with shareholders is set out below. Further information about the significant shareholders in the Company is set out below.

Internal control review and risk management process

Details of the Company's internal control review and the risk management process are outlined in the strategic report above.

Ian Reeves CBE

Chairman

13 December 2018

ACCOUNTABILITY

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Company's 2018 Audit and Risk Committee report.

Summary

The committee operates within clearly defined terms of reference, a copy of which is available from the Company's website or on request from the Company Secretary. The terms of reference require the committee to monitor the Company's financial reporting, internal controls, risk management and external audit process.

The committee is responsible for making recommendations to the Board in respect of the appointment, re-appointment and remuneration of the Auditor and the Auditor's plan for the year.

Composition

At 30 September 2018, the committee comprised three of the Company's Directors, including the Chairman, Mr David Pirouet, who is a Chartered Accountant and a former audit partner, Mr Ian Reeves CBE and Mr Michael Gray.

The Board considers that the independence, experience and knowledge of each of the committee members is sufficient for discharging its responsibilities and in particular taking account of the financial, audit, banking and infrastructure experience of the members of the committee. The committee formally met three times during the year ended 30 September 2018.

The committee has reviewed and evaluated its own performance as part of the Board's annual evaluation process, explained in the Nomination Committee report below.

Financial reporting

The committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013 with which it is complying voluntarily, in line with best practice reporting. The committee specifically reviewed the annual report and financial statements to conclude whether the financial reporting is fair, balanced, understandable, comprehensive and consistent with prior year reporting and how the Board assesses the performance of the Company's business during the financial year, as required for companies with a Premium Listing under the UK Corporate Governance Code. As part of this review, the committee considered if the annual report and financial statements provided the information necessary to shareholders to assess the Company's performance, strategy and business model and reviewed the description of the Company's key performance indicators as well as updating the governance section of the annual report.

The committee presented its conclusions to the Board and the Board concluded that it considered the annual report and financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

In addition to the above matters, the committee's work was focused on the following areas:

- reviewing the effectiveness of the internal control environment of the Company;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half-yearly and annual financial statements of the Company including matters of judgement in relation to the valuation of financial assets at fair value through profit or loss. This year the areas examined included the discount rates applied in the valuation process and the performance of the investments. The committee discussed these matters with the Valuation Agent, the Investment Adviser and the Auditor, including the Auditor's valuation specialist;
- overseeing the Company's relations with its Auditor, including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity, recommending the Auditor's re-appointment and approving the Auditor's fees; and
- reviewing the Company's compliance with its regulatory obligations in Jersey and listing requirements under its Premium Listing.

The Auditor is invited to attend the committee meetings at which the annual report and half-yearly reports are considered and at which they have the opportunity to meet with the committee without representatives of the Investment Adviser being present. The committee has direct access to the Auditor and to the key senior staff of the Investment Adviser and reports its findings and recommendations to the Board, which retains the ultimate responsibility for the financial statements of the Company. All recommendations were accepted by the Board.

Significant issues considered

After discussions with both the Investment Adviser and the Auditor, the committee determined that the key risks of material misstatement of the Company's financial statements related to the valuation of, and performance of, the investments.

Valuation of investments

As outlined in notes 11 and 18, the total carrying value of financial assets at fair value at 30 September 2018 was £1.1 billion (30 September 2017: £899.3 million). Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology where applicable. This requires a series of material judgements to be made, as further explained in note 18.

The committee discussed the valuation process and methodology with the Investment Adviser in May, June, August and December 2018 as part of the review of the half-yearly and annual reports. The Valuation Agent carries out a valuation quarterly and provides a detailed quarterly valuation report to the Company. The committee, together with the rest of the Board, discusses with the Valuation Agent and Investment Adviser their views of the market and relevant discount rates of individual investments in the portfolio as part of the quarterly valuation process.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rates applied to the expected future cash flows for each investment's financial forecasts are derived by adopting the assumptions explained above to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates they believe are appropriate using its current and extensive experience in the market. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 18.

In particular, the committee considered in detail the reductions of the discount rate applied to certain assets during the year. The Valuation Agent explained this was principally as a consequence of increased competition in the secondary market for infrastructure and renewable assets, which had been seen during bidding and general market activity. This was corroborated by the Investment Adviser. The committee also considered in detail the revised discount rates applied to the loans subject to downward revaluation. The committee discussed the material estimates and judgements and also compared these to feedback from the Investment Adviser. The committee was satisfied that the range of discount rates were appropriate for the valuation carried out by the Valuation Agent.

Performance of investments

The committee, together with the rest of the Board, discussed with the Investment Adviser the performance of individual investments within the portfolio as part of the valuation

process each quarter. As explained in the 'investment portfolio' report there have been investments subject to downward revaluations equivalent to 2.5 pence per share during the year and the relevant revaluations have been discussed and agreed with the Investment Adviser.

External audit

The committee met with the Auditor in August 2018 to review, challenge and agree their audit plan for the audit of the financial statements, in particular their approach to the valuation, and also met with the Auditor in December 2018 to discuss their report, after the conclusion of their audit.

The Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the financial statements as a whole.

Audit fees for the year amounted to £62,000 (30 September 2017: £66,000) and non-audit fees amounted to £18,000 (30 September 2017: £15,000).

KPMG has been the Auditor of the Company since its appointment at the AGM in February 2016, following an external audit tender process in October 2015. There are no contractual obligations restricting the choice of Auditor and the Company will consider putting the audit services contract out to tender at least every ten years. The committee reviewed the effectiveness of the audit process during the year, considering performance, objectivity, independence and relevant experience of the Auditor. Following this review, the committee has recommended the re-appointment of KPMG as the Company's Auditor at the 2019 AGM.

As previously explained, it has been decided that the Auditor would review the Company's half-year accounts, but the Auditor would not be requested to perform any other non-audit services.

Risk management

During the year, the Committee:

- reviewed and updated the risk matrix, where appropriate, to reflect the Company's key risks; and
- considered the presentation of risk-related matters in the annual report and financial statements.

Other matters

Other matters reviewed by the committee during the year included:

- discussions with the Investment Adviser and Valuation Agent regarding the valuation of the shareholder interest elements of the investments within the portfolio; and
- discussions with the Investment Adviser regarding the scope of the third party review of the shareholder interest valuation models undertaken during the period.

Mr David Pirouet FCA

Chairman of the Audit and Risk Committee

13 December 2018

ACCOUNTABILITY

NOMINATION COMMITTEE REPORT

The function of the Nomination Committee is to consider appointments to the Board and its individual committees.

The Nomination Committee comprises Mr Ian Reeves CBE, Mr Clive Spears and Mr David Pirouet.

During the year, the Nomination Committee held two meetings. Attendance of members at those meetings is shown in the table above. The function of the Nomination Committee is to consider appointments to the Board and its individual committees in the context of the requirements of the Company and to make recommendations to the Board with regard to any changes to maintain a balanced and effective Board.

Board appointments and diversity

Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company.

Board diversity, including, but not limited to, gender, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Board appointments are made based on merit and calibre, with the most appropriate candidate, who is the best fit for the Company, being nominated for appointment.

The committee believes the Directors provide, individually and collectively, the breadth of skill and experience required to manage the Company.

Succession planning and tenure of service

The committee is also obliged to consider succession planning for Directors with particular attention paid to the challenges and opportunities facing the Company.

The Board's policy regarding tenure of service is that any decisions regarding tenure should balance the need to maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to have the appropriate mix of skills, experience, age and length of service. The Board does not consider that the length of service of a Director should just be determined by time served but should be considered on an individual basis. Therefore, if a Director has served more than nine years, the Board will consider their independence carefully as part of the annual Board self-evaluation process and balance this against the benefits of maintaining continuity, knowledge and experience.

Performance evaluation

The Nomination Committee met in October 2018, to review the results of the internal evaluation of the performance of the Board, the committees, the Chairman and the Directors' performance during 2017 and 2018. The evaluation covered a range of areas including processes and effectiveness, overall strategy, corporate governance, investment management, communications with shareholders, training requirements, independence and personal development.

The Senior Independent Director also met with the Chairman to discuss the Directors' comments on the Chairman's performance evaluation. The results of the evaluation process were reported to, and discussed by, the Nomination Committee and subsequently by the Board on 18 October 2018. The evaluation considered the overall composition of the Board including plans for succession over time and the delivery of Directors' performance appraisals. At this meeting, the committee noted that each of the Directors had expressed an intention to continue in office for the foreseeable future.

Board tenure

The Board is mindful of the principles set out in the AIC Code and the introduction of the new UK Corporate Governance Code, which will apply to accounting periods beginning on or after 1 January 2019, and the principles therein as regards the tenure of non-executive Directors.

The Board considers that the length of service of a Director should be determined on an individual basis. Further, the Board recognises that length of service may not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board and where the Directors are satisfied as to maintaining a majority of independent non-executive Directors on the Board. Therefore, if a Director has served more than nine years, the Board will consider the issue of independence carefully on an annual basis as part of the Board's self-evaluation and succession planning process and will disclose its conclusions in the Director's report.

Based on the outcome of the Board performance evaluation process, the Nomination Committee agreed to recommend the re-appointment of Ian Reeves CBE as Chairman at the 2019 AGM. Mr Reeves abstained from these deliberations. The committee believes that Mr Reeves has continued to make valuable contributions to the Company and has exercised his judgement and expressed his opinions in an independent manner.

Each of the Directors will also be offering themselves for re-election at the forthcoming AGM on 14 February 2019.

Ian Reeves CBE

Chairman of the Nomination Committee

13 December 2018

REMUNERATION

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 30 September 2018.

