

Replace - Annual report and financial statements

RNS Number : 6772W
GCP Infrastructure Investments Ltd
12 December 2019

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

LEI 213800W64MNATSIV5Z47

GENERAL TEXT AMENDMENT

The following amendment has been made to the ‘(Annual report and financial statements)’ announcement released on (12 December 2019) at (07:00 a.m.) under RNS No 5930W.

Under the heading "AT A GLANCE"

HY17	HY18	HY19
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Has been replaced with

YE17	YE18	YE19
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All other details remain unchanged.

The full amended text is shown below.

Annual report and financial statements for the year ended 30 September 2019

The Directors of the Company are pleased to announce the Company's annual results for the year ended 30 September 2019. 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
Annual report and financial statements 2019

ABOUT THE COMPANY

GCP Infrastructure Investments Limited ("GCP Infra" or the "Company") is the only UK listed fund focused primarily on investments in UK infrastructure debt.

The Company seeks to provide shareholders with regular, sustained, long-term dividend income and preserve the capital value of its investments over the long term by generating exposure to infrastructure debt and/or similar assets. It is currently invested in a diversified, partially inflation-protected portfolio of investments, primarily in the renewable energy, social housing and PFI sectors.

The Company is a FTSE 250, closed-ended investment company incorporated in Jersey. It was admitted to the Official List and to trading on the London Stock Exchange's Main Market in July 2010. Since then it has grown to a market capitalisation of c.£1.1 billion at 30 September 2019.

AT A GLANCE

	YE17	YE18	YE19
Market capitalisation £m	999.8	1,089.8	1,111.3
Net assets £m	874.6	985.5	980.1
Dividends for the year p	7.6	7.6	7.6
Share price p	126.40	124.40	126.60
NAV per share p	110.57	112.49	111.66
Profit for the year £m	46.7	73.4	59.1

HIGHLIGHTS FOR THE YEAR

- Dividends of 7.6 pence per share for the year to 30 September 2019 (30 September 2018: 7.6 pence)
- Total shareholder return¹ for the year of 8.0% (30 September 2018: 4.8%) and total shareholder return¹ since IPO in 2010 of 123.9%
- Profit for the year of £59.1 million (30 September 2018: £73.4 million). For information on financial performance for the year, refer to the financial review below
- Loans advanced totalling £140.6 million secured against UK renewable energy, social housing and PFI projects
- Company NAV per ordinary share at 30 September 2019 of 111.66 pence (30 September 2018: 112.49 pence)
- Third party independent valuation of the Company's partially inflation-protected investment portfolio at 30 September 2019 of £1.1 billion (30 September 2018: £1.1 billion)
- Post year end, the Company made further advances of £2.6 million and received repayments of £7.6 million

1. Alternative performance measure ("APM"), for definition and methodology, refer to alternative performance measures after the glossary.

Ian Reeves CBE, Chairman of GCP Infra, commented:

"In volatile and uncertain times, we believe GCP Infra offers investors access to an attractive risk adjusted income stream supported by a diverse portfolio of UK infrastructure investments. This source of alternative income also benefits from a low correlation to general equity market performance."

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, sustained, 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 seventh consecutive year.	The Company had 49 investments at 30 September 2019. 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 in 2018/19	49 Number of investments at 30 September 2019	111.66p NAV per share at 30 September 2019
£59.1m Profit for the year ended 30 September 2019	10.4%¹ Size of largest investment as a percentage of total portfolio	126.60p Share price of ordinary shares at 30 September 2019

1. The size of the largest investment (the Cardale PFI loan) is calculated by reference to the percentage of total assets excluding other receivables and prepayments. 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 in the financial review below.

PORTFOLIO AT A GLANCE

The Company's portfolio comprises underlying assets across the UK falling under the following classifications:

Sector	Number of Assets	% of portfolio
Asset finance	6	1
Anaerobic digestion	23	7
Solar	52,699	21
Energy efficiency	3	1
PFI	177	22
Hydro-electric	2	1
Supported living	951	14
Biomass	760	10
Wind	37	23

SENIOR RANKING SECURITY
42%

WEIGHTED AVERAGE ANNUALISED YIELD¹
8.1%

AVERAGE LIFE
14 years

PARTIALLY INFLATION PROTECTED
44%

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of GCP Infrastructure Investments Limited for the year ended 30 September 2019.

In the year under review, the Company continued to deliver an attractive dividend of 7.6 pence per share alongside a stable NAV per share and share price during a period of significant volatility in the wider market. The Board remains grateful to the Company's shareholders for their ongoing support.

Against a UK market backdrop of limited governmental support for private sector finance of new infrastructure, and an increasingly competitive secondary market, the Company has maintained a sufficient and attractive pipeline to reinvest capital that it has received by way of repayments and unscheduled (early) prepayments during the year. The Company remains confident of its ability to continue to maintain a pipeline for these purposes in the near term. However, given the market backdrop and its ability to reinvest in the medium term, any future growth of the Company can only arise from discrete secondary market opportunities or as a result of the introduction of new government support that promotes the private sector financing of infrastructure.

Financial performance

The Company generated a profit of £59.1 million for the year. Income from the investment portfolio was enhanced by upward valuations contributing 0.89 pence per share, offset primarily by a number of downward revaluations of the Company's exposure to shareholder interests impacted by electricity prices and by downward revaluations associated with performance and contractual challenges of 1.96 pence per share. Further information can be found below. The net asset value ("NAV") of the Company decreased marginally to £980.1 million (111.66 pence per share) from £985.5 million the previous year (112.49 pence per share). At the end of the year the Company's share price was 126.60 pence, representing a 13.4% premium to NAV. The dividend was 0.89 times covered on an earnings cover¹ basis and 1.16 times covered on an adjusted net earnings cover¹ basis, calculated on the Investment Adviser's assessment of adjusted net earnings¹ in the period. The basis for this measure is further described in the financial review section below.

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to alternative performance measures after the glossary.

Investment activity

New investments in the year totalled £140.6 million, predominantly in secondary wind and anaerobic digestion projects, with the balance being further advances to social housing and PFI projects. Investment activity has focused on the redeployment of capital as a result of the unscheduled (early) prepayment of c.£86.0 million of loans during the period and the ongoing receipt by the Company of principal repayments. Notably, the Company has extended its exposure to shareholder interests in the onshore wind sector in the period through an investment in a 54 MWe wind farm located in Northern Ireland. The Company's core focus remains on investing in debt and a number of opportunities in evolving asset classes, such as deep geothermal, are being reviewed by the Company. Furthermore, the Company continues to review opportunities in more mature asset classes which benefit from less capital structure protection.

Since the year end, the Company has made further advances of £2.6 million in the PFI and renewables sectors.

Financing

The Company did not raise any additional equity capital during the period, with financing sourced from a combination of the Company's operations, unscheduled (early) prepayments and net drawdowns of £18.9 million under the Company's revolving credit facilities. The Board remains supportive of future growth where it is expected that the new investment activity will be accretive to the attractiveness of the risk-adjusted returns of the investment portfolio and brings with it the associated benefits of additional portfolio diversification. Outside of one-off secondary market opportunities, a combination of increased competition for mature asset classes and lack of new government policy supporting primary infrastructure development makes such growth opportunities less likely in the immediate term.

In the year under review, the Company maintained revolving credit facilities with RBSI, ING and NIBC with a maximum commitment of £165 million, the facilities were fully drawn at the year end. 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

In the coming year the Company will celebrate the tenth anniversary of its IPO in July 2010. Over this time, infrastructure has evolved as an asset class, now forming a key part of a many investors' allocations. Furthermore, the UK is experiencing a sustained period of low interest rates, making asset classes that generate long-term, predictable income more valuable to investors. The UK has experienced a significant growth in privately funded public infrastructure and renewables, with c.£160 billion being invested as a result of government support schemes such as PFI and the RO.

Ten years on, the need for new infrastructure remains as significant as it was at the Company's IPO. Climate change targets have been extended, committing the UK to an unprecedented change in the way electricity and heat is used and generated, the way people travel and the way in which industry and agriculture will operate over the coming decades. Digitalisation is changing the way we live and work. The population is growing and getting older. The UK Infrastructure and Projects Authority has identified over £600 billion of capital investment in new infrastructure to support these, and other, demands of infrastructure over the next decade. The need to maintain, upgrade and transform the UK's infrastructure remains as relevant as ever.

Yet we find ourselves at a time when governmental support for private sector involvement in new infrastructure has significantly reduced, and in its current form is unlikely to attract the private sector investment necessary to support the requirements described above. The cessation of PFI and PF2 as models for procurement was confirmed in the 2018 Budget, and the CfD continues to principally support new offshore wind development. Other schemes, such as the RHI, are not promoting the scale of investment and associated transformation that is required.

There are, however, signs of optimism. In March 2019 in the Infrastructure Finance Review, the Government consulted on models for future public-private partnerships to deliver new infrastructure. Later in the year the Government consulted on adopting a regulated asset base model for new nuclear development. The Company considers these to be positive developments that put in place, or point towards, legislation that encourages new infrastructure development.

Brexit has remained a source of uncertainty for the Company during the year. The Company has observed a material resource commitment by the Government in planning for different Brexit scenarios, which has undoubtedly reduced its ability to develop and progress policy in other much-needed areas, including infrastructure. The Company continues to monitor the potential impacts of Brexit on its activities, with the biggest impact likely to be in a no-deal 'hard' Brexit scenario.

A 'no-deal' hard Brexit is likely to impact the operations of the Single Electricity Market in Northern Ireland, where the Company has a number of assets, and the European supply chains for labour and parts on which a number of the Company's assets rely.

The outcome of the UK's general election shortly after the publication of this document is likely to impact future opportunities for infrastructure investment in the UK. A number of parties have proposed significant investments in infrastructure aimed at mitigating and adapting to climate change and improving public services. It is proposed that this funding is supported by a combination of increased borrowing and higher taxation, and it remains unclear as to how the private sector will be involved in each case.

Environmental, social, governance ("ESG")

The Company considers best practice application of ESG principles as paramount in its operations, the assets within its investment portfolio and the operations of its advisers. Further details can be found below.

Risks

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

Ian Reeves CBE

Chairman

11 December 2019

STRATEGIC OVERVIEW

The Company seeks to provide shareholders with regular, sustained 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 and manage its assets in a manner which is consistent with the objective of spreading risk. No more than 10% in value of its total assets (at the time the relevant investment is made) will 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 but not limited to shareholders and borrowers;
- to create sustained value for all stakeholders; 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 for shareholders. Structural gearing of investments is permitted up to a maximum of 20% of the Company's NAV immediately following drawdown of the relevant debt.

BUSINESS MODEL

The Company invests in UK infrastructure debt and/or similar assets to provide regular, sustained, long-term dividends and to preserve the capital value of its investments over the long term:

INVESTMENT SECTOR	INVESTMENT OBJECTIVES	IMPLEMENTATION OF INVESTMENT STRATEGY	MEASUREMENT	SUSTAINABILITY
Infrastructure projects Pre-determined, long-term, public sector backed cash flows		Board of Directors		
		Strong governance Read more below.		
	Generate dividend income To provide shareholders with regular, sustained, long-term dividends	Investing The Company seeks to generate exposure to infrastructure debt and/or similar assets. It is currently invested in a diversified, partially inflation-protected portfolio of investments, primarily in the renewable energy, social housing and PFI sectors.	The Company has paid a dividend of 7.6 pence for the seventh consecutive year. 7.6p Dividends per share paid in 2018/19	Environmental and social Read about how the Company's activities benefit the environment and contribute to society in the ESG section below.
	Preserve capital To preserve the capital value of its investment assets over the long term	Operating The Company pays careful attention to the control and management of the portfolio and Company operating costs. The day-to-day provision of investment advice and administration to the Company is provided by the Investment Adviser and the Administrator respectively, whose roles are	The valuation of the Company's investment portfolio is in excess of the principal value outstanding. 111.66p NAV per share at 30 September 2019	Governance Read how the Company is governed and the activities of the Board during the year in the governance section below.

		overseen by the Board.		
	Provide diversification To invest in a diversified portfolio of debt and/or similar assets secured against UK infrastructure projects	Financing The Company raises capital on a highly conservative basis, with consideration given to scheduled repayments. It only raises capital when it has an advanced pipeline of investment opportunities. The Company also makes prudent use of leverage to finance the acquisition of investments and enhance returns.	The investment portfolio is exposed to a wide variety of assets in terms of project type and source of underlying cash flow. 49 Number of investments at 30 September 2019	Financial Read about the Company's financial performance and dividend cover in the financial review and its long-term viability below.

INVESTMENT ADVISER'S REPORT

The Investment Adviser, Gravis, is responsible for the provision of the investment advice to the Company.

UK infrastructure market

Infrastructure needs to be both maintained and developed over time. The maintenance of infrastructure is necessary to continue to provide the critical services required of it, with the development of new infrastructure necessary to meet society's evolving demands.

These needs are as relevant today as they were at any time in recent history. The UK Infrastructure and Projects Authority has identified c.£600 billion of new infrastructure requirements over the next decade across a number of sectors. This is, in part, driven by legally binding climate change targets. In the last twelve months the Climate Change Act has been extended to commit the UK to net zero emissions by 2050. This will require a material transformation in infrastructure associated with the generation and use of energy (including electricity, heat and transport), industry and agriculture. The Government recognises that private sector capital (including from market participants such as the Company) will be required to finance such infrastructure development. Notwithstanding this, the UK finds itself without any significant mechanism to promote large-scale private sector investments in a number of infrastructure sectors.

Moreover, investor confidence in infrastructure as an asset class has been challenged by the collapse of Carillion and Interserve, and a shadow cabinet with stated ambitions to nationalise certain sectors at a value that may not fully compensate investors. With the closure of PFI and the RO support mechanisms, a lack of primary development has resulted in a diminishing supply of assets for the capital targeting such assets, causing increased competition and compressed yields. Enduring support mechanisms, principally the CfD, continue to encourage large, utility-scale projects, but do not service new technologies and exclude certain established technologies.

The Investment Adviser has also observed a change in approach by a number of regulators operating in sectors to which the Company is exposed. In particular, Ofgem, the UK regulator of electricity and gas markets, is in the process of auditing a number of assets to which the Company is exposed.

The Investment Adviser continues to work with Ofgem to address the queries raised through such audits. This is further detailed in the investment portfolio section below.

Notwithstanding this backdrop, the Investment Adviser has continued to identify attractive investment opportunities. During the period, this has focused on secondary transactions (i.e. the investment in existing assets) in sectors with which it is familiar. The publication of the Infrastructure Finance Review Consultation in March 2019 acknowledges the recognition by the Government of the need for support mechanisms to attract private sector capital. The Company remains well placed to benefit from such opportunities as and when they arise. However, the Investment Adviser is increasingly conscious of the potential impact that a continued dearth of supportive government policy has on its ability to reinvest any repayments received by the Company in the medium term. The outcomes of this consultation, and the publication of the UK's first Infrastructure Strategy, are therefore eagerly awaited.

