



GCP Infrastructure Investments Limited

Annual report and consolidated financial statements 2014

**Introduction**

- 01 At a glance  
Highlights for the year
- 02 Investment objectives
- 03 Portfolio at a glance
- 04 Chairman's statement
- 07 Company key facts

**Strategic report**

- 10 Strategic overview
- 14 UK infrastructure market
- 16 Market outlook
- 18 Review of the year
- 22 Investment portfolio  
Case studies
- 28 Principal risks and uncertainties

**Governance**

- 30 Board of Directors
- 31 The Investment Adviser
- 32 Directors' report
- 35 Remuneration report
- 38 Corporate governance statement
- 44 Audit Committee report

**Financial statements**

- 46 Statement of Directors' responsibilities
- 47 Independent auditor's report
- 50 Consolidated statement of comprehensive income
- 51 Consolidated statement of financial position
- 52 Consolidated statement of changes in equity
- 53 Consolidated statement of cash flows
- 54 Notes to the consolidated financial statements
- 71 Company information
- 72 Glossary of key terms

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

The Company achieves its investment policy by investing substantially all its capital in debt secured against UK infrastructure projects in the renewable energy and PFI sectors that generate long-dated, public sector-backed revenues. The Company is currently exposed to a diversified portfolio of partially inflation-protected investments.

The Company is a 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 and since then it has grown to a market capitalisation of just over £531 million as at 30 September 2014.



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## At a glance

£531.0m

Market capitalisation

2013 – £308.1m

£470.8m

Total net assets

2013 – £293.6m

7.6p

Dividends paid

2013 – 7.6p

118.00p

Share price

2013 – 109.50p

104.53p

NAV per share

2013 – 104.35p

£30.9m

Profit for the year

2013 – £19.5m

36

Number of investments

2013 – 30

## Highlights for the year

- Dividends of 7.60 pence per share declared for the year to 30 September 2014
- Total shareholder return for the year of 15% and total return since IPO of 50%
- Profit for the year of £30.9 million up 58% from £19.5 million in the previous year
- Ordinary shares trading at a 12.8% premium at 30 September 2014
- £100 million successfully raised through significantly over-subscribed C share issue and placing of ordinary shares, with a further £70 million raised post year end
- New loans advanced totalling c. £116.5 million secured against UK renewable energy projects and PFI projects, with a further £39 million post year end
- The infrastructure projects that support the Company's investments have experienced no material operational or construction issues
- Company NAV per ordinary share as at 30 September 2014 of 104.53 pence
- Third party valuation of the Company's investment portfolio at 30 September 2014 of £432.7 million
- Successful reorganisation following the acquisition of all minority shareholdings in the Subsidiary
- Due diligence is ongoing on a pipeline of attractive investment opportunities in a variety of infrastructure transactions

# Investment objectives

The Company invests in UK infrastructure debt to meet the following key objectives:

## Dividend income

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

The Company has maintained or steadily increased its dividend for every period since inception and has paid or declared a dividend of 7.60 pence for each of the previous two financial years.

### Key performance highlights

7.6p

Dividends paid in 2013/2014

£30.9m

Profit for the year

## Capital preservation

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

The valuation of each of the Company's investments is in excess of the principal value outstanding. The increase in valuation has resulted in a net asset value per share of 104.53 pence. The ordinary shares have always traded at a premium to their net asset value.

### Key performance highlights

104.53p

NAV per share

118.00p

Share price as at 30 September 2014

## Diversification

To create a diversified portfolio of debt secured against UK infrastructure projects

The Company has increased the number of investments in its portfolio from 30 to 36 at the end of the year. The investment portfolio is exposed to a wide variety of sectors in terms of project type and source of underlying cash flow. No single investment makes up more than 10% of the portfolio.

### Key performance highlights

36

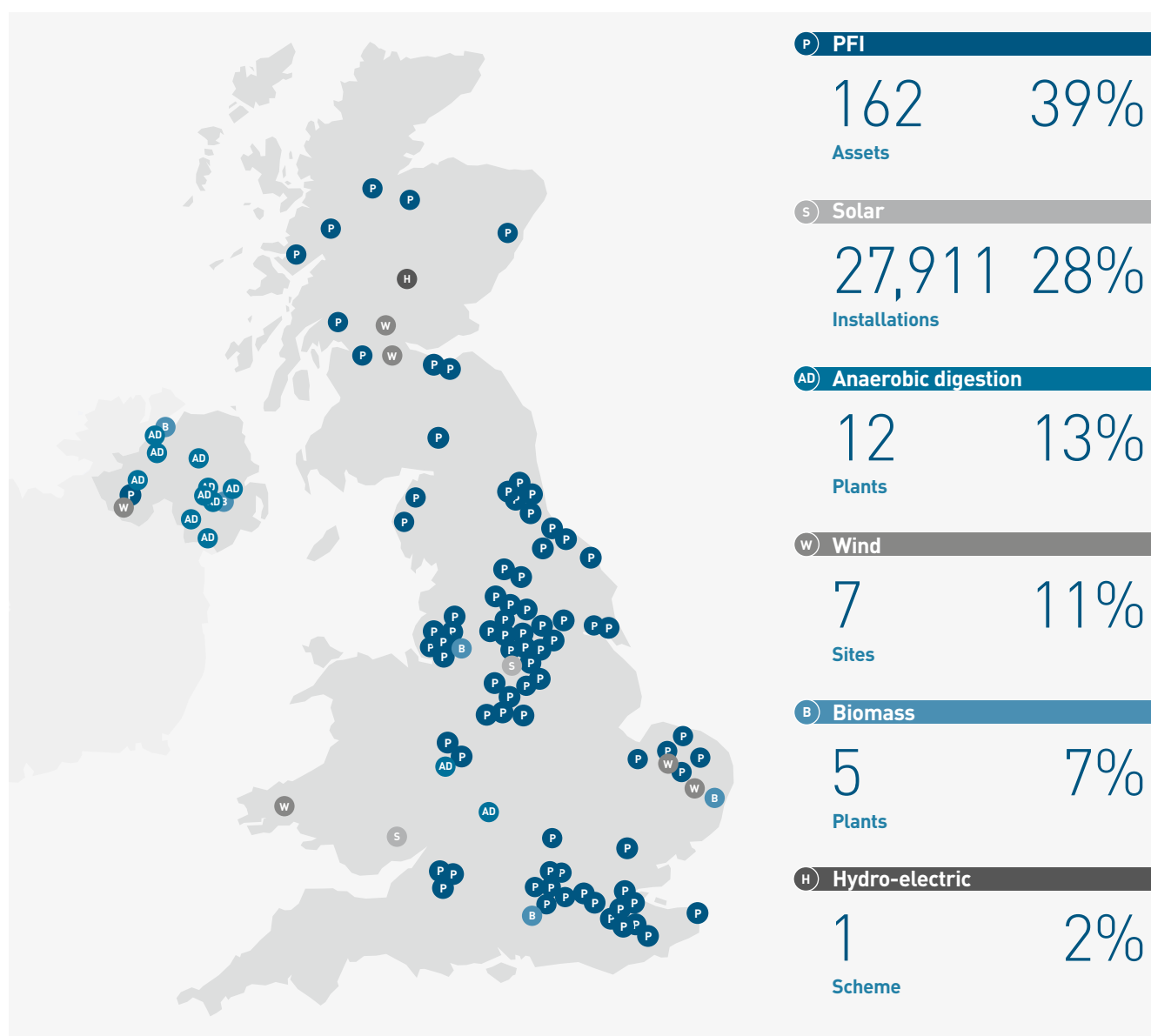
Number of investments

9.9%

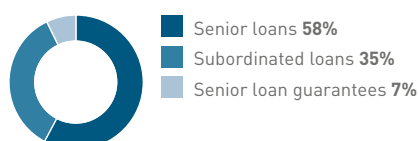
Size of largest investment

# Portfolio at a glance

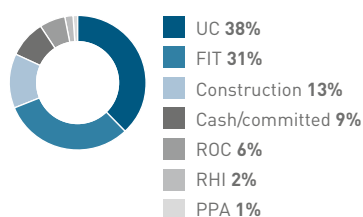
The Company's portfolio comprises of underlying assets located across the UK and which fall under the following classifications:



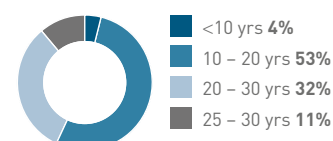
Portfolio by investment type



Portfolio by cash flow type



Portfolio by expected term



# Chairman's statement



**Mr Ian Reeves**  
Chairman



The Company produced a strong set of results for the year paying total dividends of 7.6 pence per share and delivering a total shareholder return of 14.9%.

## Introduction

On behalf of the Board I am pleased to announce another successful year of growth with the Company now in its fifth year of operation. The Company produced a strong set of results for the year paying total dividends of 7.6 pence per share and delivering a total shareholder return of 14.9%. The Company raised £100 million over the course of the year through a C share issue and an issuance of ordinary shares under a placing programme, both of which were significantly oversubscribed. During the year the Company made eight new investments and three advances under existing facilities totalling £116.5 million with net assets increasing from £293.6 million to £470.8 million.

## Infrastructure investment

An allocation to the infrastructure sector is increasingly becoming a key component in any well-balanced investment portfolio.

There are many attractions to infrastructure investment but fundamental are the secure, long-term income returns and an investment performance that has a low correlation to the market or economic risks often associated with widely accessible public bonds and equities.

The long-term income is particularly attractive in the continuing low interest rate environment for both institutional investors with medium to long-term

liabilities and individuals. Genuine diversification is highly attractive to investors but hard to achieve in a connected global investment market. The non-correlated investment performance of many infrastructure assets is founded on the essential nature of the services they provide and the fact that financial returns are typically backed by public sector bodies whose credit profiles are to a significant degree insulated from wider economic volatility.

Investments in infrastructure debt provide investors with long-dated income whilst their structural seniority to equity provides robust and predictable returns. Many investors have sought to diversify their corporate bond portfolios, with long-dated sovereign bonds being one common option, but the continuing tightening of sovereign yields has made the commitment to long-term low returns unpalatable. An exposure to infrastructure debt is becoming an increasingly popular alternative.

## UK infrastructure market

Infrastructure development in the UK is seen by many as a key driver of economic growth. The UK Government has outlined a pipeline of infrastructure projects that it wants to see developed by 2020/21 that would require £79 billion of private sector project finance capital. However, procurement of infrastructure projects in the UK under PF2, the long-demanded

Investments in infrastructure debt provide investors with long-dated income whilst their structural seniority to equity provides robust and predictable returns.

replacement of PFI, has been extremely limited to date. It also seems unlikely that new projects will be finalised prior to next year's general election. There is significant activity in the UK renewable energy sector. The UK faces binding targets to increase the proportion of its energy generated from renewable resources to 20% by 2020 and a number of subsidies have been introduced to encourage investment in renewable technologies and the development of renewable projects. This has led to a wide variety of investment opportunities across the solar, onshore wind, hydro-electric and biomass sectors.

#### Investment pipeline

Critically from the perspective of the Company, there remains a relatively limited supply of debt providers willing and able to finance certain segments of the potential infrastructure development in the UK. The global implementation of Basel III banking regulation means that bank capital is no longer the most efficient source of long term debt financing. Institutional investors and other debt funds, many of whom are becoming increasingly active in the sector, tend to require a minimum investment size well in excess of many projects.

As such the Company has been able to occupy a highly competitive position in the long dated lending market in certain renewable energy sectors, and is currently conducting due diligence on a wide variety of projects that are supported by government subsidies in one form or another in sectors such as biomass, onshore wind and hydro-electric.

Pricing of secondary PFI assets has, in the Investment Adviser's view, continued to tighten with the yields available being significantly below the Company's target rates of return. As a result, it is the expectation of the Investment Adviser that there is minimal scope in the near term for further investments in PFI assets. However ancillary areas such as social housing may provide some scope for investment in the near future with a similar credit profile.

#### Investment portfolio

The Company's investment portfolio has continued to grow throughout the year with 36 investments at 30 September 2014. The Company made eight new investments and three advances under existing facilities totalling £116.5 million during the year including an investment in a PFI asset and further expansion of the Company's wind, solar and biomass portfolio. The Company made its first investment in hydro-electric in May 2014 in the form of an operational 1.99MW scheme in Scotland.

#### Financial results

The Company generated profit for the year of £30.9 million, up 58% from £19.5 million for the prior year. The increased profit was driven by the enlarged income-generative investment portfolio acquired following the deployment of the capital raised from the C share issue and placing programme. The Company has maintained its dividend, declaring and paying a dividend of 1.90 pence for each of the four quarters, giving a total dividend of 7.60 pence for the year. The Company continues to offer a scrip dividend alternative under which shareholders may elect to receive new ordinary shares in lieu of the cash dividend.

#### Net asset growth

The net asset value of the Company has grown from £293.6 million at 30 September 2013 to £470.8 million at 30 September 2014 as a result of the acquisition of the Subsidiary minority shareholdings, capital raised over the course of the year and revaluations in March 2014 of the Company's solar and PFI portfolio. The Company's NAV per share has increased marginally on an annual basis from 104.35 pence to 104.53 pence at 30 September 2014. The prior year-end NAV at 30 September included the Company's final semi-annual dividend of 3.8 pence per share prior to the Company's move to quarterly dividends.

# Chairman's statement continued

## Reorganisation of the Company

In December 2013 the Company announced its intention to acquire shares in the Subsidiary that it did not already own such that the Subsidiary was to become wholly-owned by the Company (the "Scheme"). The Scheme was approved by a vote of minority shareholders in the Subsidiary on 22 January 2014, and on 7 February 2014 the Subsidiary became wholly-owned by the Company. The Subsidiary ceased to be an expert fund regulated under the CIF Law, was delisted from the Channel Islands Securities Exchange, and was renamed GCP Infrastructure Asset Holdings Limited and now acts as a holding company for the Company's portfolio of investments. The Company became regulated as a certified fund in Jersey pursuant to the CIF Law and the Jersey Listed Fund Guide published by the JFSC.

## C share issue and placing programme

In March 2014, the Company successfully raised gross proceeds of £80 million through a placing, open offer and offer for subscription of C shares (the "Issue"). The Issue was significantly oversubscribed and as such applications were scaled back. 80 million C shares were admitted to the Official List and to trading on the London Stock Exchange's Main Market for listed securities on 18 March 2014. On 8 August 2014, the C shares converted to ordinary shares in accordance with the terms of the C share Issue following the deployment of 64% of the C share capital.

The Company also put in place a placing programme that allowed the Company to issue up to 100 million ordinary shares. 17.9 million ordinary shares and 62.6 million ordinary shares were issued on 19 September 2014 and 25 November 2014 respectively in oversubscribed offerings.

## Board composition

Ian Reeves, David Pirouet and Trevor Hunt were each appointed to the Board on 15 June 2010. On 7 February 2014 the Board appointed Clive Spears and Paul de Gruchy to the Board: both Mr Spears and Mr de Gruchy are directors of the Subsidiary. At 30 September 2014 the Board of Directors consists of five non-executive Directors.

## Governance and compliance

On 1 January 2014 FCA rules regarding the promotion of non-mainstream pooled investments came into effect. The Company conducts and intends to continue to conduct its affairs, so that the Company's shares will be "excluded securities" under the FCA's new 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 if resident and listed in the United Kingdom.

The Company is classed as an externally-managed AIF under the AIFMD. On 22 July 2014 the Company appointed the Investment Adviser to act as the Company's AIFM and Capita Trust Company (Jersey) Limited to act as depositary to the Company.