The annual report on remuneration provides details on remuneration in the year. An ordinary resolution will be put to shareholders at the forthcoming AGM to receive and approve

the Directors' remuneration report. Although it is not a requirement under Jersey Company Law to have the annual report on remuneration approved by shareholders, the Board believes that as a Company whose shares are traded on the LSE, it is good practice for it to do so.

This report is not subject to audit.

Voting at Annual General Meeting

The Directors' remuneration report for the year ended 30 September 2017 and the Directors' remuneration policy were approved by shareholders at the AGM held on 9 February 2018; the votes cast by proxy were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes cast	% of votes cast	Number of votes cast	% of votes cast
For	354,450,660	98.54	307,553,227	85.50
Against	5,227,613	1.45	52,131,038	14.49
At Chairman's discretion	12,476	0.01	12,692	0.01
Total votes cast	359,690,749	100.00	359,696,957	100.00
Number of votes withheld	41,394	-	35,185	-

Remuneration

The Company follows the recommendation of the AIC Code, that non-executive Directors' remuneration should reflect the time commitment and responsibilities of their role and should be broadly comparable to those paid by similar companies. It is not considered appropriate that Directors' remuneration should be linked to individual performance and none of the Directors are eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company. The Board's policy is that remuneration should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments.

All non-executive Directors, including the Chairman, serve under letters of appointment and either party can terminate on three months' written notice provided that any such notice shall not expire earlier than the first anniversary of the Director's appointment. Neither the Chairman nor the non-executive Directors have any right to compensation on the early termination of their appointment.

The Company engaged independent external consultants, Trust Associates, in July 2017, to conduct a review of the Directors' remuneration. Their recommendations, which took into account the increased time commitment, responsibility and risk, together with other market comparables, formed the basis of the Directors' remuneration policy which was put forward and approved at the 2018 AGM.

The current cumulative cap on Directors' base fees is £500,000, as approved at the 2018 AGM. Directors' fees for the year for certain roles are as follows:

- Chairman: £67,500;
- Chairman of Audit and Risk Committee: £55,000;
- Chairman of Investment Committee: £55,000; and
- Director: £45,000.

The changes to the Directors' fees took effect from 1 October 2017, following the approval of the remuneration report at the 2018 AGM.

Directors' remuneration for the year ended 30 September 2018

The following table provides a summary of the key elements of the remuneration package for non-executive Directors:

Element	Purpose	Operation
Fees	To compensate the Directors for their time commitment and level of responsibility borne.	Reviewed annually and set to be broadly comparable to similar companies, subject to an annual cap in accordance with the Articles of Association.

The fees paid to the Directors in the year ended 30 September 2018 (and prior year) are set out below:

	Directors' fees (base fee) £'000	Audit and Risk Committee fees £'000	Investment Committee fees £'000	Total £'000
2018				
Ian Reeves CBE	68	5	n/a	73
David Pirouet	55	10	n/a	65
Clive Spears	55	n/a	10	65
Paul De Gruchy	45	n/a	10	55
Julia Chapman	45	n/a	10	55
Michael Gray	45	5	n/a	50
Total	313	20	30	363

	Directors' fees (base fee) £'000	Special fee for placing Audit and Risk programme Committee fees £'000	Investment Committee fees £'000	Total £'000
2017				
Ian Reeves CBE	55	5	4	64
David Pirouet	45	5	10	60
Clive Spears	45	5	n/a	60
Paul De Gruchy	40	5	n/a	55
Julia Chapman	40	5	n/a	55
Michael Gray	40	5	4	49
Total	265	30	18	343

Directors' expenses for the year totalled £12,000 (30 September 2017: £14,000). No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

Approach to remuneration

The principle adopted by the Board is that fees for future non-executive Directors should reflect the performance of the Company, as well as the responsibilities and time commitment required. The Board seeks to ensure that remuneration packages offered are designed to promote the long-term success of the Company. Any new Director would be paid on the same basis as the existing Directors' remuneration.

Company performance

In setting the Directors' remuneration, consideration is given to the size and long-term performance of the Company. The tables below highlight the comparative total shareholder return to ordinary shareholders since launch compared with the GBP Corporate Bond Index over the same period. The GBP Corporate Bond Index is used as a benchmark as the constituents are comparable in asset type with the Company's investments portfolio (being a portfolio of debt instruments). For the year ended 30 September 2018, total shareholder return was 4.8% compared with the GBP Corporate Bond Index which was 0%.

Cumulative performance to 30 September 2018

Period	Three months	Six months	One year	Three years	Four years	Since launch
GCP Infrastructure Investments Limited	5.5%	9.0%	4.8%	23.5%	35.5%	107.3%
GBP Corporate Bond Index	(0.3%)	(0.6%)	0.0%	16.3%	21.2%	66.8%

Annual performance to 30 September 2018

Period	Year ended 30 September 2018	Year ended 30 September 2017	Year ended 30 September 2016	Year ended 30 September 2015
GCP Infrastructure Investments Limited	4.8%	1.9%	15.6%	9.7%
GBP Corporate Bond Index	0.0%	0.2%	16.1%	4.2%

Source: Bloomberg. Basis: percentage growth, shareholder total return with net income reinvested.

Relative importance of the spend on pay

The table below sets out, in respect of the financial years ended 30 September 2018 and 30 September 2017, Directors' fees for the Company as a relative proportion of the Company's total expenses for the year:

	30 September September 2018	30 September 2017
Percentage of expenses	3.32%	3.43%

No other remuneration or compensation was paid or is payable by the Company during the year to any of the Directors.

Directors' share interests

As at 30 September 2018, the interests of the Directors are set out below:

	As at 30 September 2018 Number of shares	As at 30 September 2017 Number of shares
Clive Spears	54,423	26,531
Paul De Gruchy	504,938	474,390

REMUNERATION

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy is put to a shareholder vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. A resolution to approve this remuneration policy was proposed and passed at the 2018 AGM. The remuneration policy provisions set out below will apply until they are put to shareholders for renewal of that approval.

Directors' remuneration policy

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments.

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and the Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There are no performance conditions attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors. Under the Directors' letters of appointment, there is no notice period and no compensation is payable to a Director on leaving office.

It is the Board's policy that Directors do not have service contracts, but Directors are provided with a letter of appointment as a non-executive Director.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, an additional fee that is paid to each of the Directors who chair the Audit and Risk Committee, and the Investment Committee and a base fee for other Directors. The fee for any new Director appointed will be determined on the same basis.

The basic and additional fees payable to Directors in respect of the year ended 30 September 2018 are set out above.

Approval

This remuneration report and policy were approved by the Board on 13 December 2018 and signed on its behalf by:

Ian Reeves CBE
Chairman

13 December 2018

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, primarily through its Investment Adviser and Corporate Broker, engages in ongoing communication with its shareholders via daily market interactions and shareholder, analyst and marketing presentations. The Board invites shareholders to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and to understand shareholders' issues and concerns. The Chairman of the Board and the Chair of each of the committees attend general meetings of the Company to answer any questions posed by shareholders.

The Board and Investment Adviser held an investor round table on 2 October 2018. The shareholders were welcomed by the Chairman and received presentations from the Chairs of the Audit and Risk Committee and the Investment Committee. The Investment Adviser also presented on the Company's portfolio and provided shareholders with a market update.

Further communication with shareholders is achieved through the annual and half-yearly reports, news releases via the LSE and the Company's website. The Company's annual and half-yearly reports are dispatched to shareholders by post and are also available to download from the Company's website.

This information is supplemented by the quarterly calculation and publication of the NAV of the Company's shares on the LSE and the publication of a quarterly factsheet by the Investment Adviser.

In the annual report, the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The various sections of the strategic report above provide further information. Communication of up-to-date information is provided through the Company's website.

Annual General Meeting

The 2018 AGM of the Company was held on 9 February 2018. Resolutions 1 to 16 related to ordinary business, which are put to the shareholders annually. Resolutions 17 to 18 related to special business as passed by the shareholders as follows:

- that the Company be authorised to purchase its own shares; and
- that the Directors be authorised to allot and issue up to 79,132,684 ordinary shares, as if pre-emption rights in the Company's Articles did not apply.

These shareholder authorities will expire at the 2019 AGM.

The next AGM will be held on 14 February 2019 at the registered office of the Company; 12 Castle Street, St Helier, Jersey JE2 3RT.

A separate notice convening the AGM will be distributed to shareholders on or around 8 January 2019, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will be published on the Company's website.

Extraordinary General Meeting

The Company held an EGM on 9 February 2018, at which shareholders approved that the Company be generally and unconditionally authorised to allot and issue an aggregate of up to 79,132,684 ordinary shares and/or C shares for cash.

Statement of voting at general meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against any resolution at the AGM, the Company will consider what, if any, actions it intends to take going forward.

At the last AGM, 98.54% of shareholders voted for the resolution to approve the Directors' remuneration report and 85.5% voted for the resolution to approve the Directors' remuneration policy.

DIRECTORS' REPORT

The corporate governance statement above forms part of this Directors' report.

The Directors are pleased to present their annual report and the audited financial statements for the year ended 30 September 2018.

Principal activity and business review

The strategic report has been prepared by the Directors and should be read in conjunction with the Chairman's statement and forms part of the annual report to shareholders.

Corporate governance

The corporate governance statement above forms part of this Directors' report.

Directors

The Directors in office at 30 September 2018 are detailed above.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the remuneration report detailed above.

Share capital

During the year, the Company issued 85,098,275 ordinary shares of £0.01. Details of the movements in share capital during the year are set out in the statement of changes in equity below and in note 16.

At 30 September 2018, the Company's issued share capital comprised 876,065,400 ordinary shares of £0.01, none of which were held in treasury. At general meetings of the Company, every holder shall have one vote in respect of every ordinary share.

Since July 2017, issuers, including the Company, have been permitted to issue up to 20% (previously 10%) of the same class of share without being obliged to publish a prospectus document, subject to certain restrictions regarding public offerings.