Key investment activity in the year

The Company made investments of £140.6 million in the year across the three core sectors: renewables, supported living and PFI. All investments have been in secondary transactions, either as part of opportunities with new assets or expected further advances to existing borrowers.

Investment activity in new assets included c.£65 million of exposure to subordinated loans and shareholder interests in an operational onshore wind farm in Northern Ireland, £11.5 million of senior loans to finance the acquisition of four operational anaerobic digestion projects in East England and £6.8 million of subordinated loans secured against interests in four schools developed under the hub scheme in Scotland, a programme to deliver new community facilities between the public and private sectors.

These opportunities have arisen for the Company as a result of established relationships with advisers and other investors.

Further advances included £12.3 million of senior loans extended as part of the completion of the construction of a waste PPP asset in South-West England and £7.8 million to finance the development and/or acquisition of supported living properties.

The Company has also focused on the optimisation of its existing portfolio. During the year, the Company facilitated a number of technical upgrades to wind assets to which it is exposed.

Current opportunities

The Company's explicit objective of diversification across a number of asset classes enables it to seek new and interesting areas of public sector support. During the year, the Company has reviewed a number of opportunities in new sectors, including in relation to the development of heat networks and deep geothermal heat. Primary opportunities in asset classes the Company has historically targeted are increasingly limited with the withdrawal of public sector support.

The secondary market for renewables remains active but is increasingly less attractive to the Company (particularly in onshore wind and solar) due to a combination of depressed yields and, in the Investment Adviser's view, increasingly aggressive assumptions of asset life and performance. The Investment Adviser considers there may be particular transactions where the Company is able to be competitive, so continues to participate in bidding processes whilst exercising discipline over its view of risk and return. The Investment Adviser does not currently see a material pipeline of secondary market opportunities in the PFI and supported living sectors.

Investment risk

The Company continues to monitor the investment risk of the asset classes to which it has exposure. The table below shows the Investment Adviser's view of the changes to the risk ratings for sectors where changes have been observed in the past year.

RISK	SECTOR	CHANGE IN PERIOD	DESCRIPTION
Market risk The risks of an investment being exposed to changes in market prices, such as electricity prices or inflation.	Renewables	Increase	The introduction of the Integrated Single Electricity Market, or ISEM on the island of Ireland has increased the costs of the Company's assets located in Northern Ireland.
Credit risk The risks of an investment being reliant on third parties to deliver services to monetise an asset, such as operations and maintenance or the use of services provided by an asset. This is particularly relevant given the project finance approach to investment adopted by the Company.	Wind	Increase	The Investment Adviser has observed a general decrease in the financial strength of a number of mid-tier suppliers in the wind sector, due to declining pipelines of new projects in their core markets.
	Anaerobic digestion	Increase	Further financial difficulties have been encountered by contractors to whom the Company has exposure through certain anaerobic digestion investments. This has resulted in the need to replace such contractors in the period.
Operational risk The risks of being exposed to the construction and/or operations of a project, associated with the failure of people, processes and/or systems required to monetise an asset.	Biomass	Stable	Certain biomass investments have reached steady-state operations at availability levels higher than assumed in the original investment case during the year. This provides comfort over the long-term viability of these projects.
Legal/regulatory risk The risks associated with changes to laws and/or regulations. This covers UK-wide, non-specific risks, such as changes to the tax regime, and specific risks such as the change to a subsidy	Renewables	Increase	The Investment Adviser has observed an increase in regulator engagement by Ofgem and the RSH during the year. Further, the shadow cabinet has stated its intentions to nationalise a number of infrastructure sectors, including PFI.
	Supported living		

regime that a project relies on.

Further detail is given in the investment portfolio section below.

SECTOR BACKGROUND AND UPDATE

RENEWABLES

Projects that generate renewable energy across the heat, electricity and transport sectors and that benefit from long-term government subsidies.

64%¹

Percentage of portfolio by value

£736.4m

Valuation of sector within the portfolio

Background

The UK has committed to achieving a net zero emissions target by 2050. This will require a significant transformation in the way the UK generates and uses energy. The UK has made good progress in renewable electricity generation, with the UK producing more electricity from renewables than fossil fuels over Q3 2019 for the first time in its history, however there remains a significant amount that needs to be done in the 'greening' of heat generation and transport. The Government's independent adviser, the Committee on Climate Change, has raised concerns over the UK's progress in achieving its climate change commitments, stating in a recent assessment that it is at risk of missing its targets from 2023.

Current position

The Government has historically supported investment in renewables through a number of subsidy regimes, including the RO and FiT, both of which have now closed to new entrants. The main enduring subsidy regime is the CfD, a mechanism in which generators bid for a contract that, when combined with wholesale electricity prices, produces a long-term, fixed, index-linked income stream.

The third round of bidding for the CfD completed in September 2019, with offshore wind being the principal beneficiary at a price of £39.65 per MWh, a level below the long-term wholesale electricity price expectation. This illustrates the significant reduction that has occurred in the costs of deployment of offshore wind over the four years since the first bidding round. Elsewhere, the RHI schemes continue to support small investments in renewable heat applications.

Future outlook

The Investment Adviser expects renewables to continue to provide investment opportunities for the Company, with the most attractive risk-adjusted returns likely to arise in new sectors. New available governmental policy is required to support investment if the UK is to meet its climate change commitments and the increasing deployment of renewables (in particular intermittent renewables such as solar and wind and the significant up-take of electric vehicles) is likely to create investment opportunities in ancillary infrastructure, such as energy storage and grids.

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

FEATURED ASSET

GCP BIOMASS 4 LIMITED

A loan secured against a Combined Heat and Power ("CHP") plant located in England.

£32.1m

Valuation

Subordinated

Security

Project information

The Company is exposed to a mezzanine loan secured on a subordinated basis against a 20.2 MWe waste wood to energy CHP plant located in Widnes, England. CHP is the simultaneous generation of usable heat and power in a single process. The plant generates 150 GWh electricity and 60 GWh of heat per annum and supplies power to 40,000 local homes per year.

The development of the biomass CHP plant was undertaken by Burnmeister and Wain Scandinavian Contractor A/S, a global provider of mid-sized power plant solutions, and an experienced large UK-based infrastructure and support services provider.

The project benefits from long-term government subsidies, the RO for the electricity generated (45% of revenues per year) and from the RHI for the heat exported (13% of annual revenues). The route-to-market for electricity and renewable benefits is provided by British Gas Trading.

SECTOR BACKGROUND AND UPDATE

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

£161.9m

Valuation of sector within the portfolio

Background

The Company has historically targeted a sub-set of the social housing sector provision referred to as supported living through the finance of development or conversion of accommodation to suit specific care needs for individuals with learning, physical or mental disabilities. The Company has provided debt finance to entities that own and develop properties, which are then leased under a long-term fully repairing and insuring lease to Regulated Providers ("RPs") who operate and manage the properties. The RP receives housing benefit for individuals housed in such properties. The budget for housing benefit in this sector has historically been, and remains, highly protected.

Current position

The Regulator of Social Housing ("RSH") has retrospectively reviewed a number of RPs that operate under the long-lease financing model described above. In respect of a number of RPs, the RSH has rated such entities as non-compliant in relation to their governance and financial viability. It is the Investment Adviser's view that concerns over governance arise from the recent rapid growth in scale of a number of RPs from a small starting point; and that these are addressable by the relevant RPs over time.

It is harder to see how concerns over the financial viability can be similarly addressed, given the RSH's concerns regarding the structures of the long-term agreements entered into by RPs. The Investment Adviser is actively engaged with the relevant borrowers, associated RPs and RSH to understand how the existing structure can be developed to address the concerns that have been raised.

It is the Investment Adviser's view that the fundamentals of the sector, underpinned by a well-protected housing benefit budget and a care model that has demonstrated healthcare and financial benefits for the recipients, remains attractive. The RSH has itself noted its desire to see higher deployment of care under a supported living model and for this to be financed by the private sector. The Company therefore remains positive about its existing positions in this sector.

Future outlook

The Company explained as part of its half yearly report that, given the RSH's recent assessments, it does not intend to grow its exposure to the social housing sector in any new projects at this time. The Investment Adviser is actively working with the RPs to which the Company has exposure to support them in addressing the RSH's concerns to ensure the long-term viability of such entities.

FEATURED ASSET

GCP PROGRAMME FUNDING 1 LIMITED

A series of loans secured against a portfolio of supported social housing assets across the UK.

£112.6m

Valuation

Senior

Security

Project information

To date the Company has invested in senior debt secured against cash flows arising from a portfolio of supported living properties located across England and Wales. This investment has helped fund the addition of 176 supported living properties across the UK, with over 950 individual tenancies created. The properties are a mix of specially adapted residential stock and purpose-built new build properties.

Notable investments during the year include the conversion of a large farmhouse in North Yorkshire, Thorntree Farmhouse, into 23 specially adapted supported living flats. The development will offer high quality accommodation for adults with special needs. The project is an excellent example of the quality of supported living properties that can be created through effective partnerships.

SECTOR BACKGROUND AND UPDATE PFI

Public-private partnerships enable the procurement of infrastructure through access to long-term, public sector backed, availability based payments.

22%

Percentage of portfolio by value

£246.4m

Valuation of sector within the portfolio

Background

Partnerships between the public and private sector to develop, build, own and operate (or a combination thereof) infrastructure have taken a number of forms, with the best known being the private finance initiative ("PFI"), which originated in the UK in the mid-1990s. Since this time, over £60 billion has been invested in the development of new projects across the healthcare, education, leisure, transport and other sectors under such schemes. The design and implementation of revenue support mechanisms such as PFI has been devolved to the Scottish, Welsh and Northern Irish administrations.

Current position

The Government announced in 2018, and restated as part of the Infrastructure Finance Review consultation published in March 2019, that it no longer wishes to utilise PFI, or variants thereof, to procure new infrastructure in England. The Welsh government has adopted a mutual investment model ("MiM"), under which a handful of transport and health projects are being procured.

The Scottish government is currently reviewing the MiM model, since the non-profit distributing model which it has previously adopted has been deemed to be on the Government's balance sheet. Maintaining a model to leverage public capital with private capital is seen to be important in the devolved administrations, which do not have an ability to raise their own capital through debt issuance.

Future outlook

The Labour party has announced its intention to nationalise PFI as part of its 2019 manifesto. The current Government does not see PFI or its variants being a model for procuring new infrastructure, the Infrastructure Finance Review does seek views on alternative models for attracting private finance into sectors historically serviced by PFI. The consultation points to models such as the Regulated Asset Base which has been used to support the Thames Tideway sewer. The Investment Adviser awaits the outcomes of the consultation with interest. The Investment Adviser will also continue to review the evolution of policy in the devolved administrations.

FEATURED ASSET

GCP HEALTHCARE 1 LIMITED

A series of loans secured against a portfolio of PFI projects across the UK.

£19.7m

Valuation

Subordinated

Security

Project information

The Company has exposure to subordinated loans secured against operational healthcare and education PFI projects throughout England and Scotland.

The loan is secured against a number of PFI/PPP projects, one of which is the New Victoria and Stobhill hospitals project in Glasgow. The hospitals are two of the largest, most state of the art and well equipped hospitals in Scotland, providing treatment for more than 400,000 patients each year.

The hospitals were newly built in 2009 and are fully operational, providing a combined range of ambulatory care and specialised services, such as chemotherapy, renal dialysis and cardiology services. The hospitals, now in their tenth year of operation, are in excellent condition throughout and provide essential healthcare services to the community of Glasgow and the surrounding areas.

FINANCIAL REVIEW

The Company invested £140.6 million during the year. Dividends of 7.6 pence per share were paid and the Company delivered a total shareholder return¹ for the year of 8.0%.

Financial performance

Total income generated by the Company was £75.0 million (30 September 2018: £87.5 million), comprising loan interest received of £75.3 million and other income of £11.3 million primarily in respect of early prepayments, offset by net valuation losses of £11.6 million, predominately attributable to the unwinding of premia associated with the historic reduction in discount rates on the loans which were prepaid in the year of £8.0 million and the decrease in valuation of shareholder interests by £7.8 million (refer below for further details). The Company remained fully deployed during the year.

Total income is offset by operating costs for the year of £11.5 million (30 September 2018: £10.9 million) which include the Investment Adviser's fee and other third party service provider costs. These, and other, operating costs have remained broadly in line with previous years, as demonstrated by the Company's ongoing charges ratio¹ below which has remained static year-on-year.

The Company remains modestly geared at the year end, being fully drawn on its revolving credit facilities, representing a loan to value¹ (borrowings as a percentage of net assets) of 17%.

Total profit and comprehensive income has decreased from £73.4 million in the prior year to £59.1 million, primarily due to nil realised gains from the sale of assets recognised in the current year, compared to the prior year when £9.2 million was recognised. In addition, finance costs have increased by £1.3 million, reflecting the revolving credit facilities being substantially fully drawn for a significant proportion of the year.

The Company's performance is summarised in the chart below, with unrealised gains and losses disaggregated. For further information, refer to the investment portfolio section below and note 3 to the financial statements.

Ongoing charges

The Company's ongoing charges ratio¹, calculated in accordance with the AIC methodology as detailed below, was 1.1% for the year ended 30 September 2019 (30 September 2018: 1.1%).

Ongoing charges	30 Sep 19 £'000	30 Sep 18 £'000
Investment Adviser	8,789	8,420
Directors' fees	376	375
Administration expenses	2,286	2,153
Total expenses	11,451	10,948
Non-recurring expenses	(576)	(373)
Total	10,875	10,575
Average NAV	983,333	955,529
Ongoing charges ratio ¹	1.1%	1.1%

Revolving credit facilities

The Company had credit arrangements of £165 million in place at year end across three lenders, RBSI, ING and NIBC, which were fully drawn. The terms in place at year end are summarised below:

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

Net assets

The net assets of the Company have decreased slightly from £985.5 million at 30 September 2018 to £980.1 million at 30 September 2019. The Company's NAV per share has decreased slightly from 112.49 pence at the prior year end to 111.66 pence at 30 September 2019, a fall of 0.74%.

Cash generation

The Company received debt service payments of £167.5 million (30 September 2018: £81.3 million) during the year, comprising £52.7 million of interest payments and £114.8 million of loan principal repayments (30 September 2018: £55.8 million and £25.5 million). The Company paid dividends of £66.6 million during the year (30 September 2018: £64.8 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, income generated from the portfolio and efficient use of the Company's revolving credit facilities.