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the UK Corporate Governance Code (the "Code") which was updated in 2012, the Association of Investment Companies (the "AIC") Code of Corporate Governance which was updated in 2013 and accompanying guide (the "AIC Code and Guide"). A copy of the Code is available at [www.frc.org](http://www.frc.org); a copy of the AIC Code and Guide can be found at [www.theaic.co.uk](http://www.theaic.co.uk).

The Company has registered for the American derived Foreign Account Tax Compliance Act ("FATCA"). For FATCA purposes, equity or debt interests that are regularly traded on an established securities market are not deemed to be financial accounts. The London Stock Exchange is considered to be an established securities market for these purposes.



**Mr Ian Reeves**  
Chairman

18 December 2014



# Company key facts

Company information	<p>GCP Infrastructure Investments Limited is a public company incorporated in Jersey on 21 May 2010 with registration number 105775. The Company is governed by the provisions of the Companies (Jersey) Law, 1991, as amended and is a certified fund in Jersey pursuant to the CIF Law and Jersey Listed Fund Guide.</p> <p>The Company is a closed-ended investment company incorporated under the laws of Jersey. The shares of the Company are listed on the London Stock Exchange.</p>
Investment Adviser and AIFM	<p>Gravis Capital Partners LLP is the Investment Adviser and AIFM to the Company. The Investment Adviser was incorporated in England and Wales on 14 October 2007 under the Limited Liability Partnership Act 2000 (registered number OC332060) and is authorised and regulated by the Financial Conduct Authority (registration number 487393).</p>
Company Secretary and Administrator	<p>Capita Financial Administrators (Jersey) Limited is a company incorporated in Jersey on 24 October 2003 with registered number 86301.</p>
Joint brokers	Oriel Securities Limited, Cenkos Securities plc.
Depository	Capita Trust Company (Jersey) Limited.
Investment strategy	Infrastructure debt.
Market capital	At 30 September 2014: £531.0 million.
Net asset value	At 30 September 2014: £470.8 million.
Annual management fee	<p>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 net asset value of the Company (net of cash holdings). This fee is calculated and payable in arrears at each quarter year end. The Investment Adviser is also entitled to an acquisition fee of up to 1% (at the discretion of the Investment Adviser) of the cost of each asset acquired by the Company. The Investment Adviser is also entitled to receive a fee of £60,000 for its services to the Company as the Company's appointed Alternative Investment Fund Manager under AIFMD.</p>
ISA, PEP and SIPP status	<p>The Company's ordinary shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.</p>
Non-mainstream pooled investment status	<p>The Board confirmed that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be "excluded securities" under the FCA's new 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 do not amount to non-mainstream pooled investments. Accordingly, the promotion of the Company's shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.</p>
AIFMD status	<p>The Company is classed as an externally managed AIF under the Alternative Investment Fund Manager's directive.</p>
Investment policy	<p>The Company's investment policy is detailed in section 2.1 and on page 40 of the prospectus dated 12 February 2014.</p>
Website	<a href="http://www.gcpuk.com">www.gcpuk.com</a>

# Strategic report

## Overview



### Strategic overview

To provide its shareholders with regular, sustained, long-term distributions and to preserve the capital value of its investment assets over the long term.

[→ Read more pages 10](#)



### UK infrastructure market

UK Infrastructure assets involving private sector investment typically generate revenues from long-term public-sector contracts.

[→ Read more pages 14](#)



### Market outlook

There has been a significant increase in the amount of both equity and debt capital available for investment in infrastructure projects both in the UK and globally.

[→ Read more pages 16](#)



## Review of the year

The Company raised a total of £100 million, made 11 investments totalling £116.5 million and delivered a total shareholder return of 14.9%.

[➔ Read more pages 18](#)



## Investment portfolio

The Company is exposed to a portfolio of 36 infrastructure loans valued at £432.7 million with an average annualised yield of 9.6% and an average life across the portfolio of 14 years.

[➔ Read more pages 22](#)



## Principal risks and uncertainties

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

[➔ Read more pages 28](#)

# Strategic overview

To provide its shareholders with regular, sustained, long-term distributions and to preserve the capital value of its investment assets over the long term.

## Investment objectives and policy

The Company's investment objectives are to provide its shareholders with regular, sustained, long-term distributions and to preserve the capital value of its investment assets over the long term, by generating exposure to subordinated PFI debt and/or similar assets.

The Company makes investments in subordinated debt instruments issued by infrastructure project companies, their owners or their lenders, and assets with a similar economic effect. The Company may also acquire (or acquire interests in) the senior debt of infrastructure project companies, or their owners.

The Company targets an ongoing dividend for shareholders of 8% per annum by reference to the price of £1.00 per ordinary share at which ordinary shares were issued pursuant to the Company's flotation.

Structural gearing is permitted at Company level up to a maximum of 20% of the Company's net asset value immediately following draw down.

The objective of the Company is to generate a diversified portfolio of subordinated debt infrastructure assets and related and/or similar assets and to maintain its portfolio so that not more than 10% in value of the Company's total assets from time to time consist of securities or loans relating to any one individual infrastructure asset (having regard to the 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 and the ability of the Company to invest its cash in suitable investments and is subject to the investment restrictions described in the investment strategy on page 11.

Similarly, 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, 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:

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



## Key policies

### Distribution

The Company, as far as reasonably practicable and taking into account the costs of the Company and its working capital requirements, distributes by way of dividend payments to ordinary shareholders up to the target dividend payment of up to 8 pence per annum per ordinary share.

### Gearing policy

Structural gearing is permitted at Company level up to a maximum of 20% of the Company's net asset value immediately following draw down of the relevant debt. The Company does not currently have any debt facilities in place.

### Capital raising and financing

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. This will enable the Company to achieve greater diversification of risk and to benefit from economies of scale in relation to the operational costs of the Company.

### Investment strategy

The Company achieves its investment objectives primarily by seeking exposure to debt (both senior and subordinated) secured against UK infrastructure projects with the following characteristics:

- pre-determined, very long-term, public sector backed revenues;
- no construction or property risk; and
- contracts where payments do not depend on the level of use of the project assets.

In accordance with the Company's prospectus, the investments as described above must make up a minimum of 75% of the Company's total assets. The Company may also consider, in respect of up to an absolute maximum of 25% of its total assets (at the time the relevant investment is made), taking exposure to:

- projects that have not yet completed construction;
- projects in the regulated utilities sector; and
- projects with "demand" based concessions (i.e. where the payments received depend on the level of use of the project assets) or which have private sector-sponsored concessions, 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
  - the stability of the resulting revenue.

As at 30 September 2014 the Company does not have any exposure to projects in the regulated utilities sector or projects with demand based concessions. The Company's exposure to projects that have not yet completed construction with reference to net assets at 30 September 2014 is 11.9%.

There is no, and it is not anticipated that there will be any, outright property exposure of the Company (except potentially as additional security).

# Strategic overview continued

## Delivery of investment objectives through implementation of investment strategy

Investment objective	Implementation of investment strategy
Regular, sustained long-term distributions	<p><b>PFI and renewable energy cash flows</b></p> <p>The Company's distributions are dependent primarily on the long-term cash flows generated by projects in the renewable energy and PFI sectors that are backed by the UK public sector; subsidy payments in the case of renewable energy projects and unitary charge payments in the case of PFI transactions.</p> <p><b>Availability-based cash flows</b></p> <p>The Company's investments are typically secured against cash flows that are not dependent on the level of use of the underlying infrastructure asset, meaning that if the project is operating as expected, future cash flows are predictable and dependable.</p> <p><b>Investment in debt</b></p> <p>The Company only invests in debt. In all investments there is equity that takes the first loss position in the event of project cash flow interruption or underperformance. Debt returns by their nature are more predictable than equity returns.</p>
Preservation of capital value	<p><b>Inflation protection</b></p> <p>Wherever possible the Company invests in projects with sufficient inflation linkage in the underlying cash flows to enable the Company's debt investments to be structured with inflation protection characteristics. This protects the capital value of the investments in the event of high inflation.</p> <p><b>Underlying project dependability</b></p> <p>The Company invests in debt secured against projects that are relatively simple in terms of construction, operation, maintenance and technology, have competent and financially stable facilities managers and good operational histories.</p> <p><b>Extensive due diligence</b></p> <p>Where appropriate, the Investment Adviser will complement its analysis through the use of professional third-party advisers, including technical advisers, financial and legal advisers and valuation and insurance experts. These advisers are engaged to conduct due diligence that is intended to provide an additional and independent review of key aspects and risks of a project, providing comfort as to the level of risk mitigation and the project's ongoing performance.</p> <p><b>Investment in debt</b></p> <p>The capital value of the Company's investments is insulated from underlying project underperformance by the equity finance that always ranks below such debt investments.</p> <p><b>Return premium over long-term interest rates</b></p> <p>The valuations of the Company's investments are influenced, inter alia, by long-term interest rates. The Company's investments yield a significant premium to rates such as swaps and gilts and as such create a buffer in the event of long-dated rate rises.</p>

Investment objective	Implementation of investment strategy
Diversification	<p><b>Exposure limits</b> The investments of the Company are, as far as is reasonable in the context of a UK infrastructure portfolio, appropriately diversified by underlying project, borrower, facilities manager, asset type (e.g. PFI healthcare, PFI education, solar power, biomass etc.) and by revenue source (e.g. NHS Trusts, local authorities, FIT, ROCs etc.).</p> <p><b>Synergy with existing portfolio</b> New investments are evaluated to ensure their addition would add balance and diversification to the existing portfolio of the Company with regards to credit risk, asset sector, investment term and income return.</p> <p><b>Regular monitoring</b> The exposures within the Company's investment portfolio are constantly monitored to ensure there is no concentration of risk.</p>
Target dividend of 8 pence per share	<p><b>Investment rates of return</b> The Company seeks investment returns on a portfolio basis that enable it to target a dividend yield of 8 pence per share.</p> <p><b>Careful management of costs</b> The Board pays careful attention to the management of costs associated with running the Company.</p> <p><b>Careful management of capital raising/spending</b> 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.</p>



# UK infrastructure market

UK Infrastructure assets involving private sector investment typically generate revenues from long-term public-sector contracts.

## Social and economic infrastructure

Since the mid-1990s, the UK Government has procured well over £60 billion of infrastructure development using private sector finance, initially through the PFI structure and currently under PF2. Under PFI and PF2, a private sector consortium enters into a contract with a central or local government entity (e.g. a local authority in the case of a school or an NHS trust in the case of a hospital) to design, finance, build and operate an infrastructure asset. The term of the contract post construction is typically 25-30 years, during which time the private sector consortium is required to operate the infrastructure asset and in return is paid a fee. The payment of such a fee is typically not dependent on the level of use of the infrastructure asset, but on whether the asset is available for use. As such, PFI and PF2 structures create long dated and predictable cash flows payable by central or local government entities.

## Renewable energy infrastructure

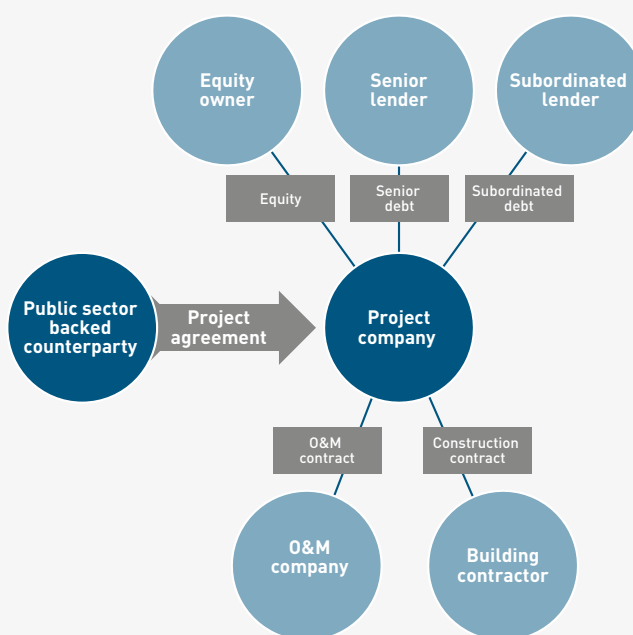
Renewable energy is energy from resources which are naturally replenished, such as sunlight, wind and wood. In recent years there have arisen significant concerns in relation to both the limited nature of many traditional sources of power, such as oil, gas and coal, and the impact that the use of such sources has upon the environment. As a result, a substantial political will has developed to encourage the take-up of renewable energy as a proportion of total energy use on a global level. Specifically, the EU's Renewable Energy Directive has set binding targets on member states to produce a pre-agreed proportion of energy consumption from renewable sources such that the EU as a whole shall obtain at least 20% of its total energy from renewables by 2020.

In the UK, a variety of incentives have been introduced by the Government in order to increase the country's use of renewable energy, including the Feed-in Tariff scheme, the Renewables Heat Incentive and the Renewables Obligation scheme. These subsidies are typically payable over a 20 year period to an owner of eligible renewable energy projects for the generation of energy using renewable sources. As such, renewable energy projects that receive subsidy payments generate long dated and predictable cash flows that are either implicitly or explicitly supported by the UK Government.



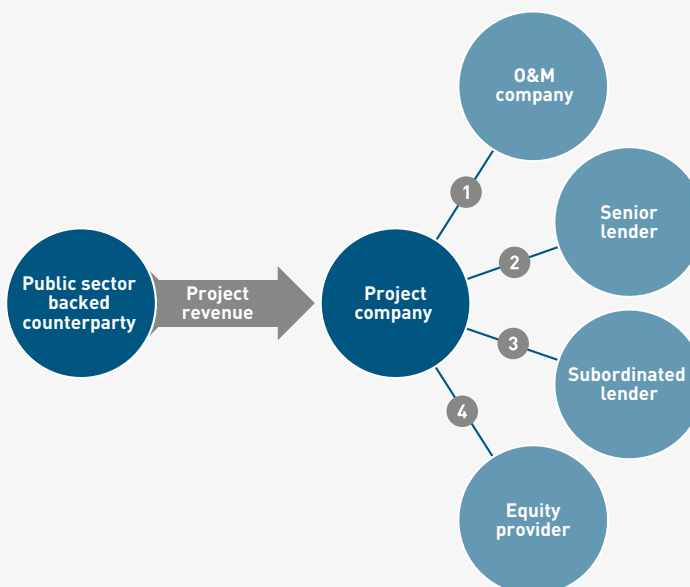
### Typical infrastructure project structure

UK infrastructure assets involving private sector investment are often constructed and (to a greater or lesser extent) maintained by a private sector entity or consortium acting through a single purpose company known as the project company. Such companies typically generate their primary source of revenue from long-term contracts with public sector or public sector backed counterparties and are thus generally considered to be relatively dependable and predictable. The project company also enters into various contracts in order to deliver, inter alia, the construction and operations and maintenance of the project.



### Illustrative priority of payments with typical infrastructure project structure

Total revenues, often contracted to rise in line with RPI or another inflation index, will typically be used to service (in order of priority) the cost of operating and/or maintaining the asset to the required standard, senior debt, subordinated debt (if any), and finally to provide a return to the equity holders.



### Debt financing of UK infrastructure

Given the high capital cost and long-dated cash flows generated by infrastructure assets, they are generally most efficiently financed by long-dated debt. Prior to the financial crisis in 2007, this was typically provided by either the banking or debt capital markets. The banking market has withdrawn significantly from the long-dated lending sector for liquidity and regulatory reasons.

Since the collapse of the monoline insurance industry there also have been extremely few new infrastructure bond issues. Debt financing since 2007 has predominantly been provided by institutional lenders a number of overseas banks. The last couple of years have also seen the emergence of infrastructure focused debt funds and an increased involvement of pension funds.

# Market outlook

There has been a significant increase in the amount of both equity and debt capital available for investment in infrastructure projects both in the UK and globally.