On 9 February 2018, the Company obtained shareholder approval permitting it to issue up to 79,132,684 ordinary shares for cash on a non pre-emptive basis, representing 20% of the ordinary shares then in issue. This shareholder authority will expire at the 2019 AGM.

To date, the Company has benefited from such authorities as the ability to raise additional equity capital promptly has enabled it to take advantage of investment opportunities as they arise. The resultant increase to the Company's market capitalisation has broadened the Company's investor base and enhanced the secondary market liquidity in its ordinary shares, whilst spreading its fixed running costs across a wider asset base.

The Company will seek a renewal of this shareholder approval at the meetings of the Company in February 2019 in respect of the disapplication of pre-emption rights over 20% of its ordinary shares in issue which it may then be able to issue by way of placings in the ordinary manner. This is expected to achieve cost savings for the Company in respect of prospectus documentation, whilst continuing to provide it with the ability to take advantage of investment opportunities as they arise and further broaden its investor base over time. Further details will be set out in notices to be posted to shareholders in January 2019 in which shareholders will be asked to approve the disapplication of pre-emption rights for these purposes.

Dividends

On 22 October 2018, the Directors announced a fourth interim dividend of 1.9 pence per ordinary share, which was paid on 3 December 2018 to ordinary shareholders on the register on 2 November 2018.

The Company offered a scrip dividend alternative under which shareholders elected to receive new ordinary shares in lieu of the cash dividend.

The price of a new ordinary share to be issued under the scrip dividend alternative was calculated by taking the average of the Company's closing middle market quotations of an ordinary share for the five consecutive dealing days commencing on the ex-dividend date.

In order to streamline the scrip dividend process and reduce costs, the Company publishes a single shareholder circular on an annual basis in respect of its scrip dividend facility and this is made available for viewing on the Company's website.

This annual circular will contain all relevant information for shareholders, including an expected timetable for the quarterly scrip dividends in respect of the upcoming financial year. The Company currently expects to publish the scrip dividend circular in respect of the financial year ending 30 September 2019 on or around 24 January 2019.

Significant voting rights

At 30 September 2018, the Company had been informed of the following holdings representing more than 3% of the voting rights of the Company:

Name	Shares held	% of total voting rights
Insight Investment Management	63,321,383	7.23
Rathbone Investment Management	50,822,593	5.80
Investec Wealth & Investment (RS)	50,403,263	5.75
Tredje AP Fonden	40,310,562	4.60
Close Asset Management	38,827,081	4.43
West Yorkshire Pension Fund	38,344,860	4.38
Brewin Dolphin	33,125,681	3.78
BMO Global Asset Management	28,760,095	3.28
Quilter Cheviot Investment Management	28,045,329	3.20

The table of significant shareholders disclosed above forms part of note 2.2 ('segmental information') in the financial statements.

The Company has not been informed of any changes to the interests between 30 September 2018 and the date of this report.

Share repurchases

No shares have been bought back in the year. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 9 February 2018 and expires on the date of the next AGM.

The Directors are proposing that their authority to buy back shares be renewed at the forthcoming 2019 AGM.

Treasury shares

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

Political donations

The Company made no donations to political parties or organisations during the year and no political expenditure was incurred.

Auditor

The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

KPMG has expressed its willingness to continue as Auditor of the Company and resolutions for its re-appointment and to authorise the Board to determine its remuneration will be proposed at the forthcoming AGM.

Financial risk management

Information about the Company's financial risk management objectives and policies is set out in note 18 to the financial statements.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. Interest income capitalised during the year is disclosed in note 3 to the audited financial statements. The Directors confirm that there are no other disclosures required in relation to Listing Rule 9.8.4.

Ian Reeves CBE
Chairman

13 December 2018

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Directors' responsibility statement

In accordance with the FCA's Disclosure and Transparency Rules, each of the Directors confirms that to the best of his or her knowledge that:

- the financial statements have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report, including the Directors' report, includes a fair, balanced review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The annual report and financial statements, taken as a whole, are considered by the Board to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Ian Reeves CBE
Chairman

13 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCP INFRASTRUCTURE INVESTMENTS LIMITED

Our opinion is unmodified

We have audited the financial statements of GCP Infrastructure Investments Limited (the 'Company'), which comprise the statement of financial position as at 30 September 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2018, and of its financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Basis for Opinion

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

Key Audit Matters: our assessment of the 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

Valuation of financial assets at fair value through profit and loss £1,130,392,000 or 99.8% of total assets; (2017 £899,258,000 or 99.2% of total assets)

Refer to the Audit and Risk committee report, note 2.2 - significant accounting judgements and estimates, note 11 - financial assets at fair value through profit or loss and note- 18 financial instruments

Basis:

99.8% of the Company's total assets is represented by the fair value of a portfolio of unquoted infrastructure debt and/or similar investments domiciled in the United Kingdom (the 'Investments'). The Company's estimation of the fair value of the Investments involves using a discounted cash flow methodology, where the inputs and assumptions such as amounts and timings of cash flows, the use of appropriate discount rates and the selection of appropriate values surrounding uncertain future events are subjective.

Risk:

There is a risk of error associated with:

- Estimating the timing and amounts of long term forecasted cash flows; and
- The selection and application of appropriate assumptions and other inputs.

Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different fair value being attributed to the Investments.

Response:

Our audit procedures included:

Internal controls:

We tested the design and implementation of controls adopted by the Company over the review, challenge and subsequent approval of the key assumptions made in estimating the fair value of Investments.

Evaluating the competency of experts engaged by management:

We evaluated the competency of the Company's third party Valuation Agent in the context of their ability to appropriately challenge and review the fair value of the Investments prepared by the Company, by assessing their professional qualifications, experience and independence from the Company.

Benchmarking valuation discount rates:

We challenged, with the support of our own valuation specialist, the reasonableness of discount rates applied in the valuation by benchmarking these to independent market data including discount rates used by peers, recent market transactions and our valuation specialist's experience in valuing similar investments.

Assessing observable inputs:

We performed substantive procedures in relation to the Company's determination of fair value on a risk based selection of Investments, which included:

- compared the long term forecasted cash flows included in the discounted cash flow model to the terms of the original loan agreements such as the repayment profile, repayment premium, loan term and the coupon; and
- assessed the to-date financial performance by comparing actual cash flows received to expected cash flows in the context of determining the accuracy of cash flow forecasts included in the discounted cash flow model.

Model integrity:

Using a selection of data routines, we tested the discounted cash flow model for integrity, logic and for material formula errors.

Assessing disclosures:

We considered the adequacy of the Company's disclosures in note 18.3 in respect of the fair value of Investments, specifically the estimates and judgements made by the Company in arriving at that fair value. We also reviewed the disclosure of the degree of sensitivity of the fair value to a reasonably possible change in the discount rate.

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

Materiality for the financial statements as a whole was set at £11,000,000 (2017: £8,500,000), determined with reference to a benchmark of Total Assets of £1,100,000,000 (2017: £907,000,000), of which it represents 1% (2017: 1%).

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £500,000 (2017: £450,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2.1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in this respect.

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

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

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

Disclosures of principal risks and longer term viability

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report to you in these respects.

Opinions on other matters

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

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven David Stormonth

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditors, Jersey

13 December 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
	Notes		
Income			
Net income/gains on financial assets at fair value through profit or loss	3	86,625	55,361
Other income		861	1,496
Total income		87,486	56,857
Expenses			
Investment advisory fees	19	(8,420)	(6,978)
Operating expenses	5	(2,528)	(2,136)
Total expenses		(10,948)	(9,114)
Total operating profit before finance costs		76,538	47,743
Finance costs			
Finance expenses	6	(3,120)	(1,093)
Total profit and comprehensive income for the year		73,418	46,650
Basic and diluted earnings per share (pence)	10	8.64	6.36

All of the Company's results are derived from continuing operations.

The notes are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		As at 30 September 2018 £'000	As at 30 September 2017 £'000
	Notes		
Assets			
Cash and cash equivalents	14	2,335	7,631
Other receivables and prepayments	12	265	53
Financial assets at fair value through profit or loss	11 & 18	1,130,392	899,258
Total assets		1,132,992	906,942
Liabilities			
Other payables and accrued expenses	13	(2,743)	(2,499)
Interest bearing loans and borrowings	15	(144,724)	(29,883)
Total liabilities		(147,467)	(32,382)
Net assets		985,525	874,560
Equity			
Share capital	16	8,760	7,909
Share premium	16	941,706	843,036
Capital redemption reserve	17	101	101
Retained earnings		34,958	23,514
Total equity		985,525	874,560
Ordinary shares in issue	16	876,065,400	790,967,125
NAV per ordinary share (pence per share)		112.49	110.57

Signed and authorised for issue on behalf of the Board of Directors

Ian Reeves CBE
Chairman

David Pirouet FCA
Director

13 December 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016		6,600	694,406	101	22,729	723,836
Total profit and comprehensive income for the year		-	-	-	46,650	46,650
Equity shares issued	16	1,309	160,733	-	-	162,042
Share issue costs	16	-	(2,534)	-	-	(2,534)
Transfer to retained earnings	16	-	(5,752)	-	5,752	-
Dividends	9	-	(3,817)	-	(51,617)	(55,434)
At 30 September 2017		7,909	843,036	101	23,514	874,560
Total profit and comprehensive income for the year		-	-	-	73,418	73,418
Equity shares issued	16	851	102,939	-	-	103,790
Share issue costs	16	-	(1,396)	-	-	(1,396)
Dividends	9	-	(2,873)	-	(61,974)	(64,847)
At 30 September 2018		8,760	941,706	101	34,958	985,525

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
	Notes		
Cash flows from operating activities			
Total operating profit before finance costs		76,538	47,743
Purchase of financial assets		(314,119)	(227,093)
Repayment of financial assets		25,482	35,467
Proceeds from sale of financial assets		67,547	-
Net unrealised gains on investments at fair value through profit or loss		(812)	(7,950)
Realised gains on sale of investments at fair value through profit or loss		(9,232)	-
Increase in other payables and accrued expenses		350	458
(Increase)/decrease in other receivables and prepayments		(197)	250
Net cash flow used in operating activities		(154,443)	(151,125)
Cash flows from financing activities			
Proceeds from issue of shares		98,604	157,466
Proceeds from interest bearing loans and borrowings	15	192,178	50,000
Repayment of interest bearing loans and borrowings	15	(76,089)	(46,500)

Dividends paid	9	(61,057)	(53,392)
Finance costs paid		(4,489)	(875)
Net cash flow generated from financing activities		149,147	106,699
Decrease in cash and cash equivalents		(5,296)	(44,426)
Cash and cash equivalents at beginning of the year		7,631	52,057
Cash and cash equivalents at end of the year		2,335	7,631
Net cash flow used in operating activities includes:			
Investment income received	3	55,776	44,274
Deposit interest received	3	18	31
Non-cash items			
Purchase of financial assets (capitalised loan interest and principal indexation)	3	(20,805)	(3,137)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. General information

GCP Infrastructure Investments Limited is a public company incorporated and domiciled in Jersey on 21 May 2010 with registration number 105775. The Company is governed by the provisions of the Law and the CIF Law.