Share price performance

The Company has delivered a total shareholder return¹ of 8.0% (30 September 2018: 4.8%) for the year and 123.9% since IPO in 2010. The Company has continued to trade at a significant premium to NAV, with an average of 12.6% for the year and 13.4% at the year end. The share price at 30 September 2019 was 126.60 pence per share, being the last trading day of the financial year.

Further details on share movements are disclosed in note 16.

Dividends

The Company aims to provide shareholders with regular, sustained, long-term dividends. For the year ended 30 September 2019, the Company paid a dividend of 7.6 pence (30 September 2018: 7.6 pence) per ordinary share in respect of the year, in line with prior years.

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to the alternative performance measures after the glossary.

DIVIDEND COVERAGE

In assessing the Company's dividend level and coverage, a number of factors form key considerations.

Dividend cover

The Company has maintained a stable dividend, at 7.6 pence per share for the previous seven years. This is despite a macro environment which has experienced significant and sustained reductions in interest rates and increased competition for maturing asset classes causing compression of yield in sectors targeted by the Company. In light of this environment, the Company continually reviews the dividend level against its earnings.

The Board recognises there are a number of methods of assessing dividend coverage. A number of such approaches are summarised in the below table with further explanation included in the APMs section below. The Board and the Investment Adviser consider a key metric to be the measure of loan interest - accrued¹ during the applicable year. This metric adjusts for the impact of pull-to-par, which is a feature of measuring dividend coverage through earnings as presented under IFRS, which is explained further below.

Dividend sustainability

The Company seeks to separate volatility in income associated with recognising changes to uncertain forecasts (e.g. associated with electricity prices or revaluations against assets that may be unwound over time) from long-term expected income generation. The Company seeks to provide investors with predictable income and therefore the Board believes the best measure for evaluating and declaring the dividend is the long-term forecast to be generated by the Company. This may mean that during certain periods the dividend is not fully covered. Further, the Company continues to monitor where the cumulative impact of shorter-term volatility over time may impact the Company's ability to service long-term, sustained dividends.

		30 September 2019		30 September 2018	
Earnings cover	Notes	£'000	pps	£'000	pps
Total profit and comprehensive income		59,112	6.74	73,418	8.64
Dividends in respect of the year	9	66,641	7.60	64,847	7.60
Earnings cover ¹ (times covered)		-	0.89	-	1.14

		30 September 2019		30 September 2018	
Adjusted earnings cover	Notes	£'000	pps	£'000	pps
Loan interest - accrued ¹		81,975	9.35	75,004	8.82
Other income	3	11,300	1.29	861	0.10
Total expenses	5, 19	(11,451)	(1.31)	(10,948)	(1.29)
Finance costs	6	(4,399)	(0.50)	(3,120)	(0.37)
Adjusted net earnings ¹		77,425	8.83	61,798	7.26
Dividends in respect of the year	9	66,641	7.60	64,847	7.60
Adjusted earnings cover ¹ (times covered)		-	1.16	-	0.96

		30 September 2019		30 September 2018	
Cash earnings cover	Notes	£'000	pps	£'000	pps
Loan interest - cash	3	52,736	6.01	55,776	6.56
Repayment of financial assets	11	114,762	13.09	25,482	3.00
Total expenses paid ¹		(11,116)	(1.27)	(10,704)	(1.26)
Finance costs paid		(3,684)	(0.42)	(4,488)	(0.53)
Total net cash received ¹		152,698	17.41	66,066	7.77
Dividends in respect of the year	9	66,641	7.60	64,847	7.60
Cash earnings cover ¹ (times covered)		-	2.29	-	1.02

		30 September 2019		30 September 2018	
	Notes	Shares		Shares	
Weighted average number of shares	10	876,989,267		850,004,870	

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to alternative performance measures after the glossary.

The 'pull-to-par' effect

The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. The fair value of an investment is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flows expected to arise from each asset. The income recognised against such asset (i.e. the change in fair value over time) is therefore a function of this discount rate.

At the time of investment, the discount rate is typically the same as the interest rate given new investments are made at market value. Where the discount rate changes due to the Valuation Agent determining such change is appropriate either for market or project-specific reasons, this results in a revaluation of the investment, reflected through fair value movements in the income statement.

The income recognised in future periods also changes as a result of the application of a new discount rate; this is a characteristic often referred to as 'pull-to-par'.

The Company has historically benefited from a number of its investments being revalued upwards in this way. As a result, the income recognition in future periods is lower than actual interest accruing on the loan.

This leads to a reduction in dividend cover on an earnings cover¹ basis in future years, given recognition has already occurred in prior years, which the Company estimates at c. £1.5 million per annum. Recognising this effect, the Company has presented an alternative analysis of dividend coverage above which considers loan interest - accrued¹ (independent of the discount rate). The Board and the Investment Adviser consider this to be an important analysis and uses it in evaluating and declaring dividends.

Further analysis on dividends is shown in note 9 to the financial statements.

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to alternative performance measures after the glossary.

INVESTMENT PORTFOLIO

The Company is exposed to a portfolio of 49 investments with a weighted average annualised yield¹ of 8.1% and average life of 14 years.

Portfolio summary

In the reporting year, the valuation of the portfolio increased by £14.3 million to a total value of £1.14 billion, with c.£85 million of new secondary investments in the renewable electricity and PFI portfolios, and further advances of c.£56 million in existing assets across all sectors. A full list of the Company's portfolio can be found on the Company's website.

PORTFOLIO BY ANNUALISED YIELD

>10% 10%
8-10% 28%
<8% 62%

PORTFOLIO BY AVERAGE LIFE (YEARS)

>30 13%
20-30 2%
10-20 42%
<10 43%

PORTFOLIO BY PROJECT TYPE

Wind 23%
PFI 22%
Solar 21%
Supported Living 14%
Biomass 10%
Anaerobic Digestion 7%
Other 3%

PORTFOLIO BY CASH FLOW TYPE

ROC/FIT/RHI 42%
PPA/Gate fees 15%
Unitary charge 15%
Rental income 14%
Construction 12%
Lease payment 2%

PORTFOLIO BY INVESTMENT TYPE²

Subordinated 58%
Senior 42%

1. Alternative performance measures ('APM'), for definition and calculation methodology, refer to alternative performance measures after the glossary.
2. Includes exposure to shareholder interests of c.3%.

PORTFOLIO VALUATION MOVEMENT

30 September 2018 valuation £1,130.4m
Additional drawdowns (including capitalised interest) £140.6m
Other fair value movement through profit and loss £50.6m
Revaluation (net) (£9.4m)
Interest received (£52.7m)
Principal repaid (£114.8m)
30 September 2019 valuation £1,144.7m

Top 10 investments

Key
1 Project type
2 % of total assets
3 Cash flow type

Cardale PFI Investments¹

1 PFI
2 10.4%
3 Unitary charge

GCP Bridge Holdings

1 Various
2 10.0%
3 ROC/FIT/PPA/Unitary charge

GreenCo Alpha Holdings

1 Offshore wind
2 5.7%
3 ROC/PPA

Gravis Solar 1

1 Commercial solar
2 5.3%
3 ROC/FIT/PPA

Gravis Asset Holdings F Notes

1 Onshore wind
2 4.7%
3 ROC/PPA

GCP Programme Funding²

1 Supported Living
2 4.3%
3 Rental income

Gravis Asset Holdings A Notes

1 Onshore wind
2 4.1%
3 ROC/PPA

GCP Rooftop Solar Finance

1 Rooftop solar
2 3.6%
3 FIT

GCP Social Housings 1³

1 Supported living
2 3.5%
3 Rental income

Gravis Solar 2

1 Commercial solar
2 3.5%
3 ROC/PPA

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

1. The Cardale loan is secured on a cross-collateralised basis against 14 individual operational PFI projects.
2. GCP Programme Funding 1 Ltd Series 1 Notes.
3. GCP Social Housing 1 Ltd D Notes.

Top ten revenue counterparties	% of total assets
Viridian Energy Supply Limited	10%
The Renewable Energy Company Limited (Ecotricity)	9%
Engie SA	8%
Statkraft Markets GmbH	8%
Bespoke Supportive Tenancies Limited	7%
Ørsted Salg & Service A/S	7%
Smartest	6%
Power NI Energy Limited	6%
Good Energy Limited	6%
British Gas Trading Limited	3%

Top ten project service providers	% of total assets
Vestas Wind Systems A/S	14%
Grosvenor Facilities Management	10%
Solarplicity Asset Limited	9%
A Shade Greener Maintenance Limited	9%
Bespoke Supportive Tenancies Limited	7%
Ørsted Salg & Service A/S	7%
Agrikomp (UK) Limited	3%
Inclusion Housing Community Interest Company	3%
Burmeister & Wain Scandinavian Contractor A/S	3%
Thalia Power Limited	2%

Portfolio overview

The Company's investment portfolio remained broadly stable during the year, with cash received from scheduled and unscheduled (early) repayments principally in the renewables sector. The valuation of the Company's investments at 30 September 2019 was £1.14 billion (2018: £1.13 billion). Investments made and repayments received during the year are summarised in the tables below:

Investment analysis for the year ended 30 September 2019

Investments and repayments	£m
New Investments	84.6
Further advances	56.0
Scheduled repayments	(28.8)
Unscheduled repayments	(86.0)
Net investment	25.8

Sector analysis

Investments (£m)		Repayments (£m)
15.5	Anaerobic Digestion	(57.0)
11.9	Biomass	(2.2)
-	Hydro	(6.7)
-	Offshore wind	(15.5)
67.7	Onshore wind	(11.5)
0.7	Commercial solar	(15.5)
1.3	Rooftop solar	(1.8)
35.7	PFI	(3.2)
7.8	Supported living	(1.4)

During the year, notable prepayments of c.£57 million were received from a senior loan secured against a portfolio of anaerobic digestion projects, c.£14 million from a senior loan secured against a commercial solar installation and c.£15 million from other senior loans secured against onshore wind and hydro projects. Prepayment fees of c.£9.8 million were received in relation to unscheduled (early) prepayments.

The Company sees a risk of additional early prepayments for mature asset classes in the renewables sector where significant yield compression has occurred. This yield compression has resulted in increased valuations which have made it feasible (and in certain cases attractive) for borrowers to dispose of assets and use the proceeds to repay loans whilst still incurring significant prepayment fees. The Investment Adviser estimates investments with a value of c.£10 million are exposed to assets with a high likelihood of being prepaid in the next twelve months due to such circumstances.

Capital structure

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

Portfolio performance update

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 2019 was 7.58%, compared to 7.57% at 30 September 2018. 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 2019, c.12% of the investment portfolio was exposed to construction stage assets. This is principally a portfolio of gas-to-grid anaerobic digestion projects that are expected to complete construction in early 2020.

A number of renewable assets in the Company's portfolio continue to be subject to audits by Ofgem, as to the possible non-compliance of such assets under the subsidy schemes to which they are accredited. In particular, audits are ongoing in respect of a portfolio of 22 solar assets accredited under the RO, and an investment secured against a portfolio of 757 domestic wood pellet boilers benefiting from the domestic RHI. A downward revaluation of £1.7 million was recognised in relation to such audits due to actions taken by Ofgem. The Company continues to work with Ofgem to satisfactorily address the queries that have been raised and believes that all assets are, and have been, compliant with the relevant regulations and guidance relating to the applicable accreditation.

Performance updates

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

Valuation performance attribution

Driver	Description	Impact (£m)	Impact (pps)
Discount rates	Upward revaluation of senior loans secured against a portfolio of wind and commercial solar projects.	1.2	0.14
Disposal assumptions	The Company modified its assumption relating to the timing of the disposal of interests in a number of renewable assets to which it gained exposure through the Green Investment Bank transaction in 2017.	2.2	0.25
Principal indexation	Upward revaluation as a result of RPI exceeding specified triggers.	0.7	0.08
Refinancing	Refinancing of the senior loans in the Race Bank offshore wind project to maximise debt capacity and minimise the rate under the senior loan facility.	2.7	0.30
Revised forecasts	Certain valuations of shareholder interests have been impacted by actual performance and revised forecasts of, inter alia, electricity prices and inflation.	1.0	0.12
TOTAL UPWARD VALUATION MOVEMENTS		7.8	0.89
Arrangement fees	Downward revaluation offset by an equivalent amount in other income, refer to note 3.	(1.1)	(0.12)
Revised forecasts	Certain valuations of shareholder interests have been impacted by	(7.8)	(0.89)

	actual performance and revised forecasts of, inter alia, electricity prices and inflation.		
Anaerobic digestion assumptions	Downward revaluations made against two anaerobic digestion investments to reflect updated performance and cost assumption forecasts of underlying assets.	(6.2)	(0.71)
Ofgem audits	Downward revaluations made against a number of domestic RHI boiler installations and 22 solar assets in respect of Ofgem audits.	(1.7)	(0.20)
Rental income	Downward revaluations made against arrears associated with an investment secured against a portfolio of supported living properties, due to non-receipt of rental income by the relevant RP.	(0.4)	(0.04)
	TOTAL DOWNWARD VALUATION MOVEMENTS	(17.2)	(1.96)
Interest payments	Net valuation movements attributable to the timing of debt service payments.	5.8	0.66
Loan prepayments	Unwinding of premia associated with the historic reduction of interest rates on the loans which were prepaid in the year.	(8.0)	(0.92)
	TOTAL OTHER VALUATION MOVEMENTS	(2.2)	(0.26)
	TOTAL NET UNREALISED VALUATION MOVEMENTS	(11.6)	(1.33)

Pipeline of investment opportunities

The Company maintains an active pipeline of investment opportunities to utilise scheduled and unscheduled (early) repayments received. Given the market environment, as summarised earlier in this report, the Company's pipeline is sufficient to manage the relatively small repayments expected in the short term. This pipeline is focused on secondary transactions in renewables specifically in the electricity and heat sectors and a small pipeline of secondary PPP assets.

The Board and the Investment Adviser continue to review discrete larger investment opportunities that could be financed by large unscheduled repayments and/or future growth. Further, the Investment Adviser is reviewing a number of opportunities to refinance and/or restructure the projects to which it is exposed to optimise the Company's exposure to such assets. This includes the repayment and/or restructuring of third-party senior loans to release capital and/or minimise the cost of third party debt.

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 view of the changes in risk, can be found above.

Electricity prices

A number of the Company's investments rely on market electricity prices for a proportion of their revenues. Changes in electricity prices may therefore impact on 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)	(2.95)	(1.59)	-	1.64	3.13

PFI nationalisation

As part of their 2019 manifesto, Labour have stated their intentions to nationalise a number of infrastructure sectors, including PFI. Limited detail has been presented on the mechanisms to be used and the compensation payable as part of this policy. The Company's view is that the wide-scale nationalisation of PFI remains a low probability event. However, to provide a sense of the potential impact, the Company has evaluated the impact on NAV should nationalisation occur through the contractual routes available to the Government and/or local authority to do so as part of the project agreements.