## National Infrastructure Plan 2014

The UK Government published the 2014 National Infrastructure Plan ("NIP 2014") in early December 2014. It restated the Government's long held belief that infrastructure investment is likely to be a key driver of the nation's output, productivity and growth rate. The NIP 2014 detailed a pipeline of just over £325 billion of infrastructure projects to be developed by 2020/21, primarily in energy and transportation.

The UK uses a model of infrastructure investment whereby financing and delivery is split between the public and private sectors. The NIP 2014 outlined the Government's intention to finance around 65% of the planned development (£214.4 billion) purely through private investment.

There has been an acknowledgment that infrastructure developers have only a limited capacity for financing infrastructure projects on their own balance sheets and that there will be a sizeable opportunity for project finance investment.

Such project financing, expected to total £79 billion to 2020-21, will be in the form of long-term debt and equity that is repaid from the cash flows generated by operational projects.

Of most relevance to the Company is the expected requirement for project finance in large scale solar, onshore wind and other renewable generation projects of up to c. £13 billion, £9.1 billion of which will be debt finance.

- Large scale solar £3 billion (est. £2.4 billion debt/£0.6 billion equity)
- Onshore wind of up to £4.5 billion (est. £3.6 billion debt/£0.9 billion equity)
- Other renewable generation of up to £5.2 billion (est. £3.1 billion debt/£2.1 billion equity)

## Investors focused on investment in infrastructure

There has been a significant increase in the amount of both equity and debt capital available for investment in infrastructure projects both in the UK and globally. The total size of unlisted equity and debt funds with a mandate to invest in the UK is estimated to be c. £18 billion. London Stock Exchange listed companies focused on investment in UK infrastructure raised c. £977 million in the year ended 30 September 2014 alone. Institutional investors such as insurers and pension funds are increasingly becoming comfortable with the risk and return profiles of investments in infrastructure and have been upping their allocations to the sector.

### Investment focus

However, whilst there has undoubtedly been a marked increase in the number of active long dated lenders, primarily in the form of institutions and other debt funds, it remains the case that these lenders only serve a limited section of the Company's target UK infrastructure market. These lenders tend to be limited in how they can lend in terms of loan length, size, security, project technology and construction exposure.

The Company is able to obtain attractive returns on debt investment opportunities relating to smaller infrastructure projects backed by long-dated, secure, public sector-backed contracts that are not currently well served by other lenders, primarily in a variety of renewable energy projects. The Company has invested in project companies that own solar installations (both rooftop and ground mounted), small scale onshore wind farms, hydro-electric schemes and a wide variety of biomass projects. These loans are typically secured on a senior basis.

The last year has seen returns available in some renewable energy sectors fall below the target interest rates of the Company. This has been particularly true in the solar sector where the Company is unlikely to be able to lend substantial amounts in the future at its target rates on a senior basis due to hugely increased competition both in the form of new equity investors as well as a number of senior lenders that are becoming increasingly active. This increase in pricing has been reflected in the upward valuation of the Company's more mature solar loans.

The Company made an investment on 4 August 2014 in a schools PFI project but it remains the view of the Investment Adviser that the yields available on the vast majority of secondary, availability-based PFI transactions fall below levels where they are attractive to the Company. As such it is not the expectation of the Investment Adviser that many future investments of the Company in the immediately foreseeable future will be in the PFI sector. The Investment Adviser continues to monitor developments with regard to investment opportunities arising under PF2, but does not anticipate completing any such investments in the near term.





# Review of the year

The Company raised a total of £100 million, made 11 investments totalling £116.5 million and delivered a total shareholder return of 14.9%.

## Reorganisation

The Company has experienced a year of significant reorganisation. In December 2013 the Company announced its intention to acquire shares in the Subsidiary that it did not already own such that the Subsidiary was to become wholly-owned by the Company. The Scheme was approved by a vote of minority shareholders in the Subsidiary on 22 January 2014, and on 7 February 2014 the Subsidiary became wholly-owned by the Company.

As consideration for the purchase of the minority stake in the Subsidiary, the Company paid cash of £0.67 million and issued 72.8 million ordinary shares which were admitted to the Official List and to trading on the Main Market of the London Stock Exchange.

In connection with the Scheme, and with effect from 7 February 2014, the Company and the Subsidiary effected a restructure of group governance, advisory and certain other arrangements to reflect the new group structure (the "Reorganisation"). The Company became regulated as a certified fund in Jersey pursuant to the CIF Law and the Jersey Listed Fund Guide published by the JFSC. The Subsidiary ceased to be an expert fund regulated under the CIF Law, was delisted from the Channel Islands Securities Exchange, and was renamed GCP Infrastructure Asset Holdings Limited and will act as a holding company for the Company's portfolio of investments.

Further details on the share movements are disclosed in note 15.

## Capital raised

The Company raised a total of £100 million during the year. £80 million was raised in March 2014 through the Company's C share offering which was significantly oversubscribed. 80 million C shares were admitted to the Official List and to trading on the London Stock Exchange's Main Market for listed securities on 18 March 2014 and in accordance with the terms of the issue, converted to ordinary shares on 8 August 2014.

The Company raised an additional £20 million on 19 September 2014 in accordance with the prospectus published on 12 February 2014 under the placing programme. The placing for £20 million under the programme was significantly oversubscribed and was scaled back accordingly. The placing price per new ordinary share was 112.00 pence per share.



In the period since the year end on 14 October 2014, the Company announced a further capital raise under the placing programme. The Company raised £70 million on 21 November 2014 and the placing was significantly oversubscribed. The placing price was 111.75 pence per share.

Further details on the share movements are disclosed in note 15.

#### Key investment highlights

The Company made eleven investments totalling £116.5 million during the year, three of which were advances made under existing facilities. The Company also received

two prepayments totalling £37.0 million. The Company made two investments totalling £38.6 million post year end.

#### Investments made during the year (including extensions)

Investment	Loan		Project
GCP Biomass 1 Limited (extension of existing facility)	Amount	£12.5 million	A series of 500KW, on-farm anaerobic digestion plants primarily in Northern Ireland.
	Term	12 years	
	Security	Senior	
	Status	Construction	
GCP Biomass 2 Limited	Amount	£14.4 million	A 10.3MWe recovered wood-fuelled power plant under construction in England.
	Term	17 years	
	Security	Senior	
	Status	Construction	
GCP Biomass 3 Limited	Amount	£12.2 million	Two operational gas to grid anaerobic digestion schemes in England.
	Term	15 years	
	Security	Senior	
	Status	Operational	
GCP Education 1 Limited	Amount	£16.5 million	A Scottish school PPP.
	Term	24 years	
	Security	Subordinated	
	Status	Operational	
GCP Hydro 1 Limited	Amount	£7.0 million	A 1.99MW Hydropower scheme in Scotland.
	Term	18 years	
	Security	Senior	
	Status	Operational	
GCP Onshore Wind 1 Limited	Amount	£8.4 million	A single site, five turbine, 10MW wind farm in England.
	Term	16 years	
	Security	Senior	
	Status	Construction	
GCP Onshore Wind 2 Limited (loan under existing facility)	Amount	£6.5 million	Three 500KW single turbine wind sites in England and Wales.
	Term	19 years	
	Security	Senior	
	Status	Construction	
GCP Onshore Wind 3 Limited	Amount	£21.2 million	A single site, five turbine, 15MW wind farm under development in Northern Ireland.
	Term	19 years	
	Security	Senior	
	Status	Construction	
GCP Rooftop Solar 4 B Limited	Amount	£5.0 million	A portfolio of domestic solar photovoltaic installations in England.
	Term	20 years	
	Security	Senior	
	Status	Operational	
GCP Rooftop Solar 5 Limited	Amount	£6.6 million	A number of portfolios of domestic solar photovoltaic installations in England.
	Term	21 years	
	Security	Sub/senior	
	Status	Operational	
GCP Rooftop Solar 5 Limited (loan under existing facility)	Amount	£6.1 million	A number of portfolios of domestic solar photovoltaic installations in England.
	Term	21 years	
	Security	Sub/senior	
	Status	Operational	

# Review of the year continued

## Prepayments received during the year

Investment	Loan		Project
GCP RHI Boiler 1 Limited	Amount	£26 million	A series of commercial biomass boilers.
	Term	18 years	
	Security	Senior	
	Status	Operational	
GCP RHI Boiler 2 Limited	Amount	£11 million	A series of commercial biomass boilers.
	Term	17 years	
	Security	Senior	
	Status	Operational	

The above prepayments were received due to less than anticipated demand for biomass boilers.

## Investments made post year-end

GCP Biomass 4 Limited	Amount	£19.8 million	A 20.2MWe wood-fuelled biomass combined heat and power plant in England.
	Term	18 years	
	Security	Subordinated	
	Status	Construction	
GCP Green Energy 1 Limited	Amount	£18.8 million	A 8.2MW wind farm and two solar parks totalling 6.8MW.
	Term	19 years	
	Security	Senior	
	Status	Operational	

## Asset performance

Over 80% of the projects the Company is exposed to are fully operational and none have reported any material operational issues during the year. The remainder of assets are either committed or under construction.

The assets under construction are progressing in line with expectations as follows:

GCP Biomass 1 Limited	Funding has been advanced for twelve 500kW plants. Eight are fully constructed, with six connected to the grid and two awaiting grid connection in Q1 2015. The remaining four are expected to be completed in Q2 2015.
GCP Biomass 1C Limited	The construction of a 15.8MWe wood-fuelled biomass combined heat and power plant in Londonderry Port, Northern Ireland, is progressing in line with expectations, and is due for completion in Q1 2016.
GCP Biomass 2 Limited	The construction of a 9MWe wood-fuelled biomass gasification plant in Tysley Birmingham is progressing well and the plant is expected to be completed on time in Q2 2016.
GCP Biomass 4 Limited	The construction of a 20.2MWe wood-fuelled biomass combined heat and power plant in Widnes, Merseyside is in early stage construction and is due for completion in Q1 2017.
GCP Onshore Wind 1D Limited	The construction of a wind farm consisting of five 2.05MW wind turbines in Suffolk is in the early stages of construction and is progressing well for completion due in Q2 2015.
GCP Onshore Wind 3 Limited	The construction of a 15MW, five-turbine wind farm in Northern Ireland is progressing well and is expected to be completed in Q1 2015.

### Accounting basis

The Company has chosen not to early adopt the accounting standard IFRS 10 and continues to consolidate the Subsidiary as the Board believes that the adoption of IFRS 10 would obscure the Company's financial performance. The Company's Subsidiary is structured as a holding company for the Company's investment portfolio and as such is not evaluated on a fair value basis. The Directors have engaged the Company's advisers and are awaiting further clarification prior to the effective date of the standard for accounting periods beginning after 1 January 2014.

### Financial performance

The Company has delivered strong results with £30.9 million of profit generated over the year, up from £19.5 million in the prior year, reflecting increased income and capital returns from a larger, more diverse investment portfolio. The Company's operating profit margin has increased year on year from 76% to 80% driven primarily by a reduction in the Company's costs as a result of the reorganisation of the Company and the Subsidiary. Total operating costs for the year were £6.8 million including £0.4 million of restructure costs as stated in the Company's prospectus published on 12 February 2014. The set up costs relate to the Company's C share issue and were fully borne by the C shareholders as part of the C share issue.

### Cash generation

The Company generated cash and cash equivalents of £13.4 million during the year. A total of £21.7 million of operating cash flows were generated over the year in relation to the Company's infrastructure debt portfolio. Total capital raised in the year amounted to £100 million, which was used to finance eleven investments. The remaining cash flows relate to the buyback of the minority interest shares as a result of the reorganisation of the Company, in addition to payment of dividends, resulting in a net increase in cash and cash equivalents at the year end giving total cash reserves of £38.8 million.

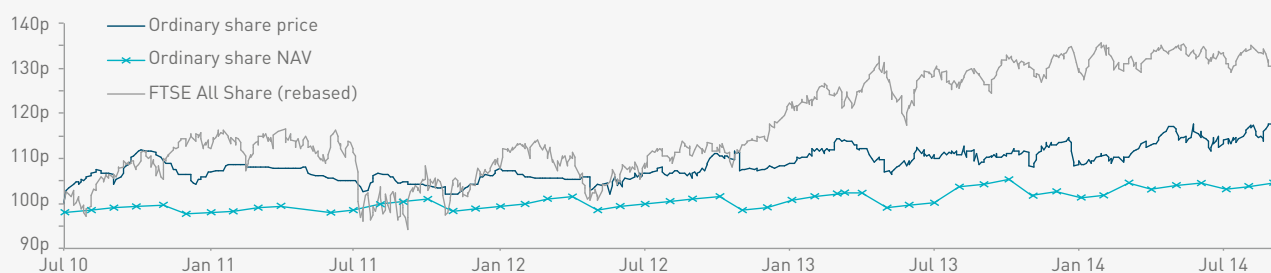
### Dividends paid

The Company declared a dividend of 1.9 pence per ordinary share for the period from 1 July 2014 to 30 September 2014 on 16 October 2014. The dividend was paid on 25 November 2014 to holders of ordinary shares recorded on the register as at the close of business on 24 October 2014. The fourth interim dividend brings the total dividends declared or paid in the year to 7.6 pence per share.

### Net asset value and share price performance

The Company delivered a total shareholder return of 14.9% over the past twelve months and 49.5% since IPO. The Company has continued to trade at a significant premium to NAV, with average premium over the year of 8.0% and 12.9% at year end. The share price hit an all-time peak of 118.00 pence on 30 September 2014. The 52 week low coincided with the shares going ex-dividend following the November 2014 dividend announcement as would be expected. Historic share price information from IPO to date is set out below:

### Share price performance



# Investment portfolio

The Company is exposed to a portfolio of 36 infrastructure loans valued at £432.7 million with an annualised yield of 9.6% and an average life across the portfolio of 14 years.

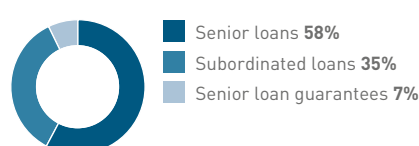
## Portfolio overview

The valuation of the Company's investments at 30 September 2014 was £432.7 million. The Company made eleven investments during the year (eight new loans and three extensions to existing facilities) and received two debt prepayments, taking the number of investments to 36. The portfolio value increased by 24% over the year, providing improved diversification over a wider asset base.

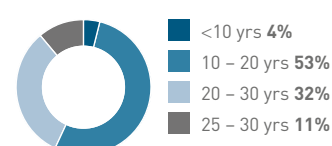
At 30 September 2014 the weighted average annualised yield was 9.6% across the portfolio with a weighted average expected term of 14 years. The Company's investments are supported by a total of 82 underlying infrastructure projects located across the UK.