The Company is a closed-ended investment company and its ordinary shares are traded on the Main Market of the London Stock Exchange.

The Company makes infrastructure investments, typically by acquiring interests in predominantly debt instruments issued by infrastructure Project Companies (or by their existing lenders or holding vehicles) that are contracted by UK public sector bodies to design, finance, build and operate infrastructure projects and by investing in other assets with a similar economic effect to such instruments.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with IFRS as adopted by the EU. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

New standards, amendments and interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2017:

- IAS 7 Disclosure Initiative (Amendment to IAS 7) (effective for annual periods beginning on or after 1 January 2017): The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 15.

There is no material impact to these financial statements following this change to IAS 7.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 October 2018, but the Company has taken the decision not to early adopt them. The following standards are the most relevant to the Company:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018): will replace the existing guidance in IAS 39, Financial Instruments. IFRS 9 includes the new impairment requirements that provide users with useful information about an entity's expected credit losses on financial instruments. These new requirements incorporate the classification and measurement requirements, the impairment requirements and the general hedge accounting requirements.
- Financial assets such as 'financial assets at fair value through profit or loss' are currently measured at fair value. This classification is still relevant under the new standard. Therefore there will be no impact on the accounting for financial assets at fair value through profit or loss. The interest bearing loans and borrowings (note 15) and other receivables and prepayments (note 12) are accounted for at amortised cost and meet the criteria for classification at amortised cost under IFRS 9, hence there will be no change in the accounting for these assets and liabilities.
- There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. As financial assets held by the Company are classified as fair value through profit or loss this has no impact to current disclosure.
- As a result of the above the Directors do not expect this standard to have a material impact on the financial statements of the Company on adoption.
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018): the objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- Due to the current application of IAS 39 for the recognition and measurement of net income/gains on financial assets at fair value through profit or loss, which comprises interest income received and changes in the fair value of the investments that do not fall within the scope of IFRS 15, the Directors do not expect this standard to have a material impact on the financial statements of the Company.

Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a material impact on the Company's financial statements.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future and for a period of at least twelve months from the date of the authorisation of these financial statements. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis. In addition to a going concern assessment, the Directors have undertaken a longer-term assessment of the Company, the results of which are in the viability statement.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

(a) Critical accounting estimates and assumptions

Fair value of instruments not quoted in an active market

The valuation process is dependent on assumptions and estimates which are significant to the reported amounts recognised in the financial statements taking into account the structure of the Company and the extent of its investment activities (refer to note 18).

(b) Critical judgements

Assessment as an investment entity

The Directors have determined that the SPVs through which the Company invests fall under the control of the Company in accordance with the control criteria prescribed by IFRS 10 and therefore meet the definition of subsidiaries. In addition, the Directors continue to hold the view that the Company meets the definition of an investment entity and therefore can measure and present the SPVs at fair value through profit or loss. This process requires a significant degree of judgement taking into account the complexity of the structure of the Company and extent of investment activities (refer to note 11).

Functional and presentation currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates.

The primary objective of the Company is to generate returns in Pound Sterling, its capital-raising currency. The Company's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have adopted it as the Company's presentation currency. All values have been rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Segmental information

For management purposes, the Company is organised into one main operating segment. All of the Company's activities are interrelated and each activity is dependent on the

others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole. The following table analyses the Company's underlying operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the underlying counterparty.

	30 September 2018 £'000	30 September 2017 £'000
Channel Islands	18	31
United Kingdom	87,468	56,826
Total	87,486	56,857

Significant shareholders are disclosed in the Directors' report above.

3. Operating income

The table below analyses the Company's operating income for the year per investment type:

	30 September 2018 £'000	30 September 2017 £'000
Interest on cash and cash equivalents	18	31
Net income/gains on financial assets at fair value through profit or loss	86,625	55,361
Other income	843	1,465
Total	87,486	56,857

The table below analyses the net income/gains derived from the Company's financial assets at fair value through profit or loss:

	30 September 2018 £'000	30 September 2017 £'000
Loan interest - cash	55,776	44,274
Loan interest - capitalised	20,242	3,137
Principal indexation	563	-
Unrealised gains on investments at fair value through profit or loss	28,106	21,385
Unrealised losses on investments at fair value through profit or loss	(27,294)	(13,435)
Realised gain on sale of financial assets at fair value through profit or loss	9,232	-
Total	86,625	55,361

The table below analyses the unrealised movements through profit and loss by the type of movement:

	30 September 2018 £'000	30 September 2017 £'000
Unrealised gains on investments at fair value through profit or loss	28,106	21,385
Unrealised losses on investments at fair value through profit or loss	(27,294)	(13,435)
Net unrealised movements on investments at fair value through profit and loss	812	7,950
Upward movements in valuation due to reductions in discount rates	23,563	3,991
Downward movements in valuation due to reduced forecast cash flows	(21,441)	(6,418)
Other unrealised movements on investments at fair value through profit and loss ¹	(1,310)	10,377
Net unrealised movements on investments at fair value through profit and loss	812	7,950

1. Other unrealised movements on investments at fair value through profit and loss are attributable to the timing of debt service payments.

Accounting policy

Interest revenue and interest expense other than interest received on financial assets at fair value through profit or loss are recognised on an accruals basis in the statement of comprehensive income. Interest income on financial assets is included in the net income/gains on financial assets at fair value through profit or loss.

Other income includes early prepayment fees and is recognised in the financial statements when the contractual provisions are met and the amounts become due.

4. Auditor's remuneration

	30 September 2018 £'000	30 September 2017 £'000
Audit fees	62	66
Non-audit fees	18	15
Total	80	81

5. Operating expenses

	30 September 2018 £'000	30 September 2017 £'000
Corporate administration, Depositary and Registrar fees	1,088	985
Legal and professional fees	228	115
Valuation Agent fees	195	305
Directors' remuneration and expenses ¹	375	327
Advisory fees	64	63
Other	578	341
Total	2,528	2,136

1. Refer to note 7.

Key service providers other than the Investment Adviser (refer to note 19 for disclosures of the transactions with the Investment Adviser)

Administrator and Company Secretary

The Company has appointed Link Alternative Fund Services (Jersey) Limited (formerly known as Capita Financial Administrators (Jersey) Limited) as Administrator and Company Secretary. Fund accounting, administration services and company secretarial services are provided to the Company pursuant to an agreement dated 31 January 2014. All Directors have access to the advice and services of the Company Secretary, who provides guidance to the Board, through the Chairman, on governance matters. The fee for the provision of administration and company secretarial services during the year was £728,000 (30 September 2017: £654,000) of which £60,000 remains payable at year end (30 September 2017: £55,000).

Depositary

Depositary services are provided to the Company by Link Corporate Services (Jersey) Limited (formerly known as Capita Trust Company (Jersey) Limited) pursuant to an agreement dated 21 July 2014. The fee for the provision of these services during the year was £289,000 (30 September 2017: £244,000) of which £24,000 remains payable at year end (30 September 2017: £22,000).

Registrar

Registrar services are provided to the Company by Link Market Services (Jersey) Limited (formerly known as Capita Registrars (Jersey) Limited) pursuant to an agreement dated 28 June 2010. The fee for the provision of these services during the year was £71,000 (30 September 2017: £87,000) of which £10,000 remains payable at year end (30 September 2017: £15,000).

Accounting policy

All operating expenses are charged to the statement of comprehensive income and are accounted for on an accruals basis.

6. Finance expenses

	30 September 2018 £'000	30 September 2017 £'000
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Finance expenses	3,120	1,093
Total	3,120	1,093

Accounting policy

Finance expenses in the statement of comprehensive income comprises loan arrangement and commitment fees which are accounted for on an accruals basis along with interest accrued on the facility incurred in connection with the borrowing of funds. Arrangement fees are amortised over the life of the facility.

7. Directors' remuneration

The Directors of the Company are remunerated on the following basis:

	30 September 2018 £'000	30 September 2017 £'000
Ian Reeves CBE	73	59
David Pirouet	65	55
Clive Spears	65	55
Paul De Gruchy	55	50
Julia Chapman	55	50
Michael Gray	50	44
Directors' expenses	363	313
Total	12	14
	375	327

During the prior year, in addition to the amounts disclosed above, an amount of £30,000 in aggregate was paid to the Directors as a fee for the placing programme. This amount was charged directly within issue costs to the statement of changes in equity. No such fees have been incurred during the current year.