Provision type	Portfolio exposure (%)	Impact if exercised
Assets with no right for the local authority to terminate (primarily a number of healthcare investments).	1.4	No impact - no ability to terminate.
Assets where the termination payment is based on a market test mechanism to compensate investors.	14.4	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.	5.7	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 considers that the potential impact on the Company of the termination of all PFI contracts to which it has exposure would be a reduction in portfolio value of c.£34 million or 3.9 pence per share.

Inflation

A number of the Company's investments (making up c.44% 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 supported living assets and certain renewables) and a principal indexation mechanism 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 - 3.00%).

ENVIRONMENTAL, SOCIAL, GOVERNANCE

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

Responsible investment

The Investment Adviser is a signatory to the UN Principles for Responsible Investment ("UNPRI"). The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. The principles are a voluntary and aspirational set of investment principles for incorporating ESG issues into investment practice. More information can be found on the UNPRI website: www.unpri.org.

The Investment Adviser is in the process of integrating sustainability across its business, including the embedding of responsible investing policies in its investment management processes and the establishment of a dedicated sustainability committee.

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 its 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 37 wind sites, 52,699 solar installations and two hydro-electric schemes, with more than half of the portfolio by value comprising of green energy assets (including 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 2019.

Climate change

Climate change has become an increasingly important issue in the UK. Whilst the Board does not consider climate change a principal risk at this time, 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:

Solar assets	Wind assets	Hydro assets
21% of portfolio	23% of portfolio	1% of portfolio
SUN	WIND	RAIN

Forecast climate change impact: Changing weather patterns.	Forecast climate change impact: Higher incidence of extreme weather events such as storms.	Forecast climate change impact: Higher incidence of extreme weather events such as storms and associated flooding.
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.	Changing weather patterns.	Changing weather patterns.
Temperature <i>Forecast climate change impact:</i> Hotter global temperatures.	Portfolio impact: Wind turbines are shut down during high winds. More storms would therefore be negative for energy production.	Portfolio impact: Hydro-electric plants perform best with consistent levels of rainfall. Increased levels of storms would have a potential negative impact, and flooding has the potential to damage assets.
Potential for strong regional differences in variations (up or down).	Changing weather patterns could be positive or negative for wind generation resource at a given location.	Changing weather patterns could be positive or negative for rainfall and therefore hydro-electric generation.
Portfolio impact: Temperature impacts the efficiency of solar panels. Whilst increased solar irradiation would be broadly positive for solar generation, higher temperatures may negatively impact the performance of key components.		

COMMUNITY BENEFIT FUNDS

The Company's activities benefit society through a number of social initiatives. These include Community Benefit Funds established at its wind assets which make a positive contribution to life in the community.

The Government launched the Community Benefits Protocol in 2011; this protocol was the first of its kind to provide clear industry-wide commitments on community benefit provision for wind farms. Under the protocol, developers in England with qualifying projects commit to provide financial benefits of £5,000 per megawatt (MW) of installed capacity, or equivalent benefits-in-kind, directly to host communities.

These funds can be used to finance any initiative a community deems appropriate and necessary for their local area, including community owned renewable energy projects, recreational facilities or equipment for local schools. Benefits under the protocol are negotiated directly with host communities and tailored to their needs to ensure a positive lasting legacy is achieved. Community Benefit Funds offer an opportunity for a local community to access resources, including long-term, reliable and flexible funding to directly enhance their local economy, society and environment. They are an opportunity to provide a regular income stream to communities near to a wind farm development.

Community Benefit Funds typically take the form of payments by a developer based upon the installed MW capacity of a wind farm. There are a number of different ways in which financial contributions from developers can be made to the community, either as a one-off annual sum paid per MW installed over the lifetime of the project, or as variable annual payments linked to profit or electricity output measures, (or a blend of these elements). The councils that receive these funds are obliged to report on how the grants are used, ensuring transparency in the way the funds are invested and that they specifically go to support areas that have been identified in the agreement.

The Company has funded a number of wind assets where Community Benefit Funds have been established successfully, the largest of which has been implemented to support local projects which make a positive contribution to life in the community, including funding one-off initiatives and larger strategic sustainable projects in County Fermanagh, Northern Ireland. Projects which have been funded to date cover a wide range of social, community and sporting initiatives in the catchment area. These have included larger initiatives such as the partial redevelopment of a local community centre and development of an outdoor sporting facility, whilst also providing grants for smaller initiatives such as funding for local community clubs. The grants which have been awarded to date have made a significant contribution to people's lives and are contributing to the work of the local organisations who have received funding.

The Company has also funded a number of further wind schemes with similar arrangements, in particular one to support the implementation of energy efficiency and small-scale renewable energy measures, and one to support projects that promote energy efficiency and reduce the impact of climate change.

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 (which includes the projects/companies in which the Company invests and the engagement of the Company's advisers) 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, 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.

A copy of the Company's Modern Slavery Statement can be found on the Company's website.

In addition, the Company has recently introduced a Whistleblowing Policy to encourage the Company's stakeholders (or employees of the Company's stakeholders) to report suspected or actual occurrence(s) of illegal, unethical or inappropriate events (behaviours or practices) without retribution and details of this can be found on the Company's website.

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. It also works to make sure its business partners share this commitment.

Diversity

As noted in the governance section below, the Board comprises five male and two female directors, and therefore 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 in the view of the Board.

RISK MANAGEMENT

The Board and the Investment Adviser 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 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, see below.

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 risk

- 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 receive and review assurance reports on the controls of the Investment Adviser undertaken by a professional service provider.
- The contractual agreements with the Investment Adviser and other third party service providers, and their adherence to them and their ongoing performance, are regularly reviewed by the Board and at least annually by the Management Engagement Committee.

Financial risk

- 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 legal and regulatory requirements which are monitored by the Board.

Portfolio risk

- 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 risks

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

Risk appetite

As an 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 seek to manage investment risk within set risk/return parameters. Information on the Investment Adviser's view on current asset risk characteristics for each risk sector is included in the Investment Adviser's report above.

Emerging risks

The Board notes emerging risks as a new area of focus within the 2019 AIC Code. Emerging risks include trends which are characterised by a high degree of uncertainty in terms of their occurrence, probability and their potential impact. As part of the Company's risk management processes, emerging risks are considered at the formal reviews of the Company's risk matrix. Emerging risks are by their very nature uncertain; examples include climate change, global financial volatility, new disruptive technologies and natural resources management, all areas which have been considered as part of the Company's risk reviews.

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 risk¹ and other risks.

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 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. Link to strategy: 1,3	If an 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 and the Investment Adviser, various third party financial, technical, insurance and legal experts are engaged to advise on specific project risks.	Stable There have been no new issues identified during the year, with the investment portfolio materially performing in line with the Investment Adviser's expectations.
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. Link to strategy: 1,2,3	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 Company seeks to raise additional finance in order to ensure that capital is deployed in a timely fashion. Consideration is also given to any scheduled capital repayments.	Increase The Company made investments of £140.6 million in the period and maintains a pipeline of investment opportunities to reinvest any capital it receives. No material new policies have been introduced by the UK Government in the period that are likely to promote a significant growth in available investments, and the Company remains heavily reliant on secondary markets.
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. Link to strategy: 1,3	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.
RISK 2: PORTFOLIO RISK			

Risk	Impact	How the risk is managed	Change in residual risk over the year
4 Change in laws, regulation and/or government policy Any change in the laws, regulations and/or government policy as a result of Brexit, change in Government and/or other factors, in particular those relating to the PFI and renewable energy markets. Link to strategy: 1,2,3	Potential adverse effect on the performance of the Company's investment portfolio and the returns achieved by the Company. Reduced support for private sector finance of infrastructure and/or a material change in the approach to infrastructure delivery (such as nationalisation) represent risks to the Company's ability to reinvest capital that is repaid.	Any changes in laws, regulations 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.	<i>Increase</i> There remains considerable uncertainty over the long-term impact of Brexit on the UK's economy and changes in regulatory law. Long-term impacts may include greater friction in the movement of labour, goods and services between the UK and Europe. Further, the outcome of the general election will be announced shortly. The shadow cabinet in particular has announced its intent to privatise certain infrastructure sectors. The potential impact of nationalisation of the Company's PFI portfolio is given above.
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 subcontractors. 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. Link to strategy: 1,3	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 subcontractors, as well as the terms and feasibility of their engagements, are a key focus of investment due diligence. The Board and the Investment Adviser monitor the Company's exposure to any given subcontractor, and ensure that the risk of underperformance is mitigated by diversification.	<i>Increase</i> There have been a number of financial challenges experienced by subcontractors during the year in three asset classes: wind, anaerobic digestion and supported living. The Company has either been successful in mitigating any material financial loss or is working with the relevant borrowers to find a replacement contractor/registered provider whilst seeking to recover any losses incurred.
6 Operational or construction issues The investments the Company holds are exposed to construction and/or operational risks and may not perform as expected. Link to strategy: 1,3	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 projects 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. Other than shareholder interests, 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.	<i>Stable</i> The Company benefited from high levels of operational performance on two biomass assets and across its Northern Irish anaerobic digestion portfolio, and a large waste PPP project completing construction post period end. However, operational challenges remain at one biomass project and a portfolio of three gas-to-grid anaerobic digestion projects in Scotland and remedial works are being carried out on a housing PPP project following the identification of construction defects.
7 Technology risk Some of the projects that the Company invests in utilise relatively new or developing technologies. There may be issues in relation to those technologies that become apparent only in the future. Link to strategy: 1,3	Such issues may give rise to additional costs or may otherwise 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.	The Investment Committee of the Board and the Investment Adviser ensure that due diligence is carried out by technical experts to advise on specific project risks, including technology risk.	<i>Stable</i> The Company's operational investments are materially performing in line with expectations. The Company continues to be exposed to biomass and anaerobic digestion assets which have operational challenges, refer to risk 6.
8 Lifecycle and maintenance costs 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. Link to strategy: 1,3	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.	<i>Stable</i> Whilst performance at two of the Company's three large biomass assets has improved in the year, performance improvements continue to be implemented at the third.
9 Insurance 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. Link to strategy: 1,3	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.	<i>Stable</i> The Company's investments remain adequately insured.
10 Project Company owners The owners of the Project Companies to which the Company lends money are responsible for the underlying asset performance. There is a	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	<i>Stable</i> The Company continues to see evidence of third party service providers failing to support owners, such as the administration of Interserve.

risk that these equity owners do not have the experience, track record, ability or financial resources to satisfactorily fulfil their required role. Link to strategy: 1,3		the underlying projects by carrying out the appropriate due diligence and have the ability to take over contracts to address relevant issues where required.	The Board does not consider there to be a material change in this risk during the period.
RISK 3: FINANCIAL RISK			
Risk	Impact	How the risk is managed	Change in residual risk over the year
11 Assumptions 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. Link to strategy: 1,3	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.	<i>Stable</i> The Company's operational investments continue to perform materially in line with expectations and the Investment Adviser has confirmed it is satisfied with the assumptions used in the financial models.
12 Valuation 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, the potential impacts of Brexit and the December 2019 general election may impact on the factors described above. A sensitivity analysis on the potential impact of PFI nationalisation is given above. Link to strategy: 3	Such changes to valuations 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. Almost half 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.	<i>Increase</i> 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. Further, the Company is exposed to a number of shareholder interests, either as a result of the specific targeting of these positions or through enforcing its security as a result of the occurrence of defaults. Such exposures are more sensitive to changes in market factors, such as electricity prices, and the operational performance of projects, and are therefore likely to result in increased volatility in the Company's valuation.
13 Interest rates 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. Link to strategy: 1	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.	<i>Stable</i> The Bank of England has kept interest rates stable at 0.75% since August 2018; however, the Monetary Policy Committee has stated that if Brexit uncertainties remain entrenched, monetary policy may need to reinforce the expected recovery in UK GDP growth and inflation. The Company is reviewing the proposed transition from LIBOR to SONIA and how its credit agreements may be affected by any such change.
14 Borrowings The Company utilises borrowing facilities to finance and/or part-finance further acquisitions in accordance with the Company's investment policy. However, there can be no guarantee that any such facilities will be available to the Company on commercially acceptable terms or at all. Link to strategy: 1	If the Company was unable to secure borrowing facilities this may adversely affect the Company's investment returns and may have a material adverse effect on the Company's financial position and results of operations.	The facilities are in place to fund potential investments in the near term and to avoid holding material amounts of uninvested cash awaiting investment. Consideration may also be given to other forms of credit as part of the Company's future funding strategy.	<i>Stable</i> The facilities are a short-term measure and the loan to value¹ (borrowings as a percentage of net assets) at year end was 17%.
RISK 4: OTHER RISKS			
Risk	Impact	How the risk is managed	Change in residual risk over the year
15 Compliance with laws and regulations Changes in the laws, regulations and/or government policy affecting the Company, including any change in the Company's tax status or in taxation legislation in Jersey, the UK and/or Europe (including a change in interpretation of such legislation). Link to strategy: 1	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 Company has a comprehensive compliance monitoring programme to ensure full compliance with legislation/regulations relevant to the Company's operations. The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in Jersey and Europe along with regulatory developments in the UK as well as Listing Rules and FCA marketing rules.	<i>Stable</i> The Company's internal compliance monitoring processes continue to operate effectively in the year under review.
16 Cyber-attack risk 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	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	<i>Stable</i> The Company's internal compliance monitoring processes continue to operate effectively, which includes monitoring of third party service providers.

equipment.		ongoing compliance developments in Jersey the UK and Europe to ensure the risk is mitigated.	
Link to strategy: 3			

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to alternative performance measures after the glossary.

Key:

- 1 Dividend income
- 2 Diversification
- 3 Capital preservation

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 assumptions used to model these scenarios included a fall in value of a number of investments, a reduction in the deployment of capital and an increase in the cost of debt and/or operating expenses.

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 revolving credit facilities remain 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 undertaken to assess 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 assessment.

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

Ian Reeves CBE
Chairman

11 December 2019

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

Background and experience:

Ian Reeves CBE, a Jersey resident, is an entrepreneur, international businessman and adviser. He is Chairman of the Estates and Infrastructure Exchange 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

Background and experience:

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 Enhanced Income Limited and AIM listed EPE Special Opportunities Limited. Clive also has wide coverage in the private equity sector across a number of Nordic Capital and Intermediate Capital Group structures.

Clive has served as a Director since 7 February 2014.

David Pirouet
FCA
Audit and Risk Committee Chairman

Background and experience:

David Pirouet, a Jersey resident, is a qualified chartered accountant. He was an audit and assurance partner for over 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. David was appointed to the board of AIM listed EPE Special Opportunities Limited in July 2019.