## Portfolio analysis

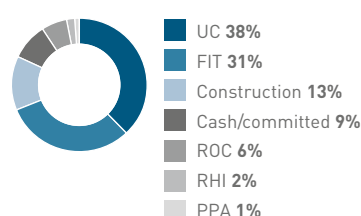
### Portfolio by investment type



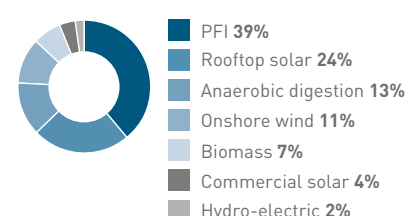
### Portfolio by expected term



### Portfolio by cash flow type



### Portfolio by project sector





## Key exposures

Top ten investments				
Loan	Cash flow type	Project type	Annualised yield	% of portfolio
GCP Biomass 1 Ltd	ROCs	Anaerobic digestion	10.9%	9.9%
→ See case study on page 24				
GCP Rooftop Solar 4 Ltd	Feed-in tariff	Rooftop solar	9.3%	7.6%
→ See case study on page 25				
GCP Healthcare 1 Ltd	Unitary charge	Various UK PFI	9.6%	7.0%
→ See case study on page 26				
GCP Onshore Wind 3 Ltd	ROCs	Onshore wind	9.8%	4.9%
GCP Rooftop Solar 2 Ltd	Feed-in tariff	Rooftop solar	9.3%	4.2%
GCP Commercial Solar 1 Ltd	Feed-in tariff	Commercial solar	9.5%	3.9%
GCP Education 1 Ltd	Unitary charge	Education PFI	8.2%	3.9%
Grosvenor PFI Holdings Ltd	Unitary charge	Healthcare PFI	9.6%	3.8%
GCP Biomass 1 C Ltd	ROCs	Biomass	10.1%	3.7%
T-26 GEM Infrastructure	Unitary charge	Various UK PFI	9.8%	3.5%

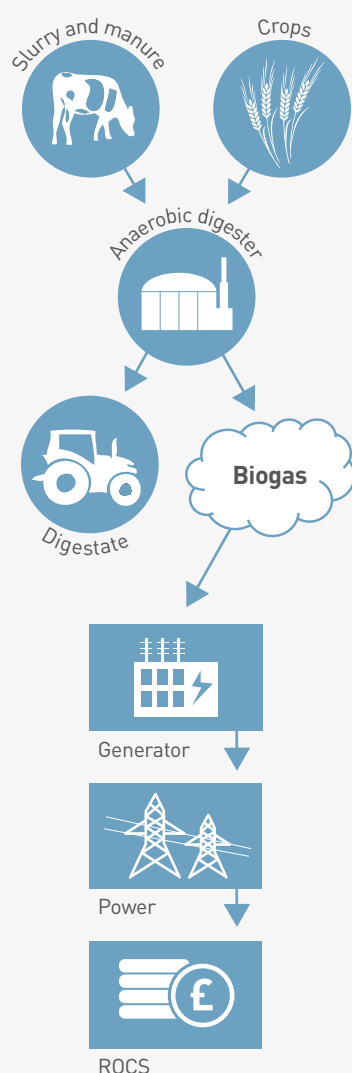
Top ten project counterparties	
E.ON Energy Ltd (Ofgem)	26%
Power NI (Ofgem)	14%
Ofgem	6%
Smartest Energy Ltd (Ofgem)	5%
Viridian Energy Supply Limited (Ofgem)	5%
Co-op Group (Ofgem)	5%
Aberdeen City Council	4%
Salford City Council	3%
Slough Borough Council	3%
Leeds City Council	2%

Top ten facilities managers	
A Shade Greener Maintenance Limited	24%
Agrikomp (UK) Ltd	10%
Vestas Northern Europe A/S	9%
Smarter Energy Solutions Ltd	4%
Robertson Facilities Management Limited	4%
Grosvenor Facilities Management	4%
Burmeister & Wain Scandinavian Contractor A/S	4%
MWH Treatment Limited	3%
Pinnacle FM Limited	3%
Bio AD Limited	3%

# Investment portfolio continued

## Case study

## GCP Biomass 1 Limited



### Loan overview

Loan	GCP Biomass 1 Limited
Loan valuation	£43 million
Interest rate (annualised yield)	10.9%
Weighted average life	10 years
Security	Secured on senior basis
Sector	Anaerobic digestion
Project status	Construction/operational
Cash flow	Construction 22.0% NIROCs 72.5% PPA 5.5%

### Project information

The Company has made a series of loans secured against a portfolio of 500kw/h, on-farm anaerobic digestion plants primarily in Northern Ireland. The plants are being constructed and operated by Agrikomp GmbH.

Anaerobic digestion is a process by which naturally occurring micro-organisms digest biomass (organic material) releasing a methane-rich gas (biogas) that can be used to generate renewable heat and power. The biomass used in the on-farm plants is slurry and crops. The remaining material (digestate) is rich in nutrients and can be used as a fertiliser for agricultural land.

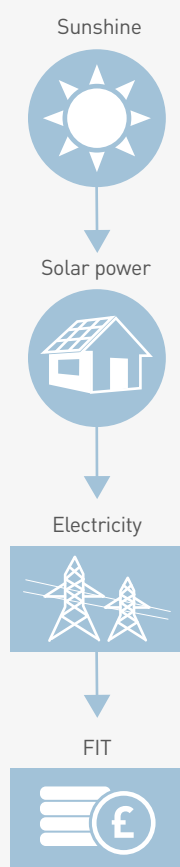
### Fit with investment strategy

The Renewable Obligation scheme for anaerobic digestion plants provides a tariff for each MWh of electricity generated. The tariff is the Renewable Obligation Certificates (or Northern Ireland Renewables Obligation Certificates), which are issued by the Gas and Electricity Markets Authority. The tariff is payable for 20 years increasing in line with RPI.

Anaerobic digestion plants can thus generate long-dated, public sector-backed cash flows in the form of ROCs or NIROCs.

## Case study

# GCP Rooftop Solar 4 Limited



### Loan overview

Loan	GCP Rooftop Solar 4 Limited
Loan valuation	£33 million
Interest rate (annualised yield)	9.3%
Weighted average life	11 years
Security	Secured on senior basis
Sector	Rooftop solar
Project status	Operational
Cash flow	Feed-in tariff

### Project details

The Company has made a series of loans secured against a portfolio of domestic rooftop solar photovoltaic panel installations installed by A Shade Greener Limited (“ASG”).

ASG is a leader in the “free” solar market, where homeowners sign 20 year leases for the use of the space above their roofs and in exchange receive free electricity when the panels are generating. ASG owns the panels through the 20-year term and is entitled to receive the FIT.

Solar panels, also known as solar photovoltaics (PV), capture the sun’s energy using photovoltaic cells. These cells do not need direct sunlight to work and still generate electricity on cloudy days. The cells convert the sunlight into electricity.

### Fit with investment strategy

The Government has introduced the Feed-in Tariff subsidy that is payable to solar PV generators. The FIT is payable over either a 20 or 25 year period and is fixed on the first day of generation and then moves in line with RPI.

Solar PV projects can thus generate long-dated, public sector-backed cash flows in the form of FIT cash flows.

# Investment portfolio continued

## Case study GCP Healthcare 1 Limited



Hospital/  
accommodation  
building



Operation and  
maintenance



Unitary charge



### Loan overview

Loan	GCP Healthcare 1 Limited
Loan valuation	£30 million
Interest rate (annualised yield)	9.6%
Weighted average life	22 years
Security	Secured on subordinated basis
Sector	Healthcare and accommodation PFI
Project status	Operational
Cash flow	Unitary charge 100%

### Project details

The Company has made a series of loans secured against a portfolio of operational healthcare and accommodation PFI projects:

- Victoria Hospital and New Stobhill Hospital in Glasgow, hospitals providing a range of services including general day surgery, ENT surgery, gynaecology, urology, outpatient clinics;
- Young Herts Accommodation, a children's residential scheme comprising five children's homes, two adolescent resource centres and the refurbishment of eight family support centres;
- Healthsource Bromley, a project comprising the provision, replacement and maintenance of medical equipment in the Princess Royal University Hospital in Bromley;

- Caring 4 Croydon, four social care centres providing a total of 150 residential and nursing places, 40 extra care flats and 128 day care places; and
- Hull LIFT, a project to replace ageing GP surgeries in Hull with new health centres.

### Fit with investment strategy

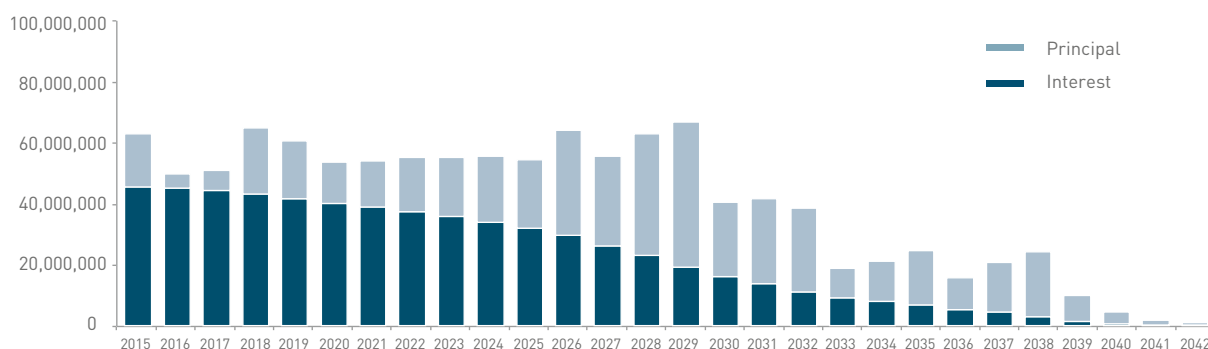
Under a PFI contract, a private sector entity constructs and operates an infrastructure asset in return for a, typically, 25 to 30 year cash flow (the unitary charge) payable by an NHS Trust or a local authority.

PFI projects can thus generate long-dated, public sector-backed cash flows in the form of unitary charge cash flows.



### Projected investment portfolio cash flow profile

The chart below shows the expected investment portfolio cash flow profile assuming no reinvestment of principal payments received by the Company and the deployment of the cash currently held on the balance sheet.



### Investment valuation

Mazars LLP (the “Valuation Agent”) is responsible for carrying out a fair market valuation of the Company’s investments on a monthly basis. The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. A fair value for each asset acquired by the Company is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset.

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

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

The Valuation Agent utilises the key valuation inputs set out above to determine an appropriate valuation for each investment. In the year there has been a tightening of yields available on secondary PFI and operational renewables assets, and with this in mind the Valuation Agent in March 2014 decided to revalue certain assets in the portfolio upwards. This led to a £9.3 million revaluation gain on the portfolio. The weighted average discount rate at 30 September 2014 was 8.84%, a decrease of 37 basis points from 9.21% as at 30 September 2013.

The valuation of investments is sensitive to changes in discount rates applied. Sensitivity analysis detailing the impact of a change in discount rates is given in note 16.

# Principal risks and uncertainties

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

Risk	How the risk is managed
<b>Execution</b>	
<b>Availability of suitable investments</b> There is no guarantee that there will be substantial demand for loans of the type sought to be made by the Company, or that any such demand will result in sufficient investments being made in a timely manner.	The Company builds an investment pipeline before raising additional finance in an attempt to ensure that capital is deployed in a timely fashion.
<b>Sufficiency of due diligence</b> The Investment Adviser's due diligence may not reveal all the facts relevant in connection with an investment and may not highlight issues that could affect the investment's performance.	In addition to due diligence carried out by the Investment Adviser, third-party financial, technical, insurance and legal experts are engaged to advise on specific project risks.
<b>Rollout of renewable energy projects</b> Capital from certain of the Company's investments is used to fund the rollout of specific renewable energy projects. The return of such investments may be adversely affected should the rollout be slower or smaller than anticipated.	The Investment Adviser conducts a detailed assessment of the robustness of the pipeline of opportunities including a thorough review of the proposed sales and marketing process, the viability of the commercial offering and the pipeline and the operational and commercial competence of the borrower.

Risk	How the risk is managed
<b>Portfolio</b>	
<b>Performance of sub-contractors</b> The performance of the Company's investments is typically, to a considerable degree, dependent on the performance of sub-contractors, most notably facilities managers and operation and maintenance contractors.	The competence and financial strength of contractors, as well as the terms of contractors engagements, is a key focus of investment due diligence. The Investment Adviser monitors the Company's exposure to any given sub-contractor, and ensures that the risk of underperformance is mitigated by diversification.
<b>Counterparty default</b> The Company's investments are reliant on counterparties, typically public sector entities, to fulfil their payment obligations under the PFI or renewable energy contracts.	It is the view of the Investment Adviser and the Board that the UK Government has both the ability to satisfy its obligations through its fiscal/monetary independence, and the willingness to do so given the importance of private capital for the funding of new social and economic infrastructure and renewable energy projects.
<b>Borrower default</b> The Company is exposed to the risk of default by borrowers and other counterparties.	The Company ensures that it has security over the assets against which it is lending, so in an instance of counterparty default it can take over the assets itself.
<b>Operational or construction issues</b> The investments which the Company holds are exposed to construction and/or operational risks and may not perform as expected.	<p>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.</p> <p>The Company's construction exposure is limited to 25% of its total assets. The Investment Adviser monitors this limit and the status of any project in the construction phase on an ongoing basis.</p>
<b>Financial</b>	
<b>Valuation and inflation</b> The value of the investments made and intended to be made by the Company will change from time to time according to a variety of factors, including movements and expected movements in interest rates and inflation and general market pricing of similar investments. Such changes will 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. Where possible the Investment Adviser ensures that each loan carries an element of inflation protection.
<b>Liquidity</b> Investments made by the Company are not likely to be publicly-traded or freely marketable. Such investments may therefore be extremely difficult to realise and therefore the market price that is achievable for the investments might be lower than the valuation of these assets as determined by the Valuation Agent.	It is the intention of the Company to buy and hold investments until maturity. The Company is a closed ended investment company with no fixed life and as such it is not the expectation, in the normal course of business, that the Company will sell any of its investments prior to maturity.
<b>Other</b>	
<b>Regulatory, legal and compliance risk</b> Any change in the laws, regulations and/or government policy may have an adverse effect on the Company being able to achieve its investment objective. The Company may not achieve full compliance with all applicable legislation leading to reputational or financial consequences.	The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Adviser and legal counsel and monitors ongoing compliance developments in the Channel Islands. The Company has a comprehensive compliance monitoring programme to ensure full compliance with legislation/regulation relevant to the Company's operations.
<b>Operational risk</b> Inadequate or failed internal processes, people, and systems, or from external causes (deliberate, accidental or natural). Events may be manifested as direct financial losses or result in damage to reputation causing longer term financial consequences.	The Company has no employees and has sufficient policies and procedures in place to ensure operational risk is fully mitigated.

By order of the Board



**Ian Reeves**  
Chairman

18 December 2014

# Board of Directors



## **Ian Reeves CBE**

**Chairman – 70**

Ian Reeves, a UK resident, is an entrepreneur, international businessman and adviser. He is Senior Partner of Synaps Partners LLP and visiting Professor of Infrastructure Investment and Construction at 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.



## **David Pirouet**

**Non-Executive Director – 60**

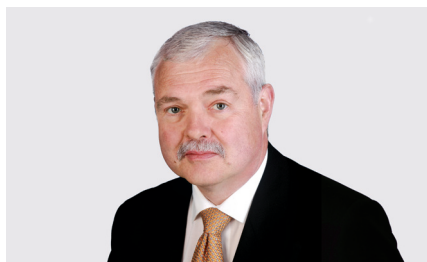
David Pirouet, a Jersey resident, is a qualified accountant. He was an audit and assurance partner for 20 years with PricewaterhouseCoopers CI LLP ("PwC") until he retired in June 2009. He specialised in the financial services sector, in particular in the alternative investment management area. Since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



## **Trevor Hunt**

**Non-Executive Director – 61**

Trevor Hunt, a Jersey resident, has extensive experience in the offshore financial services fund administration sector. Mr Hunt worked for HSBC for over 30 years in various senior management positions before spending eight years in a senior management/directorship role at various Capita entities and BNP Paribas Securities Services. Mr Hunt is regulated by the JFSC and GFSC for the provision of services as a non-executive director.



## **Clive Spears**

**Deputy Chairman – 61**

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. Additional experience in audit and compliance has also accrued during the period.



## **Paul de Gruchy**

**Non-executive Director – 42**

Paul de Gruchy, a Jersey resident, is a qualified lawyer currently working as Head of Legal at a global financial services business in Jersey. 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 and the Jersey Financial Services Commission (the regulator of the Company).