Full details of the Directors' remuneration policy can be found in the Directors' remuneration report above.

8. Taxation

Profits arising in the Company for the year ended 30 September 2018 are subject to tax at the standard rate of 0% (30 September 2017: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Dividends paid for the year ended 30 September 2018 were 7.6 pence per share (30 September 2017: 7.6 pence per share) as follows:

Quarter ended	Dividend	Pence	30 September 2018 £'000	30 September 2017 £'000
Current year dividends				
30 September 2018	2018 fourth interim dividend	1.9	-	-
30 June 2018	2018 third interim dividend	1.9	16,620	-
31 March 2018	2018 second interim dividend	1.9	16,606	-
31 December 2017	2018 first interim dividend	1.9	16,593	-
Total			7.6	
Prior year dividends				
30 September 2017	2017 fourth interim dividend	1.9	15,028	-
30 June 2017	2017 third interim dividend	1.9	-	15,023
31 March 2017	2017 second interim dividend	1.9	-	13,941
31 December 2016	2017 first interim dividend	1.9	-	13,929
Total			7.6	
30 September 2016	2016 fourth interim dividend	1.9	-	12,541
Dividends in statement of changes in equity			64,847	55,434
Dividends settled in shares ¹			(3,790)	(2,042)
Dividends in cash flow statement			61,057	53,392

1. The dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

On 19 October 2018, the Company declared a fourth interim dividend of 1.9 pence per ordinary share amounting to £16,645,000 which was paid on 3 December 2018 to ordinary shareholders on the register as at 2 November 2018.

Accounting policy

In accordance with the Company's constitution, in respect of the ordinary shares, the Company will distribute the income it receives to the fullest extent that is deemed appropriate by the Directors.

In declaring a dividend, the Directors consider the payment based on a number of factors, including accounting profit, fair value treatment of investments held, future investments, reserves, cash balances and liquidity. The payment of a dividend is considered by the Board and is declared on a quarterly basis. Dividends due to the Company's shareholders are recognised when they become payable.

In the year ended 30 September 2017, the dividend policy was amended so that dividends payable on new shares issued in the respective quarterly period are funded partly from share premium, to reflect the premium received on the issue of those shares, and partly from retained earnings to reflect the time over which those proceeds have been fully invested. The funding of dividends out of share premium shall not exceed the share premium to NAV of the relevant share issue. During the prior financial year, an adjustment relating to the dividends paid from share premium in previous years (see note 16) was made between share premium and retained reserves.

10. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Total profit £'000	Weighted average number of ordinary shares	Pence per share
Year ended 30 September 2018			
Basic and diluted earnings per ordinary share	73,418	850,004,870	8.64
Year ended 30 September 2017			
Basic and diluted earnings per ordinary share	46,650	733,039,703	6.36

11. Financial assets at fair value through profit or loss

	30 September 2018 £'000	30 September 2017 £'000
Opening balance	899,258	699,682
Purchases of financial assets	377,360	227,093
Repayments of financial assets	(50,231)	(35,467)
Proceeds from sale of financial assets	(106,039)	-
Unrealised gain on investments at fair value through profit or loss	28,106	21,385
Unrealised loss on investments at fair value through profit or loss	(27,294)	(13,435)
Realised gain on sale of financial assets at fair value through profit or loss	9,232	-
Closing balance	1,130,392	899,258

The Facilities are secured against the portfolio of assets held by the Company (refer to note 15).

The 'purchases of financial assets', 'repayments of financial assets' and 'proceeds from sale of financial assets' during the year include non-cash transactions of £63,241,000, £24,749,000 and £38,492,000 respectively.

Accounting for subsidiaries

The Company's investments are made through a number of SPVs (refer to note 24) which are domiciled in the UK. The Company does not hold equity interests in these SPVs; the Investment Adviser holds a nominal equity position in each SPV and operates the SPVs on a day-to-day basis. The Company owns 100% of the loan notes issued by the SPVs with the exception of GCP Rooftop Solar 6 Limited (40.8%) and FHW Dalmore (Salford Pendleton Housing) plc (13.3%).

The Directors have made an assessment in regard to whether the Company controls the SPVs and whether the SPVs meet the definition of subsidiary companies in accordance with the definition of IFRS 10. The Directors have made an assessment on whether the Company as an investor controls the SPVs under each of the criteria within IFRS 10. For a schedule of SPVs held at year end, please refer to note 24.

The Directors are of the opinion that the Company demonstrates all three of the criteria for all SPVs which therefore determines these SPVs to be considered subsidiary companies within the definition of IFRS 10, with the exception of GCP Rooftop Solar 6 Limited and FHW Dalmore (Salford Pendleton Housing) plc, which are considered to be associates as the Company has significant influence over the relevant activities of the SPV through similar arrangements.

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate the entities. The criteria which define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Directors have concluded that the Company continues to meet the characteristics of an investment entity, in that it has more than one investor and its investors are not related parties; it holds a portfolio of investments, predominantly in the form of loan securities, which generates returns through interest income and capital appreciation; the Company reports to its investors via quarterly investor information and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual reports.

Accounting policy

Holdings of the loan notes held by the Company are shown as financial assets at fair value through profit or loss in the statement of financial position, which in the opinion of the Directors represent the fair value of the SPVs as any other net assets held in the SPVs at year end are immaterial.

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company transfers its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

After initial measurement, the Company measures financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in profit or loss in the statement of comprehensive income.

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. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referenced to appropriate current market data, and discounted cash flow analysis, at all times making as much use of available and supportable market data as possible.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18.

12. Other receivables and prepayments

	30 September 2018 £'000	30 September 2017 £'000
Other receivables and prepayments	265	53
Total	265	53

Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of the contract.

13. Other payables and accrued expenses

	30 September 2018 £'000	30 September 2017 £'000
Investment advisory fees	2,258	1,883
Other payables and accrued expenses	485	616
Total	2,743	2,499

Accounting policy

Payables are recognised initially at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method.

14. Cash and cash equivalents

	30 September 2018 £'000	30 September 2017 £'000
Cash and cash equivalents	2,335	7,631
Total	2,335	7,631

Cash is held at a number of financial institutions to spread credit risk and cash awaiting investment is held on behalf of the Company at banks carrying a minimum rating of A-1, P-1 or F1 from Standard & Poor's, Moody's or Fitch respectively, or in one or more similarly rated money market or short-dated gilt funds. RBSI are currently rated F2 by Fitch. The Directors, together with the Depositary, closely monitor this aspect and take comfort from the fact that cash is generally held on a short-term basis, pending subsequent investment. Furthermore, the amount of working capital that may be held at RBSI is limited to £3.5 million, with any excess uninvested/surplus cash to be transferred to other financial institutions with the minimum credit ratings described above. It is also recognised that the arrival of ring-fenced banking had an impact on the availability of A-rated banks. Cash held by institutions at year end is shown in the table below:

	30 September 2018 £'000	30 September 2017 £'000
RBSI Cash Management Account	1,441	1,568
Lloyds Money Market Call Account	884	2,670
RBSI Capital and Interest Account	10	3,393
Total	2,335	7,631

Accounting policy

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

15. Interest bearing loans and borrowings

	30 September 2018 £'000	30 September 2017 £'000
Loan facilities	146,089	30,000
Unamortised arrangement fees	(1,365)	(117)
Total	144,724	29,883

The table below analyses the movement for the year:

	30 September 2018 £'000	30 September 2017 £'000
Opening balance	30,000	26,500
Proceeds from interest bearing loans and borrowings	192,178	50,000
Payments of interest bearing loans and borrowings	(76,089)	(46,500)
Total	146,089	30,000

On 17 January 2018, the Company drew down a further £25 million from its existing revolving Facilities with RBSI resulting in a total amount drawn down of £55 million. This amount was fully repaid on 27 March 2018 when the facility expired.

During the year ended 30 September 2018, the Company entered into three new credit facilities (the 'Facilities'), which are detailed below.

On 27 March 2018, the Company entered into a three-year £75 million Facilities arrangement with RBSI and ING ('Facility A'), a three-year £50 million fixed-term facility with RBSI and ING ('Facility B') and a one-year £25 million revolving facility with RBSI ('Facility C'). The initial cost of the Facilities of £1,460,000 (including the arrangement and co-ordination fee of £1,425,000) were offset against the amount drawn down. On 27 March 2018, Facility A and Facility B were fully drawn and Facility C had £16,535,000 drawn down. An additional arrangement fee of 0.20% (£50,000) became payable on Facility C and was paid on 12 July 2018, as this facility was not repaid within the first three months.

On 27 July 2018 and 31 August 2018 the Company completed further drawdowns of £1,150,000 and £3,404,000 respectively from Facility C.

On 27 September 2018, the Company made an amendment to Facility A with RBSI and ING to include a third lender, NIBC, and an arrangement fee of £225,000 was paid. As part of the amendment, Facility A was increased by £25 million to £100 million. On the same day, the amount drawn on Facility C of £21,089,000 was repaid and cancelled. The repayment of Facility C was offset against a drawdown from Facility A for the same amount.

As at 30 September 2018, Facility A had £96,089,000 drawn down and Facility B was fully drawn.

All amounts drawn under the Facilities are to be used in or towards the making of investments in accordance with the Company's investment policy.

Interest on amounts drawn under Facility A and Facility B is charged at LIBOR plus 1.9% per annum. Interest on amounts drawn under Facility C was charged at LIBOR plus 1.6% per annum. A commitment fee is payable on undrawn amounts of 0.67% on Facility A and a fee of 0.56% was payable on undrawn amounts on Facility C before cancellation. No commitment fee is payable on Facility B as this is fixed to be fully drawn for the life of the loan.

The Facilities with RBSI, ING and NIBC are secured against the portfolio of assets held by the Company. Facility A and Facility B are repayable in March 2021.