David has served as a Director since 15 June 2010.

Julia Chapman
Non-executive Director

Background and experience:

Julia Chapman, a Jersey resident, is a solicitor qualified in England & Wales and Jersey with over 30 years' experience in the investment fund and capital markets sector. Having trained with Simmons & Simmons in London, Julia moved to Jersey to work for Maurant du Feu (now known as Maurant) and became a partner in 1999. Julia was then appointed general counsel to Maurant International Finance Administration (which provided services to alternative investment funds). Julia serves on the boards of three other Main Market listed companies, Henderson Far East Income Limited, BH Global Limited and Sanne Group PLC.

Julia has served as a Director since 1 October 2015.

Dawn Crichard
FCA
Non-executive Director

Background and experience:

Dawn Crichard, a Jersey resident, is a Fellow of the Institute of Chartered Accountants of England and Wales with over 20 years' experience in senior Chief Financial Officer and Financial Director positions. Having qualified with Deloitte, Dawn moved into the commercial sector and was Chief Financial Officer of a large private construction group for twelve years. Following this, Dawn was appointed as Chief Financial Officer for Bathroom Brands plc. Her broad accounting and commercial experience includes establishing new group head offices, mergers, acquisitions, refinancing and restructuring.

Dawn has served as a Director since 16 September 2019.

Paul De Gruchy
Non-executive Director

Background and experience:

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.

Paul has served as a Director since 7 February 2014.

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

Background and experience:

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.

THE INVESTMENT ADVISER

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.

Gravis story

At Gravis we don't believe in a short-term approach to investment. We involve ourselves in long-term projects that offer a human dimension, investing in assets that will be needed by the UK for many years to come, such as hospitals, schools, student accommodation, energy generation and other assets of the UK's social and economic infrastructure. Our infrastructure investments are generally underpinned by obligations of UK central and local government and always by long-term predictable, contracted income, while our student accommodation investments generate non-correlated counter-cyclical income and are supported by the stable long-term demand for UK higher education facilities.

At Gravis we have created funds that make infrastructure, student accommodation and asset backed investments accessible to a wide range of investors. We believe that it is vital that the characteristics of the underlying investments dictate the fund structures; LSE traded closed-ended funds for less liquid assets and open-ended investment companies for more liquid holdings. Whatever the investment sector, we seek to provide our investors with steady returns, driven by a strong focus on delivering dependable, predictable income.

The Gravis team has worked together over many years to build both our investment philosophy and a practical track record of performance. We are a multi-disciplined investment team with all the capabilities to critically evaluate and execute investment opportunities. Individually, we all invest in the funds we believe in and have built as a team.

Gravis is the Investment Adviser to the Company, Investment Manager of GCP Student and GCP Asset Backed and also advises VT Gravis Clean Energy Income Fund, VT Gravis UK Listed Property Fund and VT Gravis UK Infrastructure Income Fund.

Formed in **2008**
Managing assets of **c.£3bn**

Experts in **long term**

INVESTMENT TEAM

Philip Kent
Director

Philip Kent is a director of the Investment Adviser and acts as lead fund adviser to the Company.

Background and experience:

Philip 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. Philip 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.

Rollo Wright
Director, founder

Rollo Wright is a director and co-founder of the Investment Adviser. He acts as fund adviser to the Company.

Background and experience:

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.

Stephen Ellis
Director, founder

Stephen Ellis co-founded the Investment Adviser in 2008 and acts as fund adviser to the Company.

Background and experience:

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.

PORTFOLIO ADMINISTRATION AND CORPORATE AND FINANCIAL ADVISORY

Saira Johnston
Chief Financial Officer

Dion Di Miceli
Head of Investment Companies

Chloe Marlow
Head of Corporate Reporting

Matteo Quatraro
Commercial Director

Ben Perkins
Associate Director

Gabriel Oke
Head of Portfolio Management

William Parry-Jones
Fund Financial Controller

Max Gilbert
Associate

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

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 Directors 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.

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 initial 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 £70,000 (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, asset 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, a closed-ended investment company listed on the London Stock Exchange's Main Market for listed securities. GCP Asset Backed 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.

BOARD LEADERSHIP AND PURPOSE

This corporate governance statement forms part of the Directors' report.

Introduction from the Chairman

I am pleased to introduce the Company's corporate governance statement. In this statement the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the past year and describes how the Board exercises effective stewardship over the Company's activities in the interests of shareholders.

The Board encourages a culture of robust governance and the Company reviews its standards of governance against the principles of the AIC Code, as published in July 2016. The Board considers that reporting against the principles and recommendation of the AIC Code, as explained by the AIC Guide, provides better information to shareholders as it 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 investment companies, and is endorsed by the FRC.

In February 2019, the AIC published a revised version of the AIC Code to reflect the changes made to the 2018 UK Code. The 2019 AIC Code will apply to accounting periods beginning on or after 1 January 2019. The Company is mindful of these changes and where appropriate has aligned the content of each section of the corporate governance report to recognise the requirement of the 2019 AIC Code, against which it will report for the financial year ending 30 September 2020.

A copy of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

Statement of compliance with the AIC Code

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 to the Company, being an externally managed investment 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 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 an 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. This review includes the consideration of whether the Company's third parties have adequate internal controls in place.

The Chairman of the Company

Ian Reeves CBE was a member of the Audit and Risk Committee until 14 October 2019 and was replaced by Paul De Gruchy. These changes were made in accordance with corporate governance best practice. Ian is Chairman of the Nomination Committee and a member of the Investment Committee (with effect from 14 October 2019). The Board believes it is appropriate for Ian Reeves CBE to be a member of these committees as he was independent on appointment and there are no conflicts of interest.

The Chairman of the Audit and Risk Committee

David Pirouet is the Chairman of the Audit and Risk Committee and a member of the Nomination Committee. The Board continues to consider David Pirouet to be fully independent as he was independent on appointment and there are no conflicts of interest. As announced on 17 September 2019, it is intended that David will be succeeded by Dawn Crichard as Chair of the Audit and Risk Committee during the next financial year, at which point David will step down as Chair and, following the transition of his responsibilities, will retire from the Board at the Annual General Meeting ("AGM") of the Company in 2021.

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

It is the Board's policy that Directors do not have service contracts. Each of the Directors has signed a letter which sets out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. 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 two female Directors. The Company has no employees. The Company's policy on diversity is set out 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 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 2019 AGM, 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 2020 AGM are set out in the 2020 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 2019, 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 with a focus on protecting and enhancing the value of the current portfolio.

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;
- succession planning and organisational capability;
- regular reports from the Board's committees;
- new potential investment sectors; and
- the Company's risk matrix.

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 2019, the Investment Committee comprised four Directors, as set out below.

The Board has agreed terms of reference for the committee which include meeting to consider each new investment proposal received from the Investment Adviser and advisory reports and recommendations. The committee met 15 times during the year. The committee is also responsible for ensuring that investment proposals have been properly prepared, comply with the Company's investment policy and strategy and that key conditions precedent are complied with for each deal. The committee also signs off on the release of capital advances.

Management Engagement Committee

The Management Engagement Committee comprises all the 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 its performance, 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 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 below.

STAKEHOLDER ENGAGEMENT

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.

The Company, primarily through its Investment Adviser and Corporate Broker, engages in ongoing communication with its shareholders via 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.

As explained in more detail below the Chairman and the Company's Broker met with a number of the Company's shareholders in recent months where strategy and the Board succession plans were amongst the matters discussed.

Further communication with shareholders is achieved through the annual and half-yearly reports, news releases via the LSE and 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.

The Company's annual and half-yearly reports are dispatched to shareholders by post (where requested) and are also available to download from the Company's website.

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.

Further information about the significant shareholders in the Company is set out below.

Annual General Meeting

The 2019 AGM of the Company was held on 14 February 2019. Resolutions 1 to 16 related to ordinary business, which are put to the shareholders annually. Resolutions 17 and 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 87,673,884 ordinary shares, as if pre-emption rights in the Company's Articles did not apply.

These shareholder authorities will expire at the 2020 AGM.

The next AGM will be held on 13 February 2020 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 3 January 2020, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Extraordinary General Meeting ("EGM")

The Company held an EGM on 9 February 2019, at which shareholders approved that the Company be generally and unconditionally authorised to allot and issue an aggregate of up to 87,673,884 ordinary 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 an AGM, the Company will consider what, if any, actions it intends to take going forward.

At the 2019 AGM, 89.81% of shareholders voted for the resolution to approve the Directors' remuneration report. Further information can be found below.

Borrowers

The Company values its relationships with borrowers, ensuring time is spent building and maintaining these relationships. The Company has been able to advance a further £56.0 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 at regular intervals and participates in focus groups and research projects about the infrastructure sector.

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 Management Engagement Committee regularly monitors the performance and reviews the terms of each service contract. Further information can be found above.

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.

DIVISION OF RESPONSIBILITIES

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			
PURPOSE: Responsible for the long-term success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. Chair: Ian Reeves CBE Julia Chapman Michael Gray Clive Spears Dawn Crichard David Pirouet Paul De Gruchy			
BOARD COMMITTEES			
Audit and Risk Committee PURPOSE: Ensures that the Company's financial performance is properly monitored, controlled and reported, including engagement with the Company's external Auditor, and reviews and monitors the Company's risks and internal controls.	Investment Committee PURPOSE: Approves the acquisition, monitoring and disposal of investments.	Management Engagement Committee PURPOSE: Reviews the performance and continuing appointments of the Investment Adviser and other service providers.	Nomination Committee PURPOSE: Considers appointments to the Board and its individual committees and makes recommendations in regard to changes to maintain a balanced and effective Board.
COMPOSITION AT 30 SEPTEMBER 2019			
Chair: David Pirouet Dawn Crichard Ian Reeves CBE See Audit and Risk Committee report below.	Chair: Clive Spears Julia Chapman Paul De Gruchy Michael Gray (appointed 16 September 2019)	Chair: Clive Spears Julia Chapman Dawn Crichard Paul De Gruchy Michael Gray David Pirouet Ian Reeves CBE	Chair: Ian Reeves CBE Julia Chapman (appointed 22 July 2019) David Pirouet Clive Spears See Nomination Committee report below.

Committee changes post year end

With effect from 14 October 2019, a number of changes have been made to the Board committees as part of the Board's medium-term succession plan. Paul De Gruchy stepped down from the Investment Committee and joined the Audit and Risk Committee. Paul also replaced Clive Spears as Chair of the Management Engagement Committee. Ian Reeves CBE stepped down from the Audit and Risk Committee and joined the Investment Committee. Michael Gray will assume the Chairmanship of the investment Committee when Clive Spears steps down from the Board at the Company's 2020 AGM.

The Chair of the Board

Ian Reeves CBE is responsible for the leadership of the Board, including organising the Board's business and setting its agenda.

Senior Independent Director

Clive Spears is the Senior Independent Director, who works closely with the Chairman, acting as a sounding board when necessary. Mr Spears also meets with the other Board members annually to assess the Chair's performance and will be replaced by Julia Chapman when he steps down from the Board at the Company's 2020 AGM.

Directors

In addition to the Chair and the Senior Independent Director, there are currently five independent non-executive Directors.

The Company Secretary

The Board has access to the Company Secretary to advise on all governance and day-to-day administrative matters.

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 statutory obligations are met.

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	Number of attended	Number	Number of meetings attended	Number	Number of meetings attended	Number	Number of meetings attended	Number	Number of meetings attended

	meetings									
Ian Reeves CBE	4	4	3	2	-	-	1	1	5	5
Clive Spears	4	4	-	-	15	15	1	1	5	5
David Pirouet	4	4	3	3	-	-	1	1	5	5
Julia Chapman ¹	4	3	-	-	15	15	1	1	-	-
Dawn Crichard ²	-	-	-	-	-	-	-	-	-	-
Paul De Gruchy	4	4	-	-	15	15	1	1	-	-
Michael Gray ³	4	4	3	2	3	3	1	1	-	-

1. Julia Chapman joined the Nomination Committee on 22 July 2019.

2. Dawn Crichard was appointed to the Board and to the Audit and Risk and Management Engagement Committees on 16 September 2019.

3. Michael Gray joined the Investment Committee on 16 September 2019 and will assume the Chairmanship of this committee when Clive Spears steps down from the Board at the Company's 2020 AGM. Michael stepped down from the Audit and Risk Committee on 16 September 2019.

A total of 17 additional Board meetings were held during the year. These meetings were predominantly in respect of Board succession planning, review of investment sectors and scrip share allotments.

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 in the risk management section above.

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 Apex Financial Services (Corporate) 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 ("MiFID")

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 do so, in order 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 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 resolution.

COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The Board consists of seven non-executive Directors. The Board believes the Directors provide, individually and collectively, the breadth of skills and experience required to manage the Company. Biographical details of the Directors are shown above.

The Board, via its Nomination Committee, regularly reviews the Board's 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 of the Board.

Board appointments are made based on merit and calibre, with the most appropriate candidate, who is the best fit for the Company, being appointed.

Induction of new Directors

The Company has an established process in place for the induction of new Directors. An induction pack is provided to new Directors by the Company Secretary, containing relevant information about the Company, its constitutional documents and its processes and procedures. New appointees meet with relevant persons at the Investment Manager. A programme of induction training is agreed with each new Director. During the year under review, this induction process was undertaken following the appointment of Dawn Crichard as a Director of the Company.

Diversity

Diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge, 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.

Following the appointment of Dawn Crichard on 16 September 2019 and the retirement of Clive Spears from the Board following the AGM in 2020, the Company will have met the gender diversity targets set by the Hampton-Alexander review.

Succession planning, Board independence and tenure of service

The Board is mindful of the principles set out in the 2016 AIC Code and the new AIC Code, regarding the independence of non-executive Directors. The Board regularly reviews the independence of its members and considers whether there are any relationships or circumstances that are likely to affect a Director's independence. The Board considers all of the Directors to be independent.

The Board acknowledges that Paul De Gruchy has an indirect holding of 535,859 ordinary shares in the Company, which represents 0.06% of the total voting rights of the Company, and that Clive Spears has a holding of 57,764 ordinary shares in the Company, which represents 0.01% of the total voting rights of the Company, at 30 September 2019. The Board has discussed the interests in the Company held by these Directors and is satisfied that they do not materially impact their ability to exercise independent judgement on the Board. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the shareholders.

Board tenure

The Board's policy regarding tenure of service is that any decisions regarding tenure should balance the benefits of continuity, against the need to periodically refresh the Board composition. The Board considers that length of service will not necessarily compromise the independence or contribution of directors of an investment company. Therefore, if a Director has served more than nine years, the Board will consider their independence carefully on an annual basis as part of the Board self-evaluation and succession planning process and balance this against the benefits of maintaining continuity, knowledge and experience.