# The Investment Adviser



**Stephen Ellis**  
Partner – 55

Stephen Ellis has overall responsibility for the provision of investment advice to the Company.

Stephen graduated from Oxford University in 1980 and after a short service commission with the British Army he spent a 16 year career in investment banking, principally in tax-based finance, securitisation and debt origination. Stephen formed the Investment Adviser in 2008 after five years as a director at DTZ Corporate Finance, where he had responsibility for all UK infrastructure financing, in particular in the healthcare and education sectors.



**Rollo Wright**  
Partner – 38

Rollo Wright is responsible for asset acquisition. He is also responsible for monitoring and reporting on the ongoing performance of the Company.

Rollo graduated with a degree in Mathematics from Oxford University before qualifying as a chartered accountant with Arthur Andersen. He moved to the capital markets division of Commerzbank Securities where he focused on the origination of pan-European corporate debt, specifically convertible bonds. He joined the structured finance team at DTZ Corporate Finance in 2004 and specialised in advising on the sale and financing of healthcare and education projects, as well as the structuring of residential property-backed transactions.



**Nick Parker**  
Partner – 44

Nick Parker is responsible for asset sourcing and acquisition, and the negotiation and documentation of the Company's financing and hedging arrangements.

Nick holds a degree in Economics from Cambridge University. After ten years in investment banking, focused on rate structured products and asset-backed securities, he became a director of Structured Finance at DTZ where he advised on the financing of long-dated cash flows underlying property and infrastructure assets, particularly in respect of their documentation and hedging.



**Ronan Kierans**  
Partner – 36

Ronan Kierans is responsible for asset sourcing and acquisition. His role involves identifying suitable assets, and carrying out and reporting on acquisition due diligence, including financial modelling and insurance, legal and built asset due diligence.

Ronan qualified as a chartered accountant with KPMG Dublin and subsequently worked in corporate finance with KPMG and DTZ Corporate Finance. At KPMG, Ronan worked on a number of corporate tax and M&A transactions. During his time at DTZ Corporate Finance, Ronan worked in the Fund Structuring team, specialising in the structuring of, and asset acquisition for, European property funds. In 2007, Ronan moved to the Infrastructure team at DTZ, where he primarily worked on healthcare projects.

# Directors' report

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 30 September 2014. The corporate governance statement set out on pages 38 to 43 forms part of this report.

These consolidated financial statements consolidate the financial statements of the Company and its Subsidiary.

## 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 which forms part of the annual report to shareholders.

## 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. Additionally, the Company loans money to Special Purpose Vehicles ("SPVs") and does not have the ability to control the activities of these SPVs and has no responsibility for their emissions.

Therefore the Directors believe the Company has no reportable emissions for the year ended 30 September 2014.

## Dividends

The Directors have announced a fourth interim dividend of 1.9 pence per ordinary share which was paid on 25 November 2014 to ordinary shareholders on the register on 24 October 2014 which, together with the interim dividend of 1.9 pence paid on 29 May 2014, gives a total of 7.6 pence for the year (2013: 7.6 pence).

## Share capital

During the year the Company issued 80,000,000 C shares of 1 pence, all of which were converted into ordinary shares on 1 August 2014. Details of the movements in share capital during the year are set out in the consolidated statement of changes in equity on page 52 and in note 15.

On 19 September 2014, the Company announced successful admission of 17,857,143 new ordinary shares to the Official List and to trading on the LSE's Main Market for listed securities following the fundraising of £20 million by the way of a tap issue.

At 30 September 2014 the Company's issued share capital comprised 450,420,663 ordinary shares of 1 pence, 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.

## Significant voting rights

As at 30 September 2014, the Company has been notified that the following hold 3% or more of the Company's ordinary shares to which voting rights are attached.

Name	Shares held	% of total voting rights
State Street Nominees Limited	52,770,150	11.72%
The Bank of New York (Nominees)	52,370,021	11.63%
HSBC Global Custody Nominee (UK)	44,182,155	9.81%
Ferlim Nominees Limited	31,125,479	6.91%
Rathbone Nominees Limited	25,732,485	5.71%
Nortrust Nominees Limited	21,218,330	4.71%
Cheviot Capital (Nominees) Limited	17,366,912	3.86%
JM Finn Nominees Limited	16,352,159	3.63%
Smith & Williamson Nominees Limited	15,607,592	3.47%
Vidacos Nominees Limited	15,321,030	3.40%
Roy Nominees Limited	14,549,158	3.23%

During the period 30 September 2014 to 25 November 2014, the Company received notifications under chapter 5 of the Disclosure and Transparency Rules. As at 25 November 2014, the following held 3% or more of the Company's ordinary shares to which voting rights are attached.

Name	Shares held	% of total voting rights
State Street Nominees Limited	67,012,923	13.04%
The Bank of New York (Nominees)	51,826,239	10.09%
Nortrust Nominees Limited	43,966,776	8.56%
HSBC Global Custody Nominee (UK)	43,562,403	8.48%
Ferlim Nominees Limited	32,232,288	6.27%
Brewin Nominees Limited	26,320,121	5.12%
Rathbone Nominees Limited	26,252,911	5.11%
Cheviot Capital (Nominees) Limited	18,340,894	3.57%
JM Finn Nominees Limited	17,081,998	3.32%
Smith & Williamson Nominees Limited	16,127,260	3.14%
Vidacos Nominees Limited	15,771,661	3.07%

## Directors

The Directors in office as at 30 September 2014 are listed on page 30.

Details as to the Directors' terms of appointment can be found in the corporate governance statement on pages 38 to 43 and the remuneration report on pages 35 to 37.

## Directors' interests

Paul de Gruchy has an indirect interest in the Company via GCP Infrastructure OEIC Limited. Mr de Gruchy has a direct interest in 284,309 ordinary accumulation shares and an indirect interest in 396,461 ordinary accumulation shares of GCP Infrastructure OEIC Limited. None of the Directors have been granted options to acquire shares in the Company.

None of the Directors or any persons connected with them have had a material interest in the Company's transactions or agreements during the year.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

## Directors' and officers' liability insurance and indemnity agreements

The Company has purchased insurance to cover Directors' and officers' liability as permitted by the Law.

## Key service providers

Gravis Capital Partners LLP provides advice to the Directors within the Company to enable them to make informed decisions for the Company's funding requirements (including advice and assistance in any equity/further fundraising process) and also borrowings/gearing requirements.

The Investment Adviser also provides advice which enables the Directors within the Company to identify potential investments, the performance of existing assets and the financial and infrastructure markets generally.

The partners of the Investment Adviser formed Gravis Capital Partners LLP in May 2008 with a view to developing a specialist infrastructure advisory boutique. This business model was amended to focus specifically on fund management, principally in the area of UK infrastructure in July 2009.

The partners in the Investment Adviser have a long track record of working within the UK infrastructure market, particularly with regard to debt advisory work.

The partners of the Investment Adviser have advised extensively on debt structures in a wide variety of infrastructure sectors, including a wide variety of renewable energy sectors, healthcare, education, court buildings, specialised offices, registered social landlord accommodation and transport. They have primarily advised Project Companies or their owners.

The personnel primarily responsible for delivering investment advice to the Company on behalf of the Investment Adviser are detailed on page 31.

The Company is party to an Investment Adviser Agreement 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.

The Investment Adviser Agreement was amended in January 2014 to reflect a change in methodology for the calculation of fees and the provision of AIFM services to the Company. An increase in the fees payable for the provision of AIFM services was agreed by the Board in October 2014. The remuneration of the Investment Adviser is set out in note 17 to the consolidated financial statements.

Fund accounting administration services and company secretarial services are provided to the Company by Capita Financial Administrators (Jersey) Limited pursuant to an Agreement dated 31 January 2014. The fee for the provision of these services during the year was £461k. The Agreement with Capita Financial Administrators (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

Custodian services are provided to the Company by Capita Trust Company (Jersey) Limited pursuant to an agreement dated 21 July 2014. The fee for the provision of these services during the year was £125k. The agreement with Capita Trust Company (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

Registrar services are provided to the Company by Capita Registrars (Jersey) Limited pursuant to an agreement dated 28 June 2010. The fee for the provision of these services during the year was £69k. The agreement with Capita Registrars (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

## Directors' report continued

The Directors undertake an annual review of the effectiveness of all third-party service providers. Following this review, it is the Directors' opinion that the continuing appointment of the Investment Adviser, the Fund Administrator and the Company Secretary, the Custodian and the Registrar, is in the best interests of the Company and its shareholders.

### Political donations

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

### Annual general meetings

The Company's annual report and consolidated financial statements for the year will be tabled for approval at the Company's 2015 Annual General Meeting. It is anticipated that this Annual General Meeting will be held on 12 February 2015 at 12 Castle Street, St Helier, Jersey JE2 3RT.

### 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 27 February 2014 and expires on the date of the next Annual General Meeting. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting on 12 February 2015.

### Treasury shares

The Companies (Jersey) Law allows companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. 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 reissue shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

### Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

### Non-mainstream pooled investments

The Board notes the rules of the UK Financial Conduct Authority on the promotion of non-mainstream pooled investments, effective from 1 January 2014. The Board confirms that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be "excluded securities" under the FCA's new rules. This is on the basis that the Company, which is resident outside the EEA, would qualify for the approval as an investment trust by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom. Therefore, the Company's shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Company's shares will not be subject to the FCA's restriction on promotion of non-mainstream pooled investments.

By order of the Board



Mr David Pirouet

18 December 2014



# Remuneration report

## Introduction

The Directors are pleased to present their report on remuneration for the year ended 30 September 2014. The report is made up of two sections; the Directors' policy report and the annual report on remuneration.

The annual report on remuneration provides details on remuneration in the year. It will be subject to an advisory shareholder vote at the 2015 Annual General Meeting. 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 listed on the London Stock Exchange it is good practice for it to do so. Accordingly a resolution to approve the annual report on remuneration will be proposed at the forthcoming Annual General Meeting.

This report is not subject to audit.

## Directors' policy report

The Board considers that Directors' fees should reflect the time commitment required and the level of responsibility borne by Directors, and should be broadly comparable to those paid by similar companies. It is not considered appropriate that Directors' remuneration should be linked to individual performance and none of the Directors are eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company.

The basis of the Directors' remuneration which was approved at the Company's 2013 Annual General Meeting is linked to the net asset value of the Company and each of the Directors' base annual remuneration fee should increase in even steps and at interval points linked to the NAV of the Company up to £300,000,000. In addition, a cap was applied of £35,000 for each Director and £45,000 for the Chairman.

The cap on Directors remuneration was increased from £150,000 to £270,000 at the 2014 EGM of the Company to facilitate the remuneration of the two newest Directors, Clive Spears and Paul de Gruchy.

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

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

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

# Remuneration report continued

## Annual remuneration report

The fees paid to the Directors in the year ended 30 September 2014 are set out in the table below:

	2014						2013			
	Directors' fees (base fee) £'000	Subsidiary directors' fees £'000	Special fee for C share issue £'000	Special fee for reorganisation and placing programme £'000	Audit Committee fees £'000	Investment Committee £'000	Total £'000	Directors' fees (including special service fee) £'000	Audit Committee fees £'000	Total £'000
Ian Reeves	44	—	5	5	3	n/a	57	47	3	50
David Pirouet	34	—	5	5	5	n/a	49	37	5	42
Trevor Hunt	34	12	5	5	2	6	64	37	3	40
Clive Spears	23	15	n/a	5	2	6	51	—	—	—
Paul de Gruchy	23	12	n/a	5	n/a	6	46	—	—	—
<b>Total</b>	<b>158</b>	<b>39</b>	<b>15</b>	<b>25</b>	<b>12</b>	<b>18</b>	<b>267</b>	<b>121</b>	<b>11</b>	<b>132</b>

During the year Ian Reeves, David Pirouet and Trevor Hunt received special services fees of £5k in respect of the work relating to the C share issue. All of the Directors named above received special services fees of £5k for the work relating to the Company reorganisation and the placing programme. These amounts are included in the above table.

Directors' expenses for the year totalled £4k, (30 September 2013: £5k) no other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

## Statement of Directors' shareholding and share interests

Paul de Gruchy has an indirect interest in the Company via GCP Infrastructure OEIC Limited. Mr de Gruchy has a direct interest in 284,309 ordinary accumulation shares and an indirect interest in 396,461 ordinary accumulation shares of GCP Infrastructure OEIC Limited. None of the Directors have been granted options to acquire shares in the Company.

## Statement of voting at general meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against any resolution at the Annual General Meeting, the Company will liaise with their investors and agree actions it intends to take going forward.

At the last Annual General Meeting 66% of shareholders voted for the resolution to approve the Directors' remuneration report.

The Board have decided to engage an external consultant to review the current basis of remuneration for the Directors and this review has recently commenced. The findings from this review will be available next year and the Board will then determine what steps (if any) they should take to implement the external consultant's recommendations (where applicable).

## Approach to recruitment remuneration

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

### Company performance

In setting the Directors' remuneration, consideration is given to the size and long-term performance of the Company. The tables below highlight the comparative total shareholder return to ordinary shareholders since launch compared with the GBP Corporate Bond Index over the same period. During that period, the total shareholder return for the Company was c. 50%, compared with the GBP Corporate Bond Index which was c. 37%.

#### Cumulative performance to 30 September 2014

Period	Three months	Six months	One year	Three years	Four years	Since launch
GCP Infrastructure Investments Ltd	2.35%	8.10%	14.88%	37.00%	43.39%	49.48%
GBP Corporate Bond Index	3.34%	5.50%	7.84%	26.96%	30.23%	36.28%

#### Annual performance to 30 September 2014

Period	Year to 30 September 2014	Year to 30 September 2013	Year to 30 September 2012	Year to 30 September 2011
GCP Infrastructure Investments Ltd	<b>14.88%</b>	9.86%	8.55%	4.66%
GBP Corporate Bond Index	<b>7.84%</b>	2.38%	14.99%	2.58%

### Relative importance of the spend on pay

The table below sets out in respect of the financial years ended 30 September 2014 and 30 September 2013, Directors' fees for the Company as a relative proportion of the Company's total expenses for the year.

	30 September 2014 £'000	30 September 2013 £'000
Percentage of expenses	<b>2.77%</b>	1.85%

The percentage increase in Directors' fees paid in the financial year ended 30 September 2014 is primarily an impact of the Board's increase in size from three to five Directors.

### Approval

This annual report on remuneration and the policy report was approved by the Board on 18 December 2014 and signed on its behalf by:

By order of the Board



**Mr Ian Reeves**

Chairman

18 December 2014

# Corporate governance statement

The Listing Rules and the Disclosure and Transparency Rules ("Disclosure Rules") of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the Corporate Governance Code to which the issuer is subject. The provisions of the UK Corporate Governance Code ("UK Code") as issued by the Financial Reporting Council ("FRC") in September 2012 and recently updated in September 2014 are applicable to the year under review and can be viewed at [www.frc.org.uk](http://www.frc.org.uk).

The related Code of Corporate Governance (the AIC Code) issued by the Association of Investment Companies ("AIC") in February 2013 provides specific corporate governance guidelines to investment companies. The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies ("AIC Guide") will be meeting their obligations in relation to the UK Code and the associated disclosure requirements of the Disclosure Rules. The AIC Code can be viewed at [www.theaic.co.uk](http://www.theaic.co.uk).

## Statement of compliance with the AIC Code and Guide

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

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

The Company has complied with the recommendations of the AIC Code, except as set out below:

- the role of the Chief Executive: the Board considers that the post of Chief Executive Officer is not relevant for the Company.