The Facilities include loan-to-value and interest cover covenants that are measured at Company level. The Company has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 September 2018.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated under the gross and commitment methods, in accordance with the AIFMD.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 30 September 2018; the figures are as follows:

	Maximum limit	Actual exposure
Leverage exposure		
Gross method	1.20	1.15
Commitment method	1.20	1.15

The leverage figures disclosed above represent leverage calculated under the AIFMD methodology as follows:

	Gross £'000	Commitment £'000
Investments at fair value through profit or loss	1,130,392	1,130,392
Cash and cash equivalents	-	2,335
Total exposure under AIFMD	1,130,392	1,132,727
Total shareholders' funds	985,525	985,525
Leverage (ratio)	1.15	1.15

The Company's leverage limit under the AIFMD is 1.20, which equates to a gearing limit of 20%. The Company has maintained sufficient headroom against the limit throughout the year.

Accounting policy

Borrowings are recognised initially at fair value, less attributable costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Transaction costs are spread over the term of the facility.

16. Authorised and issued share capital

	30 September 2018		30 September 2017	
Share capital	Number of shares	£'000	Number of shares	£'000
Ordinary shares issued and fully paid				
At 1 October 2017/2016	790,967,125	7,909	660,025,921	6,600
Equity shares issued through:				
Dividends settled in shares ¹	3,131,061	31	1,615,097	16
Placing programme	81,967,214	820	129,326,107	1,293
Total	876,065,400	8,760	790,967,125	7,909

1. The dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

Share capital represents the nominal amount of the Company's ordinary shares in issue.

The Company is authorised to issue 1.5 billion ordinary shares, 300 million C shares and 300 million deferred shares, each having a par value of one pence per share.

	30 September 2018 £'000	30 September 2017 £'000
Share premium		
Premium on ordinary shares issued and fully paid		

Opening balance	843,036	694,406
Premium on equity shares issued through:		
Dividends settled in shares ¹	3,759	2,026
Placing programme	99,180	158,707
Share issue costs charged to premium	(1,396)	(2,534)
Dividends paid	(2,873)	(3,817)
Transfer to retained earnings	-	(5,752)
Total	941,706	843,036

1. The dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

Share premium represents amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscription.

Dividends payable on new shares issued in the respective quarterly period are funded partly from share premium, to reflect the premium received on the issue of those shares, and partly from retained earnings to reflect the time over which those proceeds have been fully invested. The funding for dividends out of share premium shall not exceed the share premium to NAV of the relevant share issue. In the prior year an adjustment relating to the dividends paid from share premium in previous years was made between share premium and retained reserves.

The Company's share capital is represented by one class of ordinary shares. Quantitative information about the Company's share capital is provided in the statement of changes in equity. The scrip reference price is calculated as the average of the Company's closing middle market price, as derived from the Daily Official List of the London Stock Exchange, for the five consecutive business days commencing on the ex-dividend date.

Date	Number of shares issued	Issued share price	Description	Period
1 December 2017	359,717	122.52p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 July 2017 to 30 September 2017
16 January 2018	81,967,214	122.00p	Ordinary shares issued by way of £100 million raised under the 2017 placing programme	n/a
23 February 2018	722,427	119.16p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 October 2017 to 31 December 2017
5 June 2018	688,615	119.12p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 January 2018 to 31 March 2018
24 August 2018	1,360,302	122.60p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 April 2018 to 30 June 2018
Total	85,098,275			

At 30 September 2018, the Company's issued share capital comprised 876,065,400 ordinary shares, none of which were held in treasury.

The ordinary shares carry the right to dividends out of the profits available for distribution attributable to each share class, if any, as determined by the Directors. Each holder of an ordinary share is entitled to attend meetings of shareholders and, on a poll, to one vote for each share held.

Accounting policy

The Directors of the Company continually assess the classification of the ordinary shares. If the ordinary shares cease to have all the features or meet all the conditions set out to be classified as equity, they will be reclassified as financial liabilities and measured at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. Transaction costs incurred by the Company in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

17. Capital redemption reserve

	30 September 2018	30 September 2017
	£'000	£'000
At 1 October	101	101
At 30 September	101	101

The Company is required by the Law to establish and maintain this reserve on the redemption or repurchase of its own shares.

18. Financial instruments

The table below sets out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments under IAS 39.

	30 September 2018	30 September 2017
	£'000	£'000
Financial assets		
Cash and cash equivalents	2,335	7,631
Other receivables and prepayments	265	53
Financial assets at amortised cost	2,600	7,684
Financial assets held at fair value through profit or loss	1,130,392	899,258
Total	1,132,992	906,942
Financial liabilities		
Other payables and accrued expenses	(2,743)	(2,499)
Interest bearing loans and borrowings	(144,724)	(29,883)
Financial liabilities measured at amortised cost	(147,467)	(32,382)

Refer to notes 11, 12, 13, 14 and 15 for accounting policies in respect of the financial instruments above.

18.1 Capital management

The Company is funded from equity balances, comprising issued ordinary share capital (as detailed in note 16) and retained earnings, as well as credit facilities, as detailed in note 15.

The Company may seek to raise additional capital from time to time to the extent that the Directors and the Investment Adviser believe the Company will be able to make suitable investments, with consideration given to any quantum of loan repayments due.

The Company raises capital on a highly conservative basis only when it has a clear view of a robust pipeline of highly advanced investment opportunities. Additional capital was raised during the year as disclosed in note 16. The Company may borrow up to 20% of its NAV as at such time any such borrowings are drawn down. At the year end, borrowings amounted to 14.8% of NAV (30 September 2017: 3.4%).

18.2 Financial risk management objectives

The Company has an investment policy and strategy, as summarised in its prospectus dated 28 March 2017, that sets out its overall investment strategy and its general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are the subject of regular operational reviews undertaken by the Investment Adviser to ensure that the Company's policies are adhered to as it is the Investment Adviser's duty to identify and assist in the control of risk. The Investment Adviser reports regularly to the Directors, who have ultimate responsibility for the overall risk management approach.

The Investment Adviser and the Directors ensure that all investment activity is performed in accordance with the investment guidelines. The Company's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. Risk is inherent in the Company's activities and it is managed through a process of ongoing identification, measurement and monitoring. The financial risks to which the Company is exposed include market risk, which includes other price risk and interest rate risk, credit risk and liquidity risk.

18.3 Market risk

There is a risk that market movements in interest rates, credit markets and observable yields may decrease or increase the fair value of the Company's financial assets without regard to the assets' underlying performance. The fair value of the Company's financial assets is measured and monitored on a quarterly basis by the Investment Adviser with the assistance of the Valuation Agent.

The valuation principles used are based on a discounted cash flow methodology, where applicable. A fair value for each asset acquired by the Company is calculated by applying a relevant market discount rate to the contractual cash flows expected to arise from each asset. At year end, the fair value of three assets was determined on the basis of the Directors' estimate of recoverable value due to operational performance issues of the underlying assets.

The Valuation Agent determines the discount rates that it believes the market would reasonably apply to each investment taking into account, inter alia, the following significant inputs:

- Pound Sterling interest rates;
- movements of comparable credit markets; and
- observable yields on other comparable instruments.

In addition, the following are also considered as part of the overall valuation process:

- general infrastructure market activity and investor sentiment; and
- changes to the economic, legal, taxation or regulatory environment.

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments of the Company are generally fixed-income debt instruments (in some cases with elements of inflation protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset. Where appropriate, the Valuation Agent will also consider long-term assumptions that have a direct impact on valuation, such as power prices, inflation and availability.

The valuations are reviewed by the Investment Adviser and the Directors. The subsequent NAV is also reviewed and approved by the Directors on a quarterly basis.

The table below shows how changes in discount rates affect the changes in the valuation of financial assets at fair value. The range of discount rates used reflects the Investment Adviser's view of a reasonable expectation of valuation movements across the portfolio in a twelve-month period.

30 September 2018					
Change in discount rates	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	1,088,240	1,108,959	1,130,392	1,152,573	1,175,539
Change in value of financial assets at fair value (£'000)	(42,152)	(21,433)	-	22,181	45,147

At 30 September 2018, the discount rates used in the valuation of financial assets ranged from 5.50% to 10.38%.

30 September 2017					
Change in discount rates	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	866,216	882,460	899,258	916,638	934,626
Change in value of financial assets at fair value (£'000)	(33,042)	(16,798)	-	17,380	35,368

At 30 September 2017, the discount rates used in the valuation of financial assets ranged from 6.50% to 10.38%.

18.4 Interest rate risk

Interest rate risk has the following effect:

Fair value of financial assets

Interest rates are one of the factors which the Valuation Agent takes into account when valuing the financial assets.

Future cash flows

The Company primarily invests in senior and subordinated debt instruments of infrastructure Project Companies. The financial assets have fixed interest rate coupons, albeit with some inflation protection and, as such, movements in interest rates will not directly affect the future cash flows payable to the Company.

Interest rate hedging may be carried out to seek to provide protection against falling interest rates in relation to assets that do not have a minimum fixed rate of return acceptable to the Company in line with its investment policy and strategy.

Where the debt instrument is subordinated, the Company is indirectly exposed to the gearing of the infrastructure Project Companies. The Investment Adviser ensures as part of its due diligence that the Project Company debt ranking senior to the Company's investment has been, where appropriate, hedged against movement in interest rates where appropriate, through the use of interest rate swaps.

Borrowings

During the year, the Company made use of its Facility with RBSI and its new Facilities with RBSI, ING and NIBC, which were used to finance investments made by the Company. Details of the Facilities are given in note 15.

Any potential financial impact of movements in interest rates on the cost of borrowings to the Company is mitigated by the short-term nature of such borrowings.