The Chairman and the Company's broker met with several of the Company's shareholders in recent months, where the Board's medium-term succession plan, including Chairman tenure, was one of the matters discussed. The Board's position is that tenure does not necessarily compromise director independence and the Board's policy on tenure is designed to ensure continuity and stability by retaining knowledge, experience and specialist expertise.

The Nomination Committee agreed to recommend the re-appointment of David Pirouet at the 2020 AGM. David Pirouet abstained from these deliberations. David Pirouet has been a Board member since June 2010 but will retire from the Board at the 2021 AGM as part of the Board's ongoing medium-term succession programme. The Board is confident that David Pirouet continues to make valuable contributions to the Company and has exercised his judgement and expressed his opinions in a fully independent manner. Dawn Crichard was appointed to the Board on 16 September 2019 with the intention that she will replace David Pirouet as Chairman of the Audit and Risk Committee once David Pirouet

steps down from the Board at the Company's 2021 AGM.

During the year the Company engaged Thomas Dessain, an independent search consultancy with no connection to the Company or its Directors, to assist it with this appointment. The Directors considered the desired background and expertise of the new Director in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Thomas Dessain. The Directors met with a number of these candidates, following which Dawn Crichard was appointed to the Board.

Chairman tenure

The Board is also mindful of the principles in respect of Chairman tenure as set out in the 2019 AIC Code. The Board considers that length of service may not necessarily compromise the independence of the Chairman but that this will be reviewed on an annual basis.

The Board's policy regarding length of service of its Chairman is that any decisions regarding tenure should factor in the need to maintain continuity and knowledge and the orderly transition of responsibilities. The Board does not consider that the independence of the Chair should be determined solely by time served. The Board recognises the need for board refreshment and has made a number of recent changes to Board and committee composition. As such, in order to align with its priority of ensuring continuity and stability of the Company, the Board considers the 2022 AGM to be the earliest date at which the Chair should consider stepping down.

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 2020 AGM. Mr Reeves abstained from these deliberations. The Board believes that Ian Reeves CBE continues to make valuable contributions to the Company using his experience and expertise in infrastructure, has exercised his judgement and expressed his opinions in an independent manner. The committee noted that Ian Reeves CBE was independent on appointment and that he continues to be independent regardless of his length of service.

Performance evaluation

The Board has decided 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 last external evaluation of the Board was carried out in 2017, the Directors undertook internal performance evaluations in 2018 and 2019 which were 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 and appropriateness of Board meetings. 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 2019 Board evaluation process were reviewed and discussed by both the Nomination Committee and Board. 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 Director is subject to annual re-election by the shareholders at the AGM.

Each of the Directors, except for Clive Spears, will be offering themselves for re-election at the forthcoming AGM on 13 February 2020. Dawn Crichard will be offering herself for election.

The Board undertakes regular 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.

Conflicts of interest

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. The Director must inform the Board as soon as he or she becomes aware of the possibility of an interest that might possibly conflict with the interests of the Company ("situational conflicts"). The Company's articles of association authorise the Board to approve such situations, where deemed appropriate. A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

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.

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 and 19 to 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 above. 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

11 December 2019

NOMINATION COMMITTEE REPORT

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

The Nomination Committee comprises Ian Reeves CBE (Chairman), Clive Spears, David Pirouet and Julia Chapman (appointed with effect from 22 July 2019).

Function of the Nomination Committee

The Nomination Committee is formally charged by the Board to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes to the Board and its individual committees. The Nomination Committee is further charged by the Board to give full consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Company, and the skills, expertise and diversity needed on the Board in the future. During the year, the Nomination Committee held five meetings. Attendance of members at those meetings is shown in the table above.

Matters reviewed in the year

Performance evaluation

In accordance with the AIC Code of Corporate Governance, the Company undertakes an annual evaluation of the Board, its committees, the Chair and its Directors. In addition, an external evaluation is undertaken every three years, with the next external evaluation due in 2020.

The Nomination Committee reviewed the results of the internal evaluation of the performance of the Board, its committees, the Chairman and the Directors during 2018 and 2019. 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 Chair to discuss the Directors' comments on the Chair's performance evaluation. The results of the evaluation process were reported to, and discussed by, the Nomination Committee and subsequently by the Board. The evaluation considered the overall composition of the Board including plans for succession over time and the delivery of Directors' performance appraisals. The following recommendation was made in the review this year:

- to continue to address the future composition of the Board through a medium-term succession plan.

Board composition evaluation

As part of the evaluation process, the committee has undertaken succession planning to ensure that processes and plans are in place with regard to future Board appointments that deal with succession and diversity. As part of the Board's medium-term succession planning the following changes were made to the Board and the Board's committees following recommendations from the committee:

- Dawn Crichard was appointed to the Board on 16 September 2019; Dawn was also appointed to the Audit and Risk and Management Engagement Committees on 16 September 2019 and will succeed David Pirouet as Chair of the Audit and Risk Committee during the next financial year prior to David stepping down from the Board at the 2021 AGM;
- Julia Chapman joined the Nomination Committee on 22 July 2019 and will take on the position of Senior Independent Director when Clive Spears steps down from the Board at the Company's 2020 AGM; and
- Michael Gray stepped down from the Audit and Risk Committee and joined the Investment Committee on 16 September 2019.

Post year end on 14 October 2019:

- Paul De Gruchy stepped down from the Investment Committee and joined the Audit and Risk Committee. Additionally, Paul succeeded Clive Spears as Chair of the Management Engagement Committee;
- Ian Reeves CBE stepped down from the Audit and Risk Committee and joined the Investment Committee; and
- Michael Gray will assume Chairmanship of the Investment Committee when Clive Spears steps down from the Board at the Company's 2020 AGM.

Terms of reference

The committee reviewed its terms of reference to ensure that it is still operating effectively, and amendments were approved by the Board on 14 October 2019.

Ian Reeves CBE

Chairman of the Nomination Committee

11 December 2019

AUDIT, RISK AND INTERNAL CONTROL AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Company's 2019 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 2019, the committee comprised three of the Company's Directors, including the Chairman, David Pirouet, who is a chartered accountant and a former audit partner, Ian Reeves CBE and Dawn Crichard, who is also a chartered accountant. As part of the Board's medium-term succession plan, Dawn Crichard was appointed to the committee on 16 September 2019, on which date Michael Gray stepped down, and this was subsequently followed by Paul De Gruchy's appointment to the committee on 14 October 2019, on which date Ian Reeves CBE stepped down in accordance with best practice.

The Board considers that the independence, experience and knowledge of each of the committee members is sufficient for discharging its responsibilities. Moreover, the Board takes into account the financial, audit, banking and infrastructure experience of the members of the committee historically, and the financial, audit and legal experience after the changes made to the committee on 14 October 2019. The committee formally met three times during the year ended 30 September 2019.

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

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;
- reviewing the Company's compliance with its regulatory obligations in Jersey and listing requirements under its Premium Listing; and
- reviewing the committee's own terms of reference.

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 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 2019 was £1.1 billion (30 September 2018: £1.1 billion). Market quotations are not available for these financial assets as 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, August and December 2019 as part of the review of the half-yearly and annual reports. The Valuation Agent carries out a valuation and provides a detailed valuation report to the Company quarterly. 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 their 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 a 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 was 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 section above there have been investments subject to upward and downward revaluations equivalent to 0.89 pence per share and 1.96 pence per share respectively 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 2019 to review, challenge and agree their audit plan for the audit of the financial statements, in particular their approach to the valuation. The committee also met with the Auditor in December 2019 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 £80,000 (30 September 2018: £62,000) and non-audit fees amounted to £18,000 (30 September 2018: £18,000).

KPMG has been the Auditor of the Company since their appointment at the AGM in February 2016, following an external audit tender process in October 2015. Mr Steven Stormonth has been the audit partner for KPMG since their appointment in February 2016. 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 concluded the audit was effective and recommended the re-appointment of KPMG as the Company's Auditor at the 2020 AGM.

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

Risk management

During the year, the committee:

- reviewed and updated the risk matrix, where appropriate, to reflect the Company's key risks and reported this to the Board on at least a semi-annual basis, including discussing any emerging or significant changes in 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;
- considered reports from the Company's Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer;
- considered reports on the control systems and their operation within the Investment Adviser to determine the effectiveness of their internal controls; and
- the Company's compliance with its regulatory requirements and obligations.

David Pirouet FCA

Chairman of the Audit and Risk Committee

11 December 2019

REMUNERATION

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 30 September 2019.

The annual report on remuneration provides details on remuneration in the year. An ordinary resolution will be put to shareholders at the 2020 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 2018 was approved by shareholders at the 2019 AGM and the votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes cast	% of votes cast
For	341,970,033	89.81
Against	38,820,724	10.19
Total votes cast	380,790,757	100
Number of votes withheld	4,410,708	-

The Company has engaged with the relevant large shareholder who voted against the Directors' remuneration report at the 2019 AGM and understands the reasons for their vote. The Company believes that it had set out the reasons for the remuneration policy adopted at the relevant prior AGM, but it has nevertheless taken due note of and addressed the matter directly with the shareholder in question.

Directors' remuneration for the year ended 30 September 2019

The fees paid to the Directors in the year ended 30 September 2019 (and prior year) are set out below:

	Directors' fees (base fee)	Audit and Risk Committee fees	Investment Committee fees	Total
	£'000	£'000	£'000	£'000
30 September 2019				
Ian Reeves CBE	68	5	n/a	73
Clive Spears	55	n/a	10	65
David Pirouet	55	10	n/a	65
Julia Chapman	45	n/a	10	55
Dawn Crichton	2	n/a	n/a	2
Paul De Gruchy	45	n/a	10	55
Michael Gray	45	5	n/a	50
Total	315	20	30	365

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

Directors' expenses for the year totalled £11,000 (30 September 2018: £12,000). No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

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 return¹ to ordinary shareholders since launch compared with the Sterling Corporate Bond Index over the same period. The Sterling 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 2019, total shareholder return¹ was 8.0%, compared with the Sterling Corporate Bond Index which was 11.1%.

Cumulative performance to 30 September 2019

Period	Three months	Six months	One year	Three years	Five years	Since launch
GCP Infra (share price)	0.7%	3.3%	8.0%	15.4%	46.3%	123.9%
Sterling Corporate Bond Index	4.0%	6.4%	11.1%	11.4%	34.7%	85.4%

Annual performance to 30 September 2019

Year ended 30 September	Year ended 30 September	Year ended 30 September	Year ended 30 September	Year ended 30 September

Period	2019	2018	2017	2016	2015
GCP Infra (share price)	8.0%	4.8%	1.9%	15.6%	9.7%
Sterling Corporate Bond Index	11.1%	0.0%	0.2%	16.1%	4.2%

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

Relative importance of the spend on pay

The table below sets out, in respect of the financial years ended 30 September 2019 and 30 September 2018, Directors' fees for the Company as a relative proportion of the Company's total expenses for the year:

	30 September 2019	30 September 2018
Percentage of expenses	3.19%	3.32%

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

Directors' share interests

At 30 September 2019, the interests of the Directors are set out below:

	As at 30 September 2019	As at 30 September 2018
	Number of shares	Number of shares
Clive Spears	57,764	54,423
Paul De Gruchy	535,859	504,938

1. Alternative Performance Measure ('APM'), for definition and calculation methodology, refer to alternative performance measures after the glossary.

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 every three years and set to be broadly comparable to similar companies, subject to an annual cap in accordance with the Articles of Association.

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 attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

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

Under the Directors' letters of appointment, there is no notice period and no compensation is payable to a Director on leaving office.

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 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 base and additional fees payable to Directors in respect of the year ended 30 September 2019 are set out above.

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;
- Member of Audit and Risk Committee: £5,000;
- Member of Investment Committee: £10,000;
- Director: £45,000.

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

Approval

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

Ian Reeves CBE
Chairman

11 December 2019

DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 September 2019.

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 2019 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 1,701,739 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 2019, the Company's issued share capital comprised 877,767,139 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 14 February 2019, the Company obtained shareholder approval permitting it to issue up to 175,347,768 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 2020 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 Company will seek a renewal of this shareholder approval at the meetings of the Company in February 2020 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 the AGM and EGM notices due to be posted to shareholders on 3 January 2020 in which shareholders will be asked to approve the disapplication of pre-emption rights for these purposes.

Dividends

On 15 October 2019, the Directors announced a fourth interim dividend of 1.9 pence per ordinary share, which was paid on 22 November 2019 to ordinary shareholders on the register on 25 October 2019.

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 2020 on or around 3 January 2020.

Significant voting rights

At 30 September 2019, 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	61,612,310	7.02
Rathbone Investment Management	55,516,055	6.28
Investec Wealth & Investment (RS)	50,780,744	5.79
West Yorkshire Pension Fund	38,344,860	4.37
Close Asset Management	36,911,536	4.21
Valu-Trac Investment Management	33,898,811	3.86
Integrated Financial Arrangements	28,646,745	3.26
Brewin Dolphin	28,378,597	3.23
Quilter Cheviot Investment Management	26,970,766	3.07

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 2019 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 2019 and expires on the date of the 2020 AGM.

The Directors are proposing that their authority to buy back shares be renewed at the forthcoming 2020 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 2020 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.

Approved by the Board.

Ian Reeves CBE
Chairman

11 December 2019

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 ("IFRS") as adopted by the EU and applicable law.

Under the 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 Law. 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, whose names are set out above, confirms that to the best of his or her knowledge:

- the financial statements have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; 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

11 December 2019

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 2019, 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 2019, 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 judgement, 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 2018):

Valuation of financial assets at fair value through profit and loss

£1,144,650,000 or 99.8% of total assets; (2018: £1,130,392,000 or 99.8% of total assets)

Refer to the Audit and Risk Committee report above, 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 primarily 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 assumptions 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 and inputs 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;
- 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; and
- assessed the key general and project specific inputs into the cash flow projections for equity linked loan notes, to corroborate key revenues and costs with reference to underlying contracts, agreements and management information.

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 and 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 £11,472,000 (2018: £11,000,000), determined with reference to a benchmark of Total Assets of £1,147,262,000 (2018: £1,132,992,000), of which it represents 1% (2018: 1%).