As the Company was only formed in 2010, no Director has yet served for nine years or more. A Director who retires at an Annual General Meeting may, if willing to act, be re-appointed. The Directors are not subject to automatic re-appointment;

- the appointment of a Senior Independent Director: the Nomination Committee have discussed whether it would be in the best interests of the Company to recommend to the Board the appointment of a Senior Independent Director and have agreed that at the present time the Board has an appropriate balance of skills and experience and as such, an appointment is not considered necessary. However the Nomination Committee have agreed to keep the matter under continual review;
- Executive Directors' Remuneration: as the Board has no executive Directors, it is not required to comply with the principles of the Code in respect of executive Directors' remuneration and does not have a Remuneration Committee. A full remuneration report is included on pages 35 to 37; and
- internal audit function: the Company delegates the majority of its operations to third parties and has no employees. The majority of these third parties have their own internal audit function and the Board has therefore determined that the requirement for the Company to have its own internal audit function is redundant. The Directors consider bi-annually the principal risks relating to the operations of the Company. Such a review requires the consideration of whether the Company's third parties have sufficient internal controls.

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## The Board's responsibilities and processes

The Board is responsible to shareholders for the overall management of the Company, and may exercise all the powers of the Company subject to the relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares as the Board may decide. The Companies (Amendment No. 9) (Jersey) Law 2008 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 Annual General Meeting in February 2014, 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 2015 Annual General Meeting are set out in the 2015 Notice of Annual General Meeting.



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 objective and strategy. During the year, a strategy day was held at which all of the Directors attended.

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

#### **Matters reserved for the Board**

The Board has approved a formal schedule of matters reserved to it for decision. These matters include:

- approval of the Company's investment policy and commercial strategy;
- approval of the Company's half-yearly report and annual financial statements;
- changes relating to the capital structure of the Company or its status as an investment company;
- changes relating to the Company's listing on the London Stock Exchange;
- approval of the dividend policy;
- appointments to the Board and its committees;
- adequacy of internal controls;
- appointment and removal of the Investment Adviser;
- approval of any major acquisitions or disposals, including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover bid;
- approval of all circulars, prospectuses and listing particulars; and
- periodic review of the Company's corporate governance arrangements including compliance with the terms of the UK Corporate Governance Code and AIC Code.

The schedule of matters reserved for the Board is available on request from the Company Secretary or on the Company's/Investment Adviser's website.

#### **Composition of the Board**

The Board consists of five Directors, all of whom are non-executive Directors and are considered to be independent.

Each of the Directors has signed letters of appointment which set out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. No Director has any contract or arrangement in place between themselves and the Company. Further details as to the terms of appointment of the Directors are set out in the remuneration report on pages 35 to 37.

#### **Overview of Board and employees**

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background. As at 30 September 2014 the composition of the Board was five male Directors and no female Directors (2014: three male and no female Directors). The Company has no other employees.

Whilst the Board does not yet have a female director, it is committed to ensuring gender diversity is actively pursued when considering future appointments to the Board. Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring a successful Board and Company.

#### **Appointment and re-election of Directors**

Article 70 of the Company's Articles of Association require, and the AIC Code recommends, that any Director appointed by the Board since the previous Annual General Meeting submit themselves for appointment at the first Annual General Meeting of the Company following their appointment.

At each Annual General Meeting any Director who has been appointed by the Board since the previous Annual General Meeting and any Director selected to retire by rotation pursuant to Article 71 shall retire from office.

At each Annual General Meeting one-third of the Directors (excluding any Director who has been appointed by the Board since the previous Annual General Meeting) or, if their number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office (but so that if there are fewer than three Directors who are subject to retirement by rotation under this Article one shall retire).

Any Director who is not required to retire by rotation in accordance with Article 71 but who has been in office for three years or more since his appointment or his last re-appointment or who would (but for the operation of Article 71) have held office at not less than three consecutive Annual General Meetings of the Company without retiring shall retire from office.

# Corporate governance statement continued

## Appointment and re-election of Directors continued

In the 2014 Notice of Annual General Meeting, it was explained that Clive Spears and Paul de Gruchy would be appointed to the Board of Directors with effect from 7 February 2014 subject to the approval of the restructure of the Company. Mr Spears and Mr de Gruchy, who were deemed to be re-appointed at the Company's last Annual General Meeting, shall resign and submit themselves for re-appointment at the 2015 Annual General Meeting.

Ian Reeves was last put forward for re-election in 2012. Under the retirement by rotation provisions, Mr Reeves will also stand for re-election at the 2015 Annual General Meeting.

## Directors' independence

The Board has reviewed the independence of each Director in accordance with the guidance set out under principle 2 of the AIC Code and the corresponding AIC guide. The Board acknowledges that Paul de Gruchy has a direct (284,309) and an indirect (396,461) holding in the shares of GCP Infrastructure OEIC Limited ("OEIC"). The OEIC's primary asset is shares in the Company. The Board has discussed Mr de Gruchy's interest in the OEIC and maintains that it does not materially impact his ability to exercise independent judgement on the Board. Accordingly the Board considers all Directors on the Board to be independent.

## Performance evaluation

During the year, the Directors participated in a formal evaluation process which was conducted by external, independent consultants, Thomas & Dessain.

The evaluation process involved an analysis of the Board performance and that of its Committees and individual Directors. The Chairman also held one-on-one discussions informed by a checklist with all Directors. The results of the evaluation process were reported to, and discussed by, the Board and the Nomination Committee. The evaluation considered the overall composition of the Board including plans for board succession over time and the delivery of Director's performance appraisals.

Directors made various suggestions to further enhance the functioning of individual Board Committees and the levels of shareholder engagement. The process for setting the aims and agenda for the Board's annual strategy day discussion was also discussed. The evaluation considered the performance of each of the Committees and that of the Company Chairman. The results of the evaluation concluded that the Board, the Chairman, the Committees and each of the individual Directors are performing satisfactorily in the areas reviewed, including Board composition and meeting process, board information, training, board dynamics, board accountability and effectiveness.

Additionally the Board undertakes annual anti-money laundering training and the Jersey-resident Directors

undertake the required hours of continuing professional development in accordance with their profession and Jersey regulations including training on areas relating to the Company's activities such as specialist renewable sectors.

The Board attempts to ensure that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective. Biographical details of the Directors are shown on page 30.

## Board operation

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 on page 41.

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 annual budget;
- regular reports from the Board's committees;
- the Annual report and financial statements and half-yearly report;
- the Company's dividend policy; and
- organisational capability and succession planning.

## Committees

In December 2013 the Company announced its intention to acquire the remainder of shares in the Subsidiary, GCP Infrastructure Fund (renamed "GCP Infrastructure Asset Holdings Limited") such that the Subsidiary was to become wholly-owned by the Company. The Scheme was approved by a vote of minority shareholders in the Subsidiary on 22 January 2014 and on 7 February 2014 the Subsidiary became wholly-owned by the Company.

In connection with the Scheme, and with effect from 7 February 2014, the Company effected a restructure of corporate governance, advisory and certain other arrangements to reflect the new company structure. The new structure included the formation of three new committees, an Investment Committee, a Management Engagement Committee and a Nomination Committee, as well as the existing Audit Committee.

## Remuneration Committee

The Directors are all non-executive and the fees for their services are approved by the Board as a whole. Details of the Directors' remuneration are provided in the Remuneration report on pages 35 to 37 and in note 6 to the consolidated financial statements.

## Audit Committee

The membership and activities of the Audit Committee are described in its report on pages 44 and 45.

### Investment Committee

The Investment Committee comprises of three Directors, namely Clive Spears (Chairman), Trevor Hunt and Paul de Gruchy. The Board has agreed terms of reference for the Committee which is bound to meet to consider each new investment proposal received from the Investment Adviser and attendant advisory reports and recommendations. The Committee has met six times since its inception in February 2014. The Committee is also responsible for ensuring key conditions precedent are complied with for each deal and for sign off on release of capital advances.

### Management Engagement Committee

The Management Engagement Committee comprises of all Directors of the Company in view of the wide remit of the Committee. The Board has agreed terms of reference for the Committee, which meets at least once a year to consider the performance of the Investment Adviser and other third party service providers; the terms of their engagement and to consider their continued appointment. The Committee met on two occasions last year for an interrogative workshop and follow up session and recommended that Gravis Capital Partners LLP be retained as Investment Adviser in addition to the continued engagement of the third party service providers whom the Committee independently evaluated.

### Nomination Committee

The Nomination Committee comprises Ian Reeves, Clive Spears and David Pirouet. The function of this Committee is to consider appointments to the Board and its individual committees in the context of the requirements of the Company and its need to have a balanced and effective Board. The Nomination Committee is also obliged to consider succession planning for Directors with particular attention paid to the challenges and opportunities facing the company. Gender and diversity are taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Although the Committee has not set any measurable objectives in respect of a diversity (including gender) policy, it is keenly aware of the importance of diversity when making future

appointments to the Board. However the Committee would like to emphasise that all appointments to the Board are based on merit. The Committee believes the Directors provide, individually and collectively, the necessary breadth of skills and experience to run the Company. Following the Company restructure in February 2014, Paul de Gruchy and Clive Spears were appointed as Directors of the Company. As they had previously held directorships in the Subsidiary, it was considered beneficial and in the interests of continuity for them to be appointed Directors of the Company. As a result neither an external consultancy nor open advertising was used in the appointment of Mr Spears and Mr de Gruchy as non-executive Directors of the Company in light of their knowledge and experience of the Company's activities.

The Nomination Committee held its first meeting on 16 October 2014 to review the externally facilitated board review report produced by Thomas & Dessain; to discuss succession planning and to agree those Directors who are required to retire at the next Annual General Meeting and put themselves forward for re-election by the Company's shareholders. At this meeting, the Committee noted that each of the Directors had expressed an intention to continue as Directors of the Company for the foreseeable future. The Committee also agreed that Clive Spears would assume the role of Deputy Chairman in the event of Ian Reeves unavailability.

Based on the outcome of the Board performance evaluation process, the Nomination Committee agreed to recommend the re-appointment of Ian Reeves. The Committee believes that Mr Reeves has continued to make valuable contributions to the Company and has exercised his judgement and expressed his opinions in an independent manner. As Paul de Gruchy and Clive Spears were appointed as Directors on 7 February 2014, their appointment will also be subject to election at the forthcoming Annual General Meeting.

The terms of reference for each of the Committees are available on request from the Company Secretary or from the Company's/Investment Adviser's website at [www.gcuk.com](http://www.gcuk.com).

### Meetings

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

Director	Quarterly Board meetings	Ad-hoc Board meetings	Audit Committee	Nomination Committee	Management Engagement Committee	Investment Committee
Ian Reeves	3	11	3	—	2	N/A
David Pirouet	3	17	3	—	2	N/A
Trevor Hunt	3	18	1	N/A	2	4
Clive Spears*	2	18	2	—	2	6
Paul de Gruchy*	1	11	N/A	N/A	2	5

\*Clive Spears and Paul de Gruchy were appointed to the Board on 7 February 2014.

# Corporate governance statement continued

## Conflicts of interest

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

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

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

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

## Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, through its Directors, Investment Adviser and joint stockbrokers, engages in ongoing communication with its shareholders. The Board encourages 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 Chairmen of each of the Committees are made available at general meetings of the Company to answer any questions posed by the shareholders.

The Company's annual and interim results are dispatched to shareholders by mail and are also available to download from the Investment Adviser's website [www.gcpuk.com](http://www.gcpuk.com). This information is supplemented by the monthly calculation and publication at the London Stock Exchange of the NAV of the Company's shares and the publication of a monthly factsheet by the Investment Adviser.

In the annual report the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The various sections of the Strategic Report on pages 8 to 29 provide further information.

Communication of up-to-date information is provided through the website at <http://www.gcpuk.com/gcp-infrastructure-investments-ltd>.

## Internal controls and risk management review

The Directors acknowledge that they have overall responsibility for ensuring that there are in place, systems of internal control, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board reviews all financial performance and results notifications together with the Investment Adviser. Non-financial internal controls include the systems of operational and compliance controls maintained by the Administrator and the Investment Adviser in relation to the Company's business as well as the management of key risks as referred to in the Directors' report.

Responsibility for accounting and secretarial services has been contractually delegated to the Administrator. The Administrator has established its own system of internal controls in relation to these matters, details of which have been reviewed by the Board as part of the bi-annual risk assessment.



### Internal control assessment process

The Board conducts a risk assessment on a bi-annual basis. The review covers the operation, compliance and financial risks facing the Company. The Directors confirm that by means of the procedures set out above, and in accordance with the UK Corporate Governance Code and the AIC Code and Guide, they have established a continuing process for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. This process has been in place throughout and subsequent to the accounting year under review.

### AIFMD

The Company is classed as an externally-managed alternative investment fund under the Directive. The Board appointed the Investment Adviser as the authorised Alternative Investment Fund Manager to the Company and Capita Trust Company (Jersey) Limited as the Company's depositary under the Directive on 22 July 2014. On 10 September 2014 the Investment Adviser was approved by the Financial Conduct Authority to act as Alternative Investment Fund Manager of the Company for the purposes of the AIFMD.

### AIFM remuneration

The Board have been advised that in line with the deadline set by the FCA on issuing an AIFMD-compliant annual report, detailed information on remuneration of the Company's AIFM need not be disclosed until the next full financial year end, in circumstances where the items of information relating to remuneration are not available to the AIFM in respect of the relevant reporting period in the required form, or that the information that is available to the AIFM will not provide materially relevant, reliable, comparable and clear information to investors about the remuneration policy of the AIFM as it affects the particular AIF.

As the Directive has not been in force for the full annual period, the Company's AIFM has determined that the remuneration information available is not materially relevant as it would only cover the period from 22 July 2014 to 30 September 2014 and would therefore not provide clear information to investors about the AIFM's remuneration policy.

The total annual fee paid to the Investment Adviser by the Company is disclosed in note 17 to the financial statements.

### Annual General Meeting

The Annual General Meeting of the Company will be held on 12 February 2015 at 12 Castle Street, St Helier, Jersey JE2 3RT.

By order of the Board



**Mr Ian Reeves**

Chairman

18 December 2014

# Audit Committee report

## Summary

Revised versions of the Code and the AIC Code and Guide were published in September 2014 and February 2013 respectively with the amended provisions having a specific impact on audit committee reporting. The Board has adopted the provisions set out in the revised codes.

The Audit Committee operates within clearly defined terms of reference, a copy of which is available on request from the Company Secretary. The terms of reference require the Audit Committee to monitor the Company's financial reporting, internal controls and risk management and external audit process. The Audit Committee is responsible for making recommendations to the Board in respect of appointment, re-appointment, remuneration of the auditor and the auditor's plan for the year.

## Composition

The Audit Committee's membership is comprised of three of the Company's Directors and is chaired by David Pirouet, who is a Chartered Accountant and a former audit partner. Following the Company's reorganisation in February 2014, Trevor Hunt stepped down from the Audit Committee and was replaced by Clive Spears. The Board considers that the independence, experience and knowledge of each of the Audit Committee members is sufficient for discharging its responsibilities. The Audit Committee meets at least twice a year.

## Financial reporting

The Audit 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 Audit Committee specifically reviewed the annual report and consolidated financial statements to conclude whether the financial reporting is fair, balanced, understandable, comprehensive and consistent with (i) prior year reporting and (ii) 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 Audit Committee considered if the annual report and consolidated 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.

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

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

- reviewing the effectiveness of the internal control environment of the Company and the Company's compliance with its regulatory requirements;
- 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 valuation. This year the areas examined include: the discount rates applied in the valuation process and the performance of the investments. The Audit 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 external auditor including assessing the conduct and effectiveness of the audit process and the auditor's independence and objectivity, recommending the auditor's re-appointment and approving the auditor's fees; and
- reviewing the Company's compliance with its regulatory obligations in Jersey.