18.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The assets classified at fair value through profit or loss do not have a published credit rating; however, the Investment Adviser monitors the financial position and performance of the Project Companies on a regular basis to ensure that credit risk is appropriately managed.

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £1,133 million (30 September 2017: £907 million) being the balance of total assets less prepayments. As a matter of general policy, cash is held at a number of financial institutions to spread credit risk, with cash awaiting investment being held on behalf of the Company at banks which carry a minimum rating of A-1, P-1 or F1 from Standard & Poor's, Moody's or Fitch respectively or in one or more similarly rated money market or short-dated gilt funds. RBSI is currently rated F2 by Fitch, but the Directors, together with the Depositary, closely monitor this aspect and take comfort from the fact that cash is generally held on a short-term basis, pending subsequent investment. Furthermore, the amount of working capital that may be held at RBSI is limited to £3.5 million, with any excess uninvested/surplus cash to be transferred to other financial institutions with the minimum credit ratings described above. It is also recognised that the arrival of ring-fenced banking had an impact on the availability of A-rated banks.

Before an investment decision is made, the Investment Adviser performs extensive due diligence complemented by professional third party advisers, including technical advisers, financial and legal advisers, and valuation and insurance experts. After an investment is made the Investment Adviser uses detailed cash flow forecasts to assess the continued creditworthiness of Project Companies and their ability to pay all costs as they fall due. The forecasts are regularly updated with information provided by the Project Companies in order to monitor ongoing financial performance.

The Project Companies receive a significant portion of revenue from government departments and public sector or local authority clients.

The Project Companies are also reliant on their subcontractors, particularly facilities managers, continuing to perform their service delivery obligations such that revenues are not disrupted. The credit standing of each significant subcontractor is monitored by the Investment Adviser on an ongoing basis and significant exposures are reported to the Directors quarterly.

The concentration of credit risk to any individual project did not exceed 10% of the Company's portfolio at the year end. The Investment Adviser also monitors the concentration of risk based upon the nature of each underlying project.

The concentration of credit risk associated with counterparties is deemed to be low due to asset and sector diversification. The underlying counterparties are typically public sector entities which pay pre-determined, long-term, public sector backed revenues in the form of subsidy payments (FIT and ROCs payments) for renewables transactions, unitary charge payments for PFI transactions or lease payments for social housing projects. In the view of the Investment Adviser and the Board, the public sector generally has both the ability and willingness to support the obligations to these entities.

The credit risk associated with each Project Company is further mitigated because the cash flows receivable are secured over the assets of the Project Company, which in turn has security over the assets of the underlying projects. The debt instruments held by the Company are held at fair value, and the credit risk associated with these investments is one of the factors which the Valuation Agent takes into account when valuing the financial assets.

The Investment Adviser regularly monitors the concentration of risk based upon the nature of each underlying project to ensure appropriate diversification and risk remains within acceptable parameters.

Changes in credit risk affect the discount rates. The sensitivity of the fair value of the financial assets at fair value through profit or loss is disclosed above. The Directors have

assessed the credit quality of the portfolio at the year end and based on the parameters set out above are satisfied that the credit quality remains within an acceptable range for long-dated debt.

18.6 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and interest bearing loans and borrowings.

The following table analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 30 September 2018 to the contractual maturity date. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

All cash flows in the table below are on an undiscounted basis.

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
30 September 2018					
Financial assets					
Cash and cash equivalents	2,335	-	-	-	2,335
Other receivables and prepayments	-	-	265	-	265
Financial assets at fair value through profit or loss	12,900	24,997	66,982	2,308,693	2,413,572
Total financial assets	15,235	24,997	67,247	2,308,693	2,416,172
Financial liabilities					
Other payables and accrued expenses	-	(2,743)	-	-	(2,743)
Interest bearing loans and borrowings	-	-	-	(155,724)	(155,724)
Total financial liabilities	-	(2,743)	-	(155,724)	(158,467)
Net exposure	15,235	22,254	67,247	2,152,969	2,257,705

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
30 September 2017					
Financial assets					
Cash and cash equivalents	7,631	-	-	-	7,631
Other receivables and prepayments	-	-	53	-	53
Financial assets at fair value through profit or loss	26,766	13,952	61,164	1,817,891	1,919,773
Total financial assets	34,397	13,952	61,217	1,817,891	1,927,457
Financial liabilities					
Other payables and accrued expenses	-	(2,499)	-	-	(2,499)
Interest bearing loans and borrowings	-	-	(30,403)	-	(30,403)
Total financial liabilities	-	(2,499)	(30,403)	-	(32,902)
Net exposure	34,397	11,453	30,814	1,817,891	1,894,555

18.7 Fair values of financial assets

Basis of determining fair value

The Valuation Agent carries out quarterly valuations of the financial assets of the Company. These valuations are reviewed by the Investment Adviser and the Directors. The subsequent NAV produced is reviewed and approved by the Directors on a quarterly basis.

Fair value measurements

Investments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels depending on whether their fair value is based on:

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

The basis for the Valuation Agent's valuations, including inputs used, is described in note 18.3.

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

The table below analyses all investments held by the Company by the level in the fair value hierarchy into which the fair value measurement is categorised:

		30 September 2018 Fair value hierarchy £'000	30 September 2017 £'000
Financial assets at fair value through profit or loss			
Loan notes	Level 2	895,468	659,966
Loan notes	Level 3	234,924	239,292

The Directors have classified the financial instruments as Level 2 or Level 3 depending on whether or not there is a consistent data set of comparable and observable market transactions. Due to the limited number of comparable and observable market transactions, the Directors have classified the Company's investments in biomass projects as Level 3 (30 September 2017: Level 3). At the year end, the fair value of the two further assets have been determined on the basis of the Directors' estimate of recoverable value, due to operational performance issues of the underlying assets. Therefore, these assets, with a carrying value of £9.5 million, were transferred into Level 3 from Level 2 of the fair value hierarchy. Discount rates between 7.0% and 10.3% (30 September 2017: 7.2% and 10.3%) were applied to the investments categorised as Level 3.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and end of the year:

	30 September 2018 £'000	30 September 2017 £'000
Opening balance	239,292	179,386
Purchases	13,253	63,633
Repayments	(18,828)	(6,370)
Unrealised gain on investments at fair value through profit or loss	578	7,498
Unrealised loss on investments at fair value through profit or loss	(8,871)	(4,855)
Transfers from Level 2	9,500	-
Closing balance	234,924	239,292

For the Company's financial instruments categorised as Level 3, changing the discount rates used to value the underlying instruments alters the fair value. A change in the discount rates used to value the Level 3 investments would have the following effect on profit:

30 September 2018					
Level 3	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Valuation of financial assets at fair value (£'000)	228,846	231,850	234,924	238,069	241,288
Change in valuation of financial assets at fair value (£'000)	(6,078)	(3,074)	-	3,145	6,364
30 September 2017					
Level 3	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Valuation of financial assets at fair value (£'000)	232,036	235,618	239,292	243,062	246,930
Change in valuation of financial assets at fair value (£'000)	(7,256)	(3,674)	-	3,770	7,638

The Directors consider the inputs used in the valuation of investments and the appropriateness of their classification in the fair value hierarchy. In particular, the Directors are

satisfied that significant inputs into the discount rates, other than in respect of biomass investments as noted above, are market observable. Should the valuation approach change, causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly.

Other than for the investments noted above, no additional transfers between the fair value hierarchy levels have occurred during the year, therefore no further disclosure is deemed necessary by the Directors.

19. Related party disclosures

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Directors

The non-executive Directors of the Company are considered to be the key management personnel of the Company. Directors' remuneration including expenses for the year totalled £375,000 (30 September 2017: £357,000, inclusive of £30,000 attributable to special fees for the placing programme, that was charged to equity as a share issue cost). At 30 September 2018, liabilities in respect of these services amounted to £94,000 (30 September 2017: £79,000).

At 30 September 2018, Mr De Gruchy, together with his family members, held 504,938 ordinary shares in the Company (30 September 2017: 474,390 ordinary shares).

At 30 September 2018, Mr Spears held 54,423 ordinary shares (30 September 2017: 26,531 ordinary shares).

Investment Adviser

The Company is party to an Investment Advisory Agreement with the Investment Adviser, which was most recently amended and restated on 13 December 2017, pursuant to which the Company has appointed the Investment Adviser to provide advisory services relating to the assets on a day-to-day basis in accordance with its investment objectives and policies, subject to the overall supervision and direction of the Board of Directors. As a result of the responsibilities delegated under this agreement, the Company considers it to be a related party by virtue of being 'key management personnel'. Under the terms of the Investment Advisory Agreement, the notice period of the termination of the Investment Adviser by the Company is 24 months. The remuneration of the Investment Adviser is set out below.

For its services to the Company, the Investment Adviser receives an annual fee at the rate of 0.9% (or such lesser amount as may be demanded by the Investment Adviser at its own absolute discretion) multiplied by the sum of:

- the NAV of the Company; less
- the value of the cash holdings of the Company pro rata to the period for which such cash holdings have been held.

The Investment Adviser is also entitled to claim for expenses arising in relation to the performance of certain duties and, at its discretion, 1% of the value of any transactions entered into by the Company (where possible, the Investment Adviser seeks to charge this fee to the borrower).

The Investment Adviser receives a fee of 0.25% of the aggregate gross proceeds from any issue of new shares in consideration for the provision of marketing and investor introduction services. The Investment Adviser has appointed Highland Capital Partners Limited ('Highland Capital') to assist it with the provision of such services and pays all fees due to Highland Capital out of the fees it receives from the Company.

The Company's Investment Adviser is authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, incorporating the requirements of the AIFMD regulations.