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £573,000 (2018: £500,000), 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 above 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 above 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

11 December 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

		Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
	Notes		
Income			
Net income/gains on financial assets at fair value through profit or loss	3	63,662	86,625
Other income	3	11,300	861
Total income		74,962	87,486
Expenses			
Investment advisory fees	19	(8,789)	(8,420)
Operating expenses	5	(2,662)	(2,528)
Total expenses		(11,451)	(10,948)
Total operating profit before finance costs		63,511	76,538
Finance costs	6	(4,399)	(3,120)
Total profit and comprehensive income for the year		59,112	73,418
Basic and diluted earnings per share (pence)	10	6.74	8.64

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

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

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

As at
30 September

As at
30 September

		September 2019 £'000	2018 £'000
	Notes		
Assets			
Cash and cash equivalents	14	2,477	2,335
Other receivables and prepayments	12	135	265
Financial assets at fair value through profit or loss	11 & 18	1,144,650	1,130,392
Total assets		1,147,262	1,132,992
Liabilities			
Other payables and accrued expenses	13	(3,078)	(2,743)
Interest bearing loans and borrowings	15	(164,088)	(144,724)
Total liabilities		(167,166)	(147,467)
Net assets		980,096	985,525
Equity			
Share capital	16	8,777	8,760
Share premium	16	943,789	941,706
Capital redemption reserve	17	101	101
Retained earnings		27,429	34,958
Total equity		980,096	985,525
Ordinary shares in issue	16	877,767,139	876,065,400
NAV per ordinary share (pence per share)		111.66	112.49

The financial statements were approved and authorised for issue by the Board of Directors on 11 December 2019 and signed on its behalf by:

Ian Reeves CBE **David Pirouet FCA**
Chairman Director

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 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
Total profit and comprehensive income for the year		-	-	-	59,112	59,112
Equity shares issued	16	17	2,138	-	-	2,155
Share issue costs	16	-	(55)	-	-	(55)
Dividends	9	-	-	-	(66,641)	(66,641)
At 30 September 2019		8,777	943,789	101	27,429	980,096

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
Total operating profit before finance costs		63,511	76,538
Purchase of financial assets	11	(140,637)	(314,119)
Repayment of financial assets	11	114,762	25,482
Proceeds from sale of financial assets	11	-	67,547
Net unrealised movement on investments at fair value through profit or loss	3	11,617	(812)
Realised gains on sale of investments at fair value through profit or loss	3	-	(9,232)
Increase in other payables and accrued expenses		70	350
Decrease/(increase) in other receivables and prepayments		133	(197)
Net cash flow generated from/(used in) operating activities		49,456	(154,443)
Cash flows from financing activities			
(Scrip share issue costs)/net proceeds from issue of shares		(55)	98,604
Proceeds from interest bearing loans and borrowings	15	93,911	192,178
Repayment of interest bearing loans and borrowings	15	(75,000)	(76,089)
Dividends paid	9	(64,486)	(61,057)
Finance costs paid		(3,684)	(4,489)
Net cash flow (used in)/generated from financing activities		(49,314)	149,147
Increase/(decrease) in cash and cash equivalents		142	(5,296)
Cash and cash equivalents at beginning of the year		2,335	7,631
Cash and cash equivalents at end of the year		2,477	2,335
Net cash flow used in operating activities includes:			
Investment income received	3	52,736	55,776
Deposit interest received	3	29	18
Non-cash items			
Purchase of financial assets (capitalised loan interest and principal indexation)	3	(22,543)	(20,805)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies, except for those changes discussed in this note, have been consistently applied throughout the years presented.

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 adopted in the year

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 October 2018:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards is set out below:

- IFRS 9 Financial Instruments became effective for accounting periods beginning on or after 1 January 2018 and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). It includes the new impairment requirements that provide users with 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 at fair value through profit or loss' were previously measured at fair value under IAS 39. This classification is still relevant under the new standard. Therefore there was 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 was no change in the accounting for these assets and liabilities.

There was no impact on the Company's accounting for financial liabilities, as new requirements only affect the accounting for financial liabilities that are designated optionally 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 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. The Company does not hold any debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, loan commitments or financial guarantee contracts. Cash and cash equivalents and other receivables and prepayments are held at amortised cost, however the application of IFRS 9's impairment requirements does not impact the measurement of these balances.

- 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 application of IFRS 9, 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) does not fall within the scope of IFRS 15.

Both standards outlined above have been applied retrospectively to the comparative year. The adoption of the standards has not had a material impact on 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 authorisation of these financial statements. Furthermore, the Directors are not aware of any material uncertainties that may cast 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 statement, the Directors have undertaken a longer-term assessment of the Company, the result of which can be found in the viability statement above.

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 for further information).

(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 for further information).

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 by the Board as the chief operating decision maker 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 2019 £'000	30 September 2018 £'000
Channel Islands	29	18
United Kingdom	74,933	87,468
Total	74,962	87,486

Significant shareholders are disclosed in the Directors' report above.

3. Operating income

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

	30 September 2019 £'000	30 September 2018 £'000
Interest on cash and cash equivalents	29	18
Other operating income ¹	11,271	843
Other income	11,300	861
Net income/gains on financial assets at fair value through profit or loss	63,662	86,625
Total	74,962	87,486

1. Other operating income above includes unscheduled (early) prepayment fees for the repayment of certain loans.

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

	30 September September 2019 £'000	2018 £'000
Loan interest - cash	52,736	55,776
Loan interest - capitalised	22,543	20,242
Principal indexation	-	563
Unrealised gains on investments at fair value through profit or loss	14,450	28,106
Unrealised losses on investments at fair value through profit or loss	(26,067)	(27,294)
Realised gains on sale of financial assets at fair value through profit or loss	-	9,232
Total	63,662	86,625

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

	30 September September 2019 £'000	2018 £'000
Unrealised gains on investments at fair value through profit or loss	14,450	28,106
Unrealised losses on investments at fair value through profit or loss	(26,067)	(27,294)
Net unrealised movements on investments at fair value through profit or loss	(11,617)	812
Upward movements in valuation due to reductions in discount rates and increased forecast cash flows	7,791	23,563
Downward movements in valuation due to reduced forecast cash flows	(17,159)	(21,441)
Other unrealised movements on investments at fair value through profit or loss ¹	(2,249)	(1,310)
Net unrealised movements on investments at fair value through profit or loss	(11,617)	812

1. Other unrealised movements on investments at fair value through profit or loss are attributable to the timing of debt service payments and the unwinding of premia associated with the historic reduction in discount rates on the loans which were prepaid in the year.

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 unscheduled (early) prepayment fees which are recognised in the financial statements when the contractual provisions are met and the amounts become due.

4. Auditor's remuneration

	30 September September 2019 £'000	2018 £'000
Audit fees	80	62
Non-audit fees	18	18
Total	98	80

5. Operating expenses

	30 September September 2019 £'000	2018 £'000
Corporate administration and Depositary fees	1,037	1,017
Legal and professional fees	419	228
Valuation Agent fees	258	195
Directors' remuneration and expenses ¹	376	375
Advisory fees	60	64
Registrar fees	58	71
Other	454	578
Total	2,662	2,528

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 Apex Financial Services (Alternative Funds) Limited (formerly known as Link Alternative Fund Services (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 £739,000 (30 September 2018: £728,000) of which £122,000 remains payable at year end (30 September 2018: £60,000).

Depositary

Depositary services are provided to the Company by Apex Financial Services (Corporate) Limited (formerly known as Link Corporate Services (Jersey) Limited) pursuant to an agreement dated 21 July 2014. The fee for the provision of these services during the year was £298,000 (30 September 2018: £289,000) of which £49,000 remains payable at year end (30 September 2018: £24,000).

Accounting policy

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

6. Finance costs

	30 September September 2019 £'000	2018 £'000
Finance expenses	4,399	3,120

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 September 2019 £'000	2018 £'000
Ian Reeves CBE	73	73
Clive Spears	65	65
David Pirouet	65	65
Julia Chapman	55	55
Dawn Crichard	2	-
Paul De Gruchy	55	55
Michael Gray	50	50

	365	363
Directors' expenses	11	12
Total	376	375

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 2019 are subject to tax at the standard rate of 0% (30 September 2018: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Dividends for the year ended 30 September 2019 were 7.6 pence per share (30 September 2018: 7.6 pence per share) as follows:

Quarter ended	Dividend	Pence	30 September 2019 £'000	30 September 2018 £'000
Current year dividends				
30 September 2019	2019 fourth interim dividend	1.9	-	-
30 June 2019	2019 third interim dividend	1.9	16,672	-
31 March 2019	2019 second interim dividend	1.9	16,666	-
31 December 2018	2019 first interim dividend	1.9	16,658	-
Total		7.6		
Prior year dividends				
30 September 2018	2018 fourth interim dividend	1.9	16,645	-
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		
30 September 2017	2017 fourth interim dividend	1.9	-	15,028
Dividends in statement of changes in equity			66,641	64,847
Dividends settled in shares ¹			(2,155)	(3,790)
Dividends in cash flow statement			64,486	61,057

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

On 15 October 2019, the Company declared a fourth interim dividend of 1.9 pence per ordinary share, amounting to £16,678,000, which was paid on 22 November 2019 to ordinary shareholders on the register at 25 October 2019.

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.

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.

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 2019			
Basic and diluted earnings per ordinary share	59,112	876,989,267	6.74
Year ended 30 September 2018			
Basic and diluted earnings per ordinary share	73,418	850,004,870	8.64

11. Financial assets at fair value through profit or loss

	30 September 2019 £'000	30 September 2018 £'000
Opening balance	1,130,392	899,258
Purchases of financial assets	140,637	377,360
Repayments of financial assets	(114,762)	(50,231)
Proceeds from sale of financial assets	-	(106,039)
Unrealised gains on investments at fair value through profit or loss	14,450	28,106
Unrealised losses on investments at fair value through profit or loss	(26,067)	(27,294)
Realised gains on sale of financial assets at fair value through profit or loss	-	9,232
Closing balance	1,144,650	1,130,392

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

For the year ended 30 September 2018, the 'purchase of financial assets', 'repayments of financial assets' and 'proceeds from sale of financial assets' include non-cash transactions of £63,241,000, £24,749,000 and £38,492,000 respectively. There were no such transactions during the year ended 30 September 2019.

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 plc (41.2%), GCP Rooftop Solar Finance plc (29.7%) and FHW Dalmore (Salford Pendleton Housing) plc (13.5%).

The Directors have made an assessment in regard to whether the Company as an investor controls the SPVs under each of the criteria within IFRS 10 and whether the SPVs meet the definition of subsidiary companies in accordance with IFRS 10.

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; and the Company reports to its investors via quarterly investor information and to its management, via internal management reports, on a fair value basis.

Accounting policy

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 represents 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 a portion of 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 used by the Valuation Agent 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 2019 £'000	2018 £'000
Other receivables and prepayments	135	265

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 2019 £'000	2018 £'000
Investment advisory fees	2,255	2,258
Other payables and accrued expenses	823	485
Total	3,078	2,743

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

Cash held by institutions at year end is shown in the table below:

	30 September 2019 £'000	2018 £'000
RBSI Cash Management Account	1,407	1,441
Lloyds Money Market Call Account	1,068	884
RBSI Capital and Interest Account	2	10
Total	2,477	2,335

Cash is held at a number of financial institutions in order to spread credit risk. 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. Cash is generally held on a short-term basis, pending subsequent investment. 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.

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 2019 £'000	2018 £'000
Loan facilities	165,000	146,089
Unamortised arrangement fees	(912)	(1,365)
Total	164,088	144,724

The table below analyses the movement for the year:

	30 September 2019 £'000	30 September 2018 £'000
Opening balance	146,089	30,000
Proceeds from interest bearing loans and borrowings	93,911	192,178
Repayment of interest bearing loans and borrowings	(75,000)	(76,089)
Total	165,000	146,089

The Company has secured revolving credit facilities comprising £115 million with RBSI, ING and NIBC ("Facility A"), and £50 million with RBSI and ING ("Facility B"). The revolving credit facilities are secured against the portfolio of certain underlying assets held by the Company. Facility A and Facility B are repayable in March 2021. Interest on amounts drawn under Facility A and Facility B is charged at LIBOR plus 1.9% per annum. A commitment fee is payable on undrawn amounts of 0.67% on Facility A. No commitment fee is

payable on Facility B as this is fixed to be fully drawn for the life of the loan.

At the beginning of the year, the Company had amounts of £146.1 million drawn on the facilities. In November 2018, May 2019, June 2019 and August 2019 the Company made further drawdowns on Facility A, totalling £18.9 million, £55.0 million, £18.3 million and £1.7 million respectively. In December 2018, a repayment was made on Facility A of £75.0 million. At 30 September 2019, Facility A was fully drawn down at £115 million and Facility B was fully drawn down at £50.0 million.

All amounts drawn under the revolving credit facilities are to be used in or towards the making of investments in accordance with the Company's investment policy. The revolving credit facilities include loan to value¹ and interest cover covenants that are measured at Company level. The Company has maintained sufficient headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 September 2019.

1. Alternative performance measure ('APM'), for definition and calculation methodology, refer to alternative performance measures after the glossary.

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 at 30 September 2019; the figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.20	1.17
Commitment method	1.20	1.17

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	1,144,650	1,144,650
Cash and cash equivalents	-	2,477
Total exposure under AIFMD	1,144,650	1,147,127
Total shareholders' funds	980,096	980,096
Leverage (ratio)	1.17	1.17

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 revolving credit facilities.

16. Authorised and issued share capital

	30 September 2019		30 September 2018	
	Number of shares	£'000	Number of shares	£'000
Share capital				
Ordinary shares issued and fully paid				
At 1 October 2018/2017	876,065,400	8,760	790,967,125	7,909
Equity shares issued through:				
Dividends settled in shares ¹	1,701,739	17	3,131,061	31
Placing programme	-	-	81,967,214	820
Total	877,767,139	8,777	876,065,400	8,760

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 in accordance with its Memorandum of Association 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 2019 £'000	30 September 2018 £'000
Share premium		
Premium on ordinary shares issued and fully paid		
Opening balance	941,706	843,036
Premium on equity shares issued through:		
Dividends settled in shares ¹	2,138	3,759
Placing programme	-	99,180
Share issue costs charged to premium	(55)	(1,396)
Dividends paid	-	(2,873)
Total	943,789	941,706

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 the nominal value less associated costs of the issue.

Dividends payable on new shares issued for cash 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.

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
3 December 2018	673,443	125.70p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 July 2018 to 30 September 2018
1 March 2019	416,744	127.16p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 October 2018 to 31 December 2018
4 June 2019	276,715	128.80p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 January 2019 to 31 March 2019
27 August 2019	334,837	126.04p	Ordinary shares issued in respect of the offer of a scrip dividend alternative	1 April 2019 to 30 June 2019
Total	1,701,739			

At 30 September 2019, the Company's issued share capital comprised 877,767,139 ordinary shares, none of which were held in treasury and there were no C shares or deferred shares in issue.

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 September 2019	2018 £'000
Capital redemption reserve	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 IFRS 9.