The external auditor is invited to attend the Audit Committee meeting at which the annual report is considered and at which they have the opportunity to meet with the Audit Committee without representatives of the Investment Adviser being present. The Audit Committee has direct access to the external auditor and to key senior staff of the Investment Manager and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company. All recommendations were accepted by the Board.

## Significant issues considered

After discussions with both the Investment Adviser and the external auditor, the Audit Committee determined that the key risks of material misstatement of the Company's financial statements related to:

1. valuation of investments – valuation discount rates;
2. existence and ownership of investments; and
3. performance of the investments.

## Valuation of investments

As outlined in Note 16, the total carrying value of financial assets at fair value at 30 September 2014 was £432.7 million. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements to be made as further explained in Note 16.

The Audit Committee discussed the valuation process and methodology with the Investment Adviser in May, June and October 2014 as part of the review of the interim and annual reports. The Valuation Agent carries out a valuation monthly and provides a detailed valuation report to the Company.

In order to provide further assurance regarding the basis of valuation, the Company meets with the Valuation Agent at least once a year to discuss this as well as reviewing the formal reports from the Valuation Agent on a regular basis.

The Audit Committee met with the external auditor at the time at which the Audit Committee reviewed and agreed the external auditor's audit plan in September 2014 and also at the conclusion of the audit of the financial statements in December 2014 and in particular discussed the audit approach and conclusion on the valuation.

#### Valuation of investments – discount rates

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rate is applied to the expected future cash flows for each investment's financial forecasts derived 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 reflecting their current and extensive experience of the market. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 16.

In particular the Audit 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 also corroborated by the Investment Adviser.

The Audit Committee discussed the material judgements and also compared this to feedback from the Investment Adviser. The Audit Committee were satisfied that the range of discount rates were appropriate for the valuation carried out by the Valuation Agent.

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.

#### Existence and ownership of investments

The Company held 36 investments at the end of the year. The Board reviews the Custodian and Depository report on a quarterly basis, which confirms the existence of the assets at the quarter end date and follows up on any outstanding

issues to confirm that the Company has satisfactory title to all assets held.

The Audit Committee met with the external auditor at the time at which the Audit Committee reviewed and agreed the external auditor approach to the existence of the Company's investments in their plan in September 2014 and at the conclusion of the audit in December 2014.

#### Performance of the investments

The Audit Committee have also considered the performance of each of the investments to ensure they are performing in line with expectations. In doing so, they have discussed with the Investment Adviser the quarterly reports received by them on a detailed basis. They also discussed and reviewed the loan monitoring process put in place by the Investment Adviser.

The Audit Committee concluded that the Investment Adviser's monitoring process was satisfactory and that the investments were performing in line with expectations.

#### External audit

The Audit Committee reviewed the effectiveness of the external audit process during the year, considering performance, objectivity, independence and relevant experience, and concluded that Ernst & Young LLP's appointment as the Company's auditor should be continued. Ernst & Young LLP have been the Company's auditor since inception in 2010 and the audit has not been re-tendered.

The Audit Committee monitors the Company's policy for non-audit services to ensure that the provision of such services by the external auditor does not impair the auditor's independence or objectivity. In order to safeguard auditor objectivity and independence, the chairman of the Audit Committee is required to approve in advance all non-audit work undertaken, for the Company and its subsidiaries, by the auditor.

Ernst & Young LLP provided non-audit services for fees totalling £57,000 for the year to 30 September 2014 (2013: £6,000). Ernst & Young LLP provided non-audit services to support the Company reorganisation and capital raising activity conducted by the Company together with certain tax services provided during the year and this work was performed by completely separate teams of the firm ensuring their objectivity and independence from the audit. Ernst & Young LLP were chosen to carry out this work because of their knowledge of the Company and their experience.



**Mr David Pirouet FCA**

Chairman of the Audit Committee  
18 December 2014

# Statement of Directors' responsibilities

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

The Companies (Jersey) Law 1991 requires the Directors to prepare such financial statements for each financial year. Under Article 105 (2) (a) of that Law, the Directors are required to prepare the Company financial statements in accordance with one of the stated generally accepted accounting principles. The Directors have chosen International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation. Under the Law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 the island of Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the consolidated financial statements, 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 undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For the purposes of the above responsibility statement the information required to be included as set out under 2 above, is presented in the strategic report and the Directors' report.

By order of the Board



**Mr Ian Reeves**

Chairman

18 December 2014



# Independent auditor's report

To the members of GCP Infrastructure Investments Limited

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## What we have audited

We have audited the group financial statements of GCP Infrastructure Investments Limited for the year ended 30 September 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

## Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and audited consolidated financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Our assessment of risks of material misstatement

We identified the following risks that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- revenue recognition;
- valuation of the group's investments; and
- existence and ownership of the group's investments.

In the current year we added the risk that revenue is overstated, as a result of fraud or error, to our assessment of those risks having the greatest impact on our overall audit strategy, resources and audit effort. Whilst always being considered as part of overall audit strategy we deem it appropriate to elevate this risk's significance in the current period to reflect the Company's ongoing focus on achieving a particular desired level of return to investors, and the challenges seen in identifying investments with an appropriate yield to achieve this level of return.

The investments held comprise a portfolio of loan notes measured at fair value through profit or loss and the fair value of these investments is determined through the application by the Board, in conjunction with the Investment Adviser and third-party Valuation Agent, of a discounted cash flow methodology. As such, the valuation risk comprises the risk of errors in both the discount rate applied (including the risk that the factor applied is not appropriate to the circumstances of the Company and its investment portfolio) and the amount and timing of cash flows supporting the interest and capital repayments on the debt positions held by the Company.

# Independent auditor's report continued

To the members of GCP Infrastructure Investments Limited

## Our assessment of risks of material misstatement continued

The Directors' valuation model is based on the assumption that the contractual cash flows underlying each investment will ultimately flow as planned. The "existence and ownership" risk identified comprises the risk that that investment portfolio presented in the consolidated financial statements does not exist, or that GCP Infrastructure Investments Limited does not have the appropriate right to the cash flows derived from these underlying investments.

## Our application of materiality

We determined materiality for the group to be £4.7 million (2013: £1.4 million) which is approximately 1% (2013: 0.5%) of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. The change in the materiality level compared to the prior period arises from a combination of the increase in value of total equity during the period and a reassessment of the materiality threshold based on the nature of the entity, the impact of restructuring on the activity of the sole Subsidiary and the stability of the environment in which the group operates.

On the basis of our risk assessments, together with our assessment of the overall control environment our judgement is that performance materiality was 75% (2013: 75%) of our materiality, namely £3.5 million (2013: £1.1 million). Our objective in adopting this approach was to ensure that detected and undetected audit differences in all accounts did not exceed our materiality level.

We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We have reported to the Audit Committee all audit differences in excess of £0.2 million (2013: £0.07 million) as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The group comprises two components, being GCP Infrastructure Investments Limited and its Subsidiary GCP Infrastructure Asset Holdings Limited.

The primary accounting and administrative activities are conducted in the same geographical locations and by the same service providers for both identified components and the Subsidiary is now wholly-owned as a result of restructuring during the year, and as a result requires no separate statutory audit opinion.

Audit work covering both components was conducted as a single audit process and was carried out by the same audit team.

Our response to the risks identified above was as follows:

## Revenue recognition

The material components of investment income reported in the consolidated statement of comprehensive income comprise unrealised gains on the investment portfolio and interest received on the loan notes held by the group.

Our work in respect of unrealised gains on investments was derived from the work performed on year end investment valuation at the current and prior year end.

In respect of interest received on loan notes our audit procedures included, on a sample basis, agreement of interest terms and rates to supporting documentation and recalculation of interest receivable.

## Valuation of investments

The primary focus of our audit work related to the judgements being exercised in respect of the valuation of investment. These judgements related to the appropriateness of the discount rate applied and the risk of disruption to the cash flows underlying the investment portfolio.

In respect of the overall valuation methodology and specifically the discount rate applied to investments held, we have involved our internal valuation experts. Their role was to consider the appropriateness of the valuation techniques applied together with specific audit work around the discount rates used in the valuation of the year end investment portfolio. This work included dialogue with the client appointed Valuation Agent, consideration of the inputs used and assumptions applied by the Valuation Agent together with obtaining evidence to support these inputs where relevant.

We conducted audit procedures on the valuation model, focusing on cash flows, which included understanding and testing key assumptions made by the Board and dialogue with the Investment Adviser, including inspection of documentation, to determine whether circumstances exist that indicate an elevated risk of disruption to cash flows over the life of investments. In addition, on a sample basis our audit procedures included agreement of key investment terms to supporting documentation and recalculation of valuations.

### Existence and ownership of investments

Our audit approach included updating our understanding of the processes operating in respect of the capture and update of investment transactions and substantive audit testing together with obtaining independent confirmation from the custodian of all of the group's investments and reconciling this to the books and records of the Company.

In addition for all new investments entered into during the period we reconciled the key detail (including term, principal and interest rate) in the books and records of the Company to the loan note agreements held by the custodian.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.



**Mr Geraint Davies**

for and on behalf of Ernst & Young LLP

Jersey

18 December 2014

Notes:

1. The maintenance and integrity of the Gravis Capital Partners LLP website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated statement of comprehensive income

For the year ended 30 September 2014

	Notes	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
<b>Income</b>			
Investment income		41,660	27,334
Arrangement fee income		1,808	1,420
Deposit interest income		184	447
		<b>43,652</b>	29,201
<b>Expense</b>			
Acquisition costs		(414)	(978)
Investment advisory fees	17	(3,544)	(2,230)
C share issue costs		(1,767)	(2,233)
Operating expenses		(2,843)	(1,713)
		<b>(8,568)</b>	(7,154)
<b>Total operating profit before finance costs</b>		<b>35,084</b>	22,047
<b>Finance costs</b>			
Interest expense	5	—	(21)
Distributions to non-controlling interest		(4,233)	(2,504)
		<b>(4,233)</b>	(2,525)
<b>Profit for the year</b>		<b>30,851</b>	19,522
Other comprehensive income		—	—
<b>Total comprehensive income</b>		<b>30,851</b>	19,522
Earnings per share (p)	9	<b>9.0577</b>	10.2188

# Consolidated statement of financial position

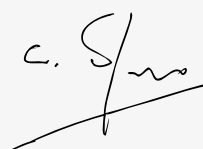
As at 30 September 2014

	Notes	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Assets</b>			
Cash and cash equivalents	14	38,781	25,391
Amounts receivable on subscription of Subsidiary shares		—	1,151
Other receivables and prepayments		576	96
Amounts held on security account	13	1,384	1,880
Financial assets at fair value through profit or loss	16	432,727	344,142
<b>Total assets</b>		<b>473,468</b>	<b>372,660</b>
<b>Liabilities</b>			
Amounts payable on redemption of Subsidiary shares		—	(64)
Other payables and accrued expenses	12	(1,281)	(1,851)
Amounts held on security account	13	(1,384)	(1,880)
Financial liabilities at fair value through profit or loss	16	—	(75,249)
<b>Total liabilities</b>		<b>(2,665)</b>	<b>(79,044)</b>
<b>Net assets</b>		<b>470,803</b>	<b>293,616</b>
<b>Capital and reserves</b>			
Share capital	15	4,504	2,814
Share premium	15	461,402	287,239
Other capital reserves		101	66
Retained earnings		4,796	3,497
<b>Total capital and reserves</b>		<b>470,803</b>	<b>293,616</b>

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



**Mr David Pirouet FCA**  
Director  
18 December 2014



**Mr Clive Spears**  
Director  
18 December 2014



# Consolidated statement of changes in equity

For the year ended 30 September 2014

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 October 2012</b>		1,206	121,638	19	(1,091)	121,772
Profit for the year		—	—	—	19,522	19,522
Equity shares issued	15	1,608	165,601	—	—	167,209
Transfer to capital redemption reserve		—	—	47	—	47
Dividends	8	—	—	—	(14,934)	(14,934)
<b>At 1 October 2013</b>		2,814	287,239	66	3,497	293,616
Profit for the year		—	—	—	30,851	30,851
Equity shares issued	15	1,690	174,163	—	—	175,853
Transfer to capital redemption reserve		—	—	35	—	35
Dividends	8	—	—	—	(29,552)	(29,552)
<b>At 30 September 2014</b>		<b>4,504</b>	<b>461,402</b>	<b>101</b>	<b>4,796</b>	<b>470,803</b>

# Consolidated statement of cash flows

For the year ended 30 September 2014

	Notes	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
<b>Cash flows from operating activities</b>			
Total operating profit before finance costs		35,084	22,047
Movement in fair value of financial assets at fair value through profit or loss	3	(10,070)	(14,697)
Movement in fair value of financial liabilities at fair value through profit or loss	3	(2,161)	3,192
(Decrease)/increase in other payables and accrued expenses		(570)	1,049
(Increase)/decrease in other receivables and prepayments		(480)	34
<b>Net cash flow generated from operating activities</b>		<b>21,803</b>	<b>11,625</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets		(116,513)	(173,518)
Capital repayments on financial assets		748	1,144
Prepayments received on financial assets		37,250	—
<b>Net cash flow used in investing activities</b>		<b>(78,515)</b>	<b>(172,374)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		100,049	166,408
Distributions paid		(27,379)	(14,088)
Payment (to)/from non-controlling interest		(2,568)	24,318
Interest expense		—	(90)
<b>Net cash flow generated from financing activities</b>		<b>70,102</b>	<b>176,548</b>
Net increase in cash and cash equivalents		13,390	15,799
Cash and cash equivalents at beginning of the year		25,391	9,592
<b>Cash and cash equivalents at end of the year</b>	14	<b>38,781</b>	<b>25,391</b>
<b>Non-cash items</b>			
Decrease in amounts held on security account		496	(233)
Decrease in amounts held on security account payable		(547)	236
Increase in interest held on security account payable		51	(3)
		—	—
<b>Non-cash items arising from switching shares</b>			
Issue of share capital and share premium		73,666	12,109
Redemption of non-controlling interests		(73,666)	(12,109)
		—	—
<b>Net cash generated by operating activities includes</b>			
Deposit interest received		186	439
Investment income received		29,426	15,829
		29,612	16,268

# Notes to the consolidated financial statements

For the year ended 30 September 2014

## 1. General Information

GCP Infrastructure Investments Limited is a public company domiciled and incorporated in Jersey with registration number 105775, on 21 May 2010. The Company is governed by the provisions of the Companies (Jersey) Law, 1991, as amended, and the Collective Investment Funds (Jersey) Law 1988.

The Company is a closed-ended investment company incorporated under the laws of Jersey. The ordinary shares of the Company are listed on the Main Market of the London Stock Exchange.

These consolidated financial statements consolidate the financial statements of the Company and its Subsidiary.

The Company makes infrastructure investments through acquiring (or acquiring interest in) debt instruments issued by infrastructure project companies (or by their existing lenders or holding vehicles) that are contracted by the public sector to design, finance, build and operate public infrastructure assets.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board ("IASB") as they apply to the financial statements of the Company for the year as required by IFRS and as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The consolidated financial statements are presented in Sterling and all values have been rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

These consolidated financial statements consolidate the financial statements of the Company and its Subsidiary, on the basis that it has the power to exercise control over the operations of the Subsidiary. All transactions and balances between the Company and the Subsidiary have been eliminated on consolidation. Prior to the acquisition of the outstanding ordinary redeemable income shares and ordinary redeemable accumulation shares of the Subsidiary on 7 February 2014, the shares were classified as financial liabilities at fair value through profit or loss within the consolidated statement of financial position.

One of the methods used by the Company to raise new capital is through C share issues which convert in accordance with the C share prospectus into ordinary shares. When in issue, the net assets attributable to the C share class are accounted for and managed by the Company as a distinct pool of assets, with the Company ensuring that separate cash accounts are created and maintained. Similarly, C share cash invested by the Company is managed as a distinct pool of C share assets.