During the year, the Company expensed £8,670,000 (30 September 2017: £7,428,000) in respect of investment advisory fees and expenses, marketing fees and transaction management and documentation services, £8,420,000 (30 September 2017: £6,978,000) of which is included within expenses in the statement of comprehensive income and £250,000 (30 September 2017: £450,000) included within the share issue costs relating to share issues during the year in the statement of changes in equity. As at 30 September 2018, liabilities in respect of these services amounted to £2,258,000 (30 September 2017: £1,883,000).

The directors of the Investment Adviser also sit on the boards of, and control, several SPVs through which the Company invests. The Company has delegated the day-to-day operations of these SPVs to the Investment Adviser through the Investment Advisory Agreement.

The voting directors of the Investment Adviser hold directly or indirectly, and together with their family members, 2,521,955 ordinary shares in the Company (30 September 2017: 2,908,799 ordinary shares).

The non-voting directors of the Investment Adviser hold directly or indirectly, and together with their family members, 6,543,676 ordinary shares in the Company (30 September 2017: 6,139,516 ordinary shares).

20. Reconciliation of NAV

This note reconciles the NAV reported in the financial statements to the NAV published via RNS on 17 October 2018, as calculated in accordance with the terms of the prospectus.

	Total £'000	Per share pence
NAV at 28 September 2018 as published on 17 October 2018	984,467	112.37
Adjustment for expense accrual	(72)	(0.01)
Adjustment for valuation movements	1,130	0.13
NAV at 30 September 2018 as per the financial statements	985,525	112.49
	Total £'000	Per share pence
NAV at 29 September 2017 as published on 11 October 2017	874,449	110.55
Adjustment for expense accrual	(75)	(0.01)
Adjustment for valuation movements	186	0.03
NAV at 30 September 2017 as per the financial statements	874,560	110.57

21. Contingent liabilities

At 30 September 2018, there were no contingent liabilities (30 September 2017: £nil).

22. Subsequent events after the report date

The Company declared, on 19 October 2018, a fourth interim dividend of 1.9 pence per ordinary share amounting to £16,645,000, which was paid on 3 December 2018 to ordinary shareholders on the register at 2 November 2018.

On 26 November 2018, the Company entered into an agreement in respect of a £15 million temporary increase to its Facilities.

A further eight advances totalling £11.3 million have been made to Project Companies under existing facilities since the year end. The Company also received prepayments totalling £70.4 million in respect of two renewable energy investments and a further £1.4 million in respect of scheduled repayments.

At 13 December 2018, Mr Paul De Gruchy, together with his family, held an indirect interest of 512,570 ordinary shares in the Company following a scrip issue allotment of 7,632 shares.

At 13 December 2018, Mr Clive Spears held 55,255 ordinary shares in the Company following a dividend reinvestment of 832 shares.

At 13 December 2018, the voting directors of the Investment Adviser held directly or indirectly, and together with their family members, 2,368,928 ordinary shares in the Company following a scrip issue allotment of shares.

At 13 December 2018, the non-voting directors of the Investment Adviser held directly or indirectly, and together with their family members, 6,644,904 ordinary shares in the Company following a scrip issue allotment of shares.

23. Ultimate controlling party

It is the view of the Directors that there is no ultimate controlling party.

24. Non-consolidated SPVs

The following SPVs have not been consolidated in these financial statements due to the Company meeting the criteria of an investment entity and therefore applying the

exemption to consolidation under IFRS 10, and has measured its financial interests in these SPVs at fair value through profit or loss.

All of the below non-consolidated SPVs are incorporated and domiciled in the United Kingdom.

SPV company name	Ownership interest in loan notes
GCP Cardale PFI Limited	100%
FHW Dalmore (Salford Pendleton Housing) plc ¹	13.3%
GCP Asset Finance 1 Limited	100%
GCP Biomass 1 Limited	100%
GCP Biomass 2 Limited	100%
GCP Biomass 3 Limited	100%
GCP Biomass 4 Limited	100%
GCP Biomass 5 Limited	100%
GCP Bridge Holdings Ltd	100%
GCP Commercial Solar 1 Limited	100%
GCP Education 1 Limited	100%
GCP Green Energy 1 Limited	100%
GCP Healthcare 1 Limited	100%
GCP Hydro 1 Limited	100%
GCP Onshore Wind 1 Limited	100%
GCP Onshore Wind 2 Limited (dissolved on 23 May 2017)	100%
GCP Onshore Wind 3 Limited	100%
GCP Programme Funding 1 Limited	100%
GCP RHI Boiler 1 Limited	100%
GCP Rooftop Solar 1 Limited	100%
GCP Rooftop Solar 2 Limited	100%
GCP Rooftop Solar 3 Limited	100%
GCP Rooftop Solar 4 Limited	100%
GCP Rooftop Solar 5 Limited	100%
GCP Rooftop Solar 6 plc ¹	40.8%
GCP Social Housing 1 Limited	100%
Gravis Asset Holdings Limited	100%
Gravis Solar 1 Limited	100%
Gravis Solar 2 Limited	100%
GreenCo Alpha Holdings Limited	100%

1. The Company owns the entirety of the subordinated loan note class issued by the SPV.

GLOSSARY OF KEY TERMS

AGM	The Annual General Meeting of the Company
AIC	Association of Investment Companies
AIC Code	AIC Code of Corporate Governance
AIC Guide	Corporate Governance Guide for Investment Companies
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
Annualised yield	The effective annual rate of return taking into account the effect of compounding interest
Average life	The weighted average of the length of time until a loan is fully repaid
BEPS	Base Erosion Profit Shifting
Borrower	The entity which issues loan notes to GCP Infrastructure Investments Limited, usually a special purpose vehicle
CBE	Commander of the Most Excellent Order of the British Empire
CfDs	Contracts for difference
CIF Law	Collective Investment Funds (Jersey) Law 1988
The Company	GCP Infrastructure Investments Limited
C shares	A share class issued by the Company from time to time. Conversion shares are used to raise new funds without penalising existing shareholders. The funds raised are ring-fenced from the rest of the Company until they are substantially invested
Disclosure Rules	Listing Rules and the Disclosure and Transparency Rules
EEA	European Economic Area
EGM	Extraordinary General Meeting of the Company
EU	European Union
Facilities	Revolving credit facilities with RBSI, ING and NIBC
FCA	Financial Conduct Authority
FIT	Feed-in tariff
FRC	Financial Reporting Council
GIB	Green Investment Bank
GWh	Gigawatt hours
IFRS	International Financial Reporting Standards
ING	ING Bank N.V.
IPO	Initial public offering
IRR	Internal rate of return
KPIs	Key performance indicators
KPMG	KPMG Channel Islands Limited
The Law	The Companies (Jersey) Law 1991, (as amended)
LIFT	Local Improvement Finance Trust
LSE	London Stock Exchange
MAR	Market Abuse Regulation
MW	Megawatt
NAV	Net asset value
NIBC	NIBC Financing N.V.
NPD	Non-profit distributing procurement model
O&M	Operation and maintenance
Ongoing charges ratio	Annual percentage reduction in shareholder return as a result of recurring operational expenses
Ordinary shares	The ordinary share capital of GCP Infrastructure Investments Limited
PFI	Private Finance Initiative
PF2	Private Finance 2
PIE	Public Infrastructure Exemption
PPA	Power purchase agreement
PPI	Private Participation in Infrastructure
PPP	Public-private partnership
Project Company	A special purpose company which owns and operates an asset
Public sector backed	All revenues arising from UK central Government or local authorities or from entities themselves substantially funded by UK central Government or local authorities, obligations of NHS Trusts, UK registered social landlords and universities and revenues arising from other Government-sponsored or administered initiatives for encouraging the usage of renewable or clean energy in the UK
RO	Renewables obligation
RBSI	Royal Bank of Scotland International Limited
RHI	Renewable heat incentive
RNS	Regulatory News Service
ROCs	Renewable obligation certificates
Senior ranking security	Security that gives a loan priority over other debt owed by the issuer in terms of control and repayment in the event of default or issuer bankruptcy
Shareholder total return	Share price growth with dividends deemed to be reinvested on the dividend date
SID	Senior Independent Director

SPV	Special Purpose Vehicle
SL	Supported living
UK Code	UK Corporate Governance Code
UK FCA	The UK's Financial Conduct Authority
UKLA	United Kingdom Listing Authority
Weight adjusted average annualised yield	The yield on the investment portfolio calculated with reference to the relative size of each investment, expressed as an annual percentage
Weighted average discount rate	A rate of return used in valuation to convert a series of future anticipated cash flows to present value under a discounted cash flow approach. The discount rate is calculated with reference to the relative size of each investment

CORPORATE INFORMATION

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Corporate website: www.gcpinfra.com

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Clive Spears (Senior Independent Director)
David Pirouet
Paul De Gruchy
Michael Gray
Julia Chapman

Administrator, Secretary and Registered Office of the Company

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SHAREHOLDER INFORMATION

Key dates for 2019

February

Annual General Meeting

March

Company's half-year end

Payment of first interim dividend

May

Half-yearly results announced

June

Payment of second interim dividend

August

Payment of third interim dividend

September

Company's year end

November

Payment of fourth interim dividend

December

Annual results announced

Frequency of NAV publication

The Company's NAV is released to the LSE via RNS on a quarterly basis and is published on the Company's website.

Sources of further information

Copies of the Company's annual and half-yearly reports, stock exchange announcements, investor reports and further information on the Company can be obtained from the Company's website.

Warning to shareholders

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Notes to Editors

About GCP Infra

GCP Infra is a closed-ended investment company and FTSE-250 constituent whose shares are traded on the main market of the London Stock Exchange. Its main objective is to provide shareholders with regular, sustained, long term distributions and preserve capital over the long term, public sector backed, availability-based revenues. Where possible, investments are structured to benefit from partial inflation-protection. GCP Infra is advised by Gravis Capital Management Limited.

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