	30 September September 2019	2018 £'000
Financial assets		
Cash and cash equivalents	2,477	2,335
Other receivables and prepayments	135	265
Financial assets at amortised cost	2,612	2,600
Financial assets held at fair value through profit or loss	1,144,650	1,130,392
Total	1,147,262	1,132,992
Financial liabilities		
Other payables and accrued expenses	(3,078)	(2,743)
Interest bearing loans and borrowings	(164,088)	(144,724)
Financial liabilities measured at amortised cost	(167,166)	(147,467)

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

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. The Company may borrow up to 20% of its NAV as at the time any such borrowings are drawn down. At the year end, borrowings amounted to 17% of NAV (30 September 2018: 15%).

18.2 Financial risk management objectives

The Company has an investment policy and strategy as summarised above, 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 (30 September 2018: three) 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 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 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 2019	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Change in discount rates					
Value of financial assets at fair value (£'000)	1,103,603	1,123,784	1,144,650	1,166,234	1,188,569
Change in valuation of financial assets at fair value through profit or loss (£'000)	(41,047)	(20,866)	-	21,584	43,919

At 30 September 2019, the discount rates used in the valuation of financial assets ranged from 5.25% to 14.20%.

30 September 2018	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Change in discount rates					
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%.

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, through the use of interest rate swaps.

Borrowings

During the year, the Company made use of its facilities with RBSI, ING and NIBC 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 £1,147 million (30 September 2018: £1,133 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. Cash is generally held on a short-term basis, pending subsequent investment. 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 primarily 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 proportion 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 which is the maximum amount permissible per the Company's investment policy. 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.

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 (i.e. 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.

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 2019 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	One to three months	Three to twelve months	Greater than twelve months	Total
	£'000	£'000	£'000	£'000	£'000
30 September 2019					
Financial assets					
Cash and cash equivalents	2,477	-	-	-	2,477
Other receivables and prepayments	-	-	135	-	135
Financial assets at fair value through profit or loss	25,053	68,489	76,647	2,195,237	2,365,426
Total financial assets	27,530	68,489	76,782	2,195,237	2,368,038
Financial liabilities					
Other payables and accrued expenses	-	(3,078)	-	-	(3,078)
Interest bearing loans and borrowings	-	-	(4,408)	(167,163)	(171,571)
Total financial liabilities	-	(3,078)	(4,408)	(167,163)	(174,649)
Net exposure	27,530	65,411	72,374	2,028,074	2,193,389

	Less than one month	One to three months	Three to twelve months	Greater than twelve months	Total
	£'000	£'000	£'000	£'000	£'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	-	-	(3,869)	(151,855)	(155,724)
Total financial liabilities	-	(2,743)	(3,869)	(151,855)	(158,467)
Net exposure	15,235	22,254	63,378	2,156,838	2,257,705

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.

The basis for the Valuation Agent's valuations is described in note 18.3.

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).

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 September 2019 £'000	2018 £'000
Financial assets at fair value through profit or loss			
Loan notes	Level 2	960,344	895,468
Loan notes	Level 3	184,306	234,924

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 2018: Level 3). At the year end, the fair value of three assets (including one biomass project) (30 September 2018: three, including one biomass project) have been determined on the basis of the Directors' estimate of recoverable value, due to operational performance issues of the underlying assets. Therefore, two investments in non-biomass investment projects have been classified as Level 3 (30 September 2018: two as Level 3) at year end. There were no transfers between Level 2 and Level 3 during the year (30 September 2018: £9.5 million from Level 2 to Level 3). Discount rates between 7.0% and 14.2% (30 September 2018: 7.0% 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 September 2019 £'000	2018 £'000
Opening balance	234,924	239,292
Purchases	16,360	13,253
Repayments	(59,274)	(18,828)
Unrealised gain on investments at fair value through profit or loss	4,388	578
Unrealised loss on investments at fair value through profit or loss	(12,092)	(8,871)
Transfers from Level 2	-	9,500
Closing balance	184,306	234,924

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 2019					
Level 3	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Valuation of financial assets at fair value (£'000)	179,110	181,677	184,306	187,000	189,760
Change in valuation of financial assets at fair value through profit or loss (£'000)	(5,196)	(2,629)	-	2,694	5,454

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

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 investments classified as Level 3 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.

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 £376,000 (30 September 2018: £375,000). At 30 September 2019, liabilities in respect of these services amounted to £94,000 (30 September 2018: £94,000).

At 30 September 2019, Mr De Gruchy, together with his family members, held 535,859 (0.06% of ordinary shares in issue) ordinary shares in the Company (30 September 2018: 504,938 (0.06% of ordinary shares in issue) ordinary shares).

At 30 September 2019, Mr Spears held 57,764 (0.01% of ordinary shares in issue) ordinary shares in the Company (30 September 2018: 54,423 (0.01% of ordinary shares in issue) 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 management of 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. The Investment Adviser receives an annual fee of £70,000 in relation to its role as the Company's AIFM, increased annually at the rate of the RPI.

During the year, the Company expensed £8,789,000 (30 September 2018: £8,670,000) in respect of investment advisory fees and expenses, marketing fees and transaction management and documentation services, £8,789,000 (30 September 2018: £8,420,000) of which is included within expenses in the statement of comprehensive income and £nil (30 September 2018: £250,000) included within the share issue costs relating to share issues during the year in the statement of changes in equity. At 30 September 2019, liabilities in respect of these services amounted to £2,255,000 (30 September 2018: £2,258,000).

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, 2,173,052 ordinary shares in the Company (30 September 2018: 2,521,955 ordinary shares).

The non-voting directors of the Investment Adviser hold directly or indirectly, and together with their family members, 6,941,847 ordinary shares in the Company (30 September 2018: 6,543,676 ordinary shares).

20. Reconciliation of NAV

This note reconciles the NAV reported in the financial statements to the NAV published via RNS on 14 October 2019.

	Total £'000	Per share pence
NAV at 30 September 2019 as published on 14 October 2019	980,096	111.66
NAV at 30 September 2019 as per the financial statements	980,096	111.66

	Total £'000	Per share pence
NAV at 28 September 2018 as published on 17 October 2018	984,467	112.37
Adjustment for expense accruals	(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

21. Contingent liabilities

At 30 September 2019, there were £nil contingent liabilities (30 September 2018: £nil).

22. Subsequent events after the report date

The Company declared, on 15 October 2019, a fourth interim dividend of 1.9 pence per ordinary share, amounting to £16,678,000, which was paid on 22 November 2019 to ordinary shareholders on the register at 25 October 2019.

A further four advances totalling £2.6 million have been made to Project Companies under existing facilities since the year end. The Company also received repayments totalling £7.6 million in respect of 15 investments.

At 11 December 2019, Mr Paul De Gruchy, together with his family, held an indirect interest of 543,683 (0.06% of ordinary shares in issue) ordinary shares in the Company.

At 11 December 2019, Mr Clive Spears held 58,607 (0.01% of ordinary shares in issue) ordinary shares in the Company.

At 11 December 2019, the voting directors of the Investment Adviser held directly or indirectly, and together with their family members, 2,185,294 ordinary shares in the Company following a scrip issue allotment of shares.

At 11 December 2019, the non-voting directors of the Investment Adviser held directly or indirectly, and together with their family members, 6,984,437 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	13.5%
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 Bridge Holdings Ltd	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 3 Limited	100%
GCP Programme Funding 1 Limited	100%
GCP RHI Boiler 1 Limited	100%
GCP Rooftop Solar 5 Limited	100%
GCP Rooftop Solar 6 plc	41.2%
GCP Rooftop Solar Finance plc ¹	29.7%
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.

SHAREHOLDER INFORMATION

Key dates for 2020

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 users of this report

This report is intended solely for the information of the person to whom it is provided by the Company, the Investment Adviser or the Administrator. This report is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this report are not statements of fact and are subject to change, and neither the Company nor the Investment Adviser is under any obligation to update such opinions.

Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Adviser and the Administrator. Information contained in this report is believed to be accurate at the date of publication, but none of the Company, the Investment Adviser and the Administrator gives any representation or warranty as to the report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Adviser and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this report or its contents.

GLOSSARY OF KEY TERMS

Adjusted earnings cover ¹	Ratio of the Company's adjusted net earnings ¹ per share to the dividend per share.
Adjusted net earnings	In respect of a period, a measure of the loan interest - accrued ¹ by the portfolio less total expenses and finance costs
AGM	The Annual General Meeting of the Company
AIC	Association of Investment Companies
AIC Code	AIC Code of Corporate Governance published in 2016
AIC Guide	Corporate Governance Guide for Investment Companies
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
Average life	The weighted average term of the loans in the investment portfolio
BEIS	Business, Energy and Industrial Strategy
Borrower	The entity which issues loan notes to the Company, usually an SPV
Cash earnings cover ¹	Ratio of the total net cash received ¹ per share to the dividend per share.
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
Deferred shares	Redeemable deferred shares of £0.01 each in the capital of the Company arising from C share conversion
Disclosure Guidance and Transparency Rules	Listing Rules and the Disclosure and Transparency Rules
Dividend coverage ¹	Earnings (under IFRS, adjusted or cash) for the year compared to the dividend for the year
Earnings cover ¹	Ratio of the Company's earnings per share compared to the dividend per share.
EEA	European Economic Area
EGM	Extraordinary General Meeting of the Company
EU	European Union
FCA	Financial Conduct Authority
FIT	Feed-in tariff
FRC	Financial Reporting Council
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)
LIBOR	London Interbank offered rate
Loan interest - accrued ¹	Measure of the quantum of interest accruing annually on the investment portfolio, expressed in £ terms
Loan to value ¹	Borrowings as a percentage of net assets
LSE	London Stock Exchange
MAR	Market Abuse Regulation
MW	Megawatt
MW _e	Megawatt equivalent
NAV	Net asset value
NIBC	NIBC Financing N.V.
Official List	The Official List of the FCA
Ongoing charges ratio ¹	Annual percentage reduction in shareholder return as a result of recurring operational expenses
Ordinary shares	The ordinary share capital of the Company
PF1	Private Finance Initiative
PF2	Private Finance 2
PPA	Power purchase agreement
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
RBSI	Royal Bank of Scotland International Limited
Revolving credit facilities	Credit facilities with RBSI, ING and NIBC
RHI	Renewable heat incentive
RNS	Regulatory News Service
RO	Renewables obligation
ROCs	Renewable obligation certificates
RP	Registered Provider
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

SONIA	Sterling Overnight Index Average
SPV	Special Purpose Vehicle
Total shareholder return ¹	Measure of share price growth plus dividends paid over time, expressed as an annual percentage
UK Code	UK Corporate Governance Code published in 2016
UK FCA	The UK's Financial Conduct Authority
Weighted average annualised yield ¹	The weighted average yield on the investment portfolio calculated based on the yield of each investment weighted by the principal balance outstanding on such investment, expressed as a 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. It is calculated with reference to the relative size of each investment

1. Alternative performance measure ("APM"), for definition and calculation methodology, refer to the alternative performance measures after the glossary.

ALTERNATIVE PERFORMANCE MEASURES

The Board and the Investment Adviser assess the Company's performance using a variety of measures that are not defined under IFRS and are therefore classed as alternative performance measures ("APMs").

Where possible reconciliations to IFRS are presented from the APMs to the most appropriate measure prepared in accordance with IFRS. All items listed below are IFRS financial statement line items unless otherwise stated.

APMs should be read in conjunction with the statement of comprehensive income, statement of financial position and statement of cash flows, which are presented in the financial statements section of this report. The APMs below may not be directly comparable with measures used by other companies.

Total shareholder return

A measure of the performance of a Company's shares over time. It combines share price movements and dividends to show the total return to the shareholder expressed as a percentage. It assumes that dividends are reinvested in the shares at the time the shares are quoted ex-dividend.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Weighted average annualised yield

The weighted average yield on the investment portfolio calculated based on the yield of each investment weighted by the principal balance outstanding on such investment, expressed as a percentage.

The yield forms a component of investment cash flows used for the valuation of financial assets at fair value through profit or loss under IFRS 9.

Loan interest - accrued

In respect of a period, the measure of the quantum of interest accruing on an investment.

Loan interest - accrued is based on the Company's right to receive future cash flows from an investment which forms a component of investment cash flows used for the valuation of financial assets at fair value through profit or loss under IFRS 9. This metric is used in the calculation of adjusted earnings cover¹.

Ongoing charges

Ongoing charges (previously Total Expense Ratios or TERs) is a measure of the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Adjusted net earnings

In respect of a period, a measure of the loan interest - accrued¹ by the portfolio less total expenses and finance costs. This metric is used in the calculation of adjusted earnings cover¹.

	30 Sep 19 £'000	30 Sep 18 £'000
Total profit and comprehensive income	59,112	73,418
Less: net income gains on fair value through profit or loss	(63,662)	(86,625)
Add: loan interest - accrued ¹	81,975	75,004
Adjusted net earnings	77,425	61,797

Loan to value

A measure of the indebtedness of the Company at the year end, expressed as interest bearing loans and borrowings as a percentage of net assets.

Earnings cover

Ratio of the Company's earnings per share to the dividend per share.

Adjusted earnings cover

Ratio of the Company's adjusted net earnings¹ per share to the dividend per share. This metric seeks to show the Company's right to receive future net cash flows by way of interest income from the portfolio of investments, by removing: (i) the effect of pull-to-par; and (ii) any upward or downward revaluations of investments; which are functions of accounting for financial assets at fair value under IFRS 9, and that do not contribute to the Company's ability to generate cash flows.

Cash earnings cover

Ratio of total net cash received¹ per share to the dividend per share.

Cash earnings cover is presented on the basis that the Company can elect to (i.e. it is not obliged to) make new investments and therefore any principal repaid to the Company is available to the Company to pay dividends. The Investment Committee's approval of any new investments considers the cash position of the Company and would prioritise ensuring the Company continues to achieve its objectives overall (including the payment of regular, sustained, long-term distributions) in approving any new investments.

Total net cash received

In respect of a period, the cash inflows from investments, comprising loan interest - cash and repayment of financial assets less total expenses paid¹ and finance costs paid. This metric is used in the calculation of cash earnings cover¹.

Total expenses paid

In respect of a period, the cash outflows from the Company in order to settle operating costs. This metric is used in the calculation of total net cash received¹.

	30 Sep 19 £'000	30 Sep 18 £'000
Total expenses per statement of comprehensive income	11,451	10,948
Adjustment for expense accruals	(335)	(244)
Total expenses paid	11,116	10,704

1. APM - refer to relevant APM above for further information.

CORPORATE INFORMATION

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

Administrator, Secretary and Registered Office of the Company

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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 objective is to provide shareholders with regular, sustained, long term distributions and to preserve capital over the long term by generating exposure to UK infrastructure debt and related and/or similar assets. The Company primarily targets investments in infrastructure projects with 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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