### Changes to accounting standards and interpretations

The accounting policies adopted are consistent with those of the prior financial year, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Company has applied, for the first time, IFRS 13 Fair Value Measurement. The information disclosed in relation to financial instruments is consistent with that of the prior year.

The following accounting standards and their amendments were in issue at the year-end but will not be in effect until after this financial year. Other than the impact of the IFRS 10 amendments for Investment Entities, these new and amended standards are not expected to significantly impact the presentation of amounts reported in the financial statements.

- IFRS 9 Financial Instruments – classification and measurement (effective for annual periods beginning on or after 1 January 2018).
- IFRS 10 Consolidated Financial Statements – amendments for investment entities (effective for annual periods beginning on or after 1 January 2014). The Directors will assess any impact that IFRS 10 may have on the Company and the Subsidiary in the future. The assessment will be completed in advance of the mandatory application date of the standard.
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities – amendments for investment entities (effective for annual periods beginning on or after 1 January 2014).

- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014).
- IFRS 15 Revenue from Contracts with Customers (effective for annual period beginning on or after 1 January 2017).
- IAS 24 Related Party Disclosures on key management personnel (effective for annual periods beginning on or after 1 July 2014).
- IAS 27 Separate Financial Statements amendments for investment entities (effective for annual periods beginning on or after 1 January 2014).
- IAS 27 Separate Financial Statements (as amended in 2011) – previously IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) – previously IAS 28 Investments in Associates (effective for annual periods beginning on or after 1 January 2014).
- IAS 32 Financial Instruments: Presentation – amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014).
- IAS 36 Impairment of Assets – amendments arising from “Recoverable Amount Disclosures for Non Financial Assets” (effective for annual periods beginning on or after 1 January 2014).
- IAS 39 Financial Instruments: Recognition and Measurement – clarity provided on the novation of a hedging derivative (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 21 Levies – provides guidance for when to recognise the liability for a levy imposed by a government (effective for annual periods beginning on or after 1 January 2014).

## 2.2 Significant accounting judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the consolidated 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. For more details, refer to note 16.

### 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. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

## 2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### (a) Financial Instruments

#### (i) Classification

The Company classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39.

Financial assets and liabilities at fair value through profit or loss

This category consists of financial instruments designated at fair value through profit or loss upon initial recognition. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company, as set out in the prospectus dated 12 February, 2014. The financial information about the financial assets of the Company is provided by the Investment Adviser to the Directors of the Subsidiary with the valuation model being supplied by the Valuation Agent.

In accordance with IAS 32 (Financial Instruments: Presentation) the Company’s C share class fund when in existence, is designated as a financial liability on the Company’s consolidated statement of financial position, due to the obligation to convert the C shares to ordinary shares and the inherent variability in the number of ordinary shares attributable to C shareholders on conversion.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 2. Significant accounting policies continued

### 2.3 Summary of significant accounting policies continued

#### (a) Financial Instruments continued

##### (ii) Recognition

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.

##### (iii) Derecognition

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

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

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

##### (iv) Initial measurement

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

##### (v) Subsequent measurement

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 the consolidated statement of comprehensive income.

The Company's liability to the C shareholders is also carried at fair value, being the NAV on the reporting date of the C share class fund. Any profits or losses relating to the C share class fund are expensed as finance costs in the consolidated statement of comprehensive income.

#### (b) Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealised gains and losses resulting from intercompany transactions and distributions are eliminated in full.

#### (c) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.



Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

#### (d) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referenced to appropriate current market data, and discounted cash flow analysis, at all times making as much use of available and supportable market data as possible.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 16.

#### (e) Functional and presentation currency

The primary objective of the Company is to generate returns in Sterling, its capital-raising currency. The Company's performance is evaluated in Sterling. Therefore, the Directors consider Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have therefore adopted it as the presentation currency.

#### (f) Dividends paid to shareholders

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

#### (g) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flow 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.

#### (h) Interest revenue and expense

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 consolidated statement of comprehensive income.

Interest expense in the consolidated statement of comprehensive income comprise of loan arrangement and commitment fees and interest accrued on the credit facility incurred in connection with the borrowing of funds by the Subsidiary. Interest expense is accounted for on the effective interest basis.

#### (i) Net movement on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'held at fair value through profit or loss' and interest receivable on financial assets and liabilities.

Loan interest comprises interest receipts in relation to the Subsidiary's debt instruments. Interest is recognised on the effective interest basis.

#### (j) Fees and commissions

Arrangement fee income comprises reimbursement of fees relating to the issue and setup of loan notes by the respective project companies. The income and related expense is recognised in the consolidated statement of comprehensive income upon completion of the relevant deal.

With the exception of arrangement fee income, fees and commissions in the consolidated statement of comprehensive income and the consolidated statement of financial position are recognised on an accruals basis.

#### (k) Distributions to non-controlling interests

Distributions are recognised in the consolidated statement of comprehensive income in the period they fall due and are in relation to distributions payable by the Subsidiary to the non-controlling interests (classified as financial liabilities at fair value through profit or loss). This is in accordance with the Subsidiary's constitution and the Subsidiary will distribute the income it receives to the fullest extent that is deemed appropriate. These distributions were last paid in November 2013.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 2. Significant accounting policies continued

### 2.3 Summary of significant accounting policies continued

#### (I) Share capital

The Directors of the Company continually assess the classification of the ordinary shares and C 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. If the C shares subsequently have all the features and meet the conditions as equity, they will be reclassified as equity instruments and measured at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of ordinary shares are accounted for as equity transactions and the issuance and acquisition of C shares as liability transactions.

Upon issuance of shares, the consideration on the ordinary shares received is included in equity and the consideration received on the C shares is included in financial liabilities.

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.

Own equity instruments which are acquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3. Segment information

For management purposes, the Company is organised into one main operating segment. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

### Operating income

The following table analyses the Company's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the counterparty.

	30 September 2014 £'000	30 September 2013 £'000
Channel Islands	184	447
United Kingdom	43,468	28,754
<b>Total</b>	<b>43,652</b>	<b>29,201</b>

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

	30 September 2014 £'000	30 September 2013 £'000
Cash and cash equivalents	184	447
Financial assets and liabilities at fair value through profit or loss	43,468	28,754
<b>Total</b>	<b>43,652</b>	<b>29,201</b>

The table below analyses the operating income derived from the Company's financial assets and liabilities at fair value through profit or loss.

	30 September 2014 £'000	30 September 2013 £'000
Arrangement fee income	1,808	1,420
Loan interest	29,429	15,829
Movement in fair value of financial assets at fair value through profit or loss	10,070	14,697
Movement in fair value of financial liabilities at fair value through profit or loss	2,161	(3,192)
<b>Total</b>	<b>43,468</b>	<b>28,754</b>

#### 4. Auditor's remuneration

	30 September 2014 £'000	30 September 2013 £'000
Audit fees	40	41
Other fees	57	6
<b>Total</b>	<b>97</b>	<b>47</b>

#### 5. Interest expense

	30 September 2014 £'000	30 September 2013 £'000
Loan arrangement fees	—	12
Loan commitment fees	—	9
<b>Total</b>	<b>—</b>	<b>21</b>

#### 6. Directors' remuneration

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

	30 September 2014 £'000	30 September 2013 £'000
Ian Reeves	57	50
Trevor Hunt	55	40
David Pirouet	49	42
Clive Spears	39	—
Paul de Gruchy	37	—
	<b>237</b>	<b>132</b>
Subsidiary Directors' fees	30	82
Directors' expenses	4	5
Subsidiary Directors' expenses	1	1
<b>Total</b>	<b>272</b>	<b>220</b>

Full details of the Directors' remuneration policy can be found in the Directors' Remuneration report on pages 35 and 37.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 7. Taxation

Profits arising in the Company for the year ended 30 September 2014 are subject to tax at the rate of 0% (30 September 2013: 0%).

## 8. Dividends

Total dividends paid at Company level for the year ended 30 September 2014 totalled 7.60 pence per share (30 September 2013: 7.60 pence per share) as follows:

Payment date	Dividend	Pence	30 September 2014 £'000	30 September 2013 £'000
<b>Current year dividends</b>				
30 September 2014	2014 interim dividend	1.90	—	—
30 June 2014	2014 interim dividend	1.90	6,756	—
31 March 2014	2014 interim dividend	1.90	6,745	—
31 December 2013	2013 interim dividend	1.90	5,359	—
		7.60		
<b>Prior year dividends</b>				
30 September 2013	2013 interim dividend	3.80	10,692	—
27 June 2013	2013 interim dividend	3.80	—	9,895
		7.60		
28 December 2012	2012 interim dividend	3.80	—	5,039
Dividends in consolidated statement of changes in equity			29,552	14,934
Dividends settled in shares*			(2,173)	(846)
<b>Dividends in cash flow statement</b>			<b>27,379</b>	<b>14,088</b>

\*The dividends settled in shares are where shareholders have taken the scrip dividend alternative.

## 9. 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.

	Profit £'000	Weighted average number of ordinary shares	Pence per share
<b>Year ended 30 September 2014</b>			
Basic and diluted earnings per ordinary share	30,851	340,605,066	9.0577
<b>Year ended 30 September 2013</b>			
Basic and diluted earnings per ordinary share	19,522	191,044,696	10.2188

## 10. Business combinations

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary, for the year ended 30 September 2014.

### Acquisition of additional holdings in the Subsidiary

On 1 October 2013, the Company held 271,195,622 ordinary redeemable income shares at a fair value of £284,645,808 representing 80.43% of the issued share capital of the Subsidiary, with a non-controlling interest share of 19.57% of the issued share capital of the Subsidiary.

On 31 December 2013, the Company bought an additional 706,148 ordinary income shares at a fair value of £750,000. At this point the Company owned 80.39% of the issued share capital of the Subsidiary (and an equivalent percentage of the voting rights), with a non-controlling interest share of 19.61% of the issued share capital of the Subsidiary held by other parties.

On 7 February 2014, by way of a scheme of arrangement, the Subsidiary became a wholly-owned (100%) subsidiary of the Company. In accordance with the elections made by minority Subsidiary shareholders, the Company issued 49,151,762 ordinary shares to the minority Subsidiary shareholders, issued 23,590,600 ordinary shares to GCP Infrastructure OEIC Limited and paid £674,665 in cash to the minority Subsidiary shareholders. The non-controlling interests of the Subsidiary at the time of the scheme of arrangement amounted to 19.58% of the issued share capital and had a value of £74.3 million. The scheme of arrangement was implemented after the Directors reviewed the most appropriate structure for the Company. Further information is available in the Company's announcement to the London Stock Exchange dated 20 December 2013.

Transactions with owners have not resulted in any material fair value gains or losses, therefore no further disclosure has been made.

## 11. Restructure costs

The restructure costs are the costs incurred to affect the scheme of arrangement whereby the Company acquired the shares held by the non-controlling interests in the Subsidiary. The total costs associated with the restructure were £0.4 million and are shown as acquisition costs in the statement of comprehensive income.

## 12. Other payables and accrued expenses

	30 September 2014 £'000	30 September 2013 £'000
Investment advisory fees	940	1,268
Legal and professional fees	—	275
Other expenses	341	308
<b>Total</b>	<b>1,281</b>	<b>1,851</b>

## 13. Amounts held on security account

	30 September 2014 £'000	30 September 2013 £'000
Amounts held on security account payable	1,318	1,865
Interest payable on security account	66	15
<b>Total</b>	<b>1,384</b>	<b>1,880</b>

Amounts held on security account relates to a cash deposit of £1,384k (30 September 2013: £1,880k) belonging to GPFI Holdings Limited. The cash is held in a segregated Company account. The Company is holding the cash as collateral to protect the Company against under performance of the GPFI loans.

In the event that the GPFI loans perform as expected the funds within the security account will be released over time, but will remain above £1,000k for as long as the Company owns GPFI loans.

The amount is held as an asset and a liability on the face of the consolidated statement of financial position.



# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 14. Cash and cash equivalents

	30 September 2014 £'000	30 September 2013 £'000
Cash and cash equivalents	38,432	936
Subsidiary cash and cash equivalents	349	24,455
<b>Total</b>	<b>38,781</b>	<b>25,391</b>

## 15. Authorised and issued share capital

Share capital	Number of shares	30 September 2014 £'000
<b>Ordinary shares issued and fully paid</b>		
At 1 October 2013	281,384,013	2,814
Issued in the year	169,036,650	1,690
<b>At 30 September 2014</b>	<b>450,420,663</b>	<b>4,504</b>
Share premium	30 September 2014 £'000	30 September 2013 £'000
<b>Ordinary shares issued and fully paid</b>		
Opening balance	287,239	121,638
Issued in the year	174,163	165,601
<b>At 30 September 2014</b>	<b>461,402</b>	<b>287,239</b>

The Company's share capital is represented by ordinary shares, in addition to C shares and deferred shares when in issue. Quantitative information about the Company's capital is provided in the consolidated statement of changes in equity.

The Company is authorised to issue 700 million ordinary shares, 150 million C shares and 150 million deferred shares, each having a par value of 1 pence per share.

The ordinary shares, and C shares when in issue, carry the rights to assets attributable to their respective share class and do not carry the rights to assets attributable to the Company as a whole.

The ordinary shares and C 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 or C share is entitled to attend meetings of shareholders and, on a poll, to one vote for each share held.

The deferred shares do not carry the right to dividends out of the profits available for distribution or assets attributable to the Company and are in existence for C share conversion purposes only. As at 30 September 2014, there were no deferred shares in issue (30 September 2013: nil).

On 30 December 2013, the Company issued 651,693 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 April 2013 to 30 September 2013. The shares were issued for 108.35 pence per share and the market price on the day of the issue was 113.00 pence per share.

On 7 February 2014, the Company issued 72,742,362 new ordinary shares following the scheme of arrangement to acquire 100% of the Subsidiary. The shares were issued for 101.27 pence per share (net asset value as at 31 January 2014) and the market price on the day of the issue was 109.00 pence per share.

On 25 February 2014, the Company issued 280,096 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 August 2013 to 31 December 2013. The shares were issued for 108.55 pence per share and the market price on the day of the issue was 111.00 pence per share.

On 13 March 2014, the Company announced the successful issuance of 80,000,000 C shares following a fundraising of £80 million. The shares were issued at 100 pence per share.

On 28 May 2014, the Company issued 514,285 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 January 2014 to 31 March 2014. The shares were issued for 112.85 pence per share and the market price on the day of the issue was 116.75 pence per share.

On 8 August 2014, the C shares were converted into 76,456,000 new ordinary shares. As part of the conversion, 3,544,000 deferred shares were issued and subsequently cancelled on 29 August 2014. The reserves movement in respect of the issue and cancellation of the deferred shares is shown in other reserves. The shares were issued for 103.19 pence per share (net asset value as at 1 August 2014) and the market price on the day of the issue was 113.25 pence per share.

On 27 August 2014, the Company issued 535,071 new ordinary shares following the offer of scrip dividend alternative for the interim dividend for the period 1 April 2014 to 30 June 2014. The shares were issued for 112.95 pence per share and the market price on the day of the issue was 115.50 pence per share.

On 19 September 2014, the Company issued 17,857,143 new ordinary shares following the fundraising of £20 million by way of a tap issue. The shares were issued for 112.00 pence per share and the market price on the day of the issue was 116.00 pence per share.

As at 30 September 2014, the Company's issued share capital comprised 450,420,663 ordinary shares, none of which were held in treasury.

Following the Company reorganisation in February 2014, the Company owns the entire issued share capital of the Subsidiary, which consists of 317,828,580.10 ordinary shares of £1 each.

## 16. Financial instruments

### 16.1 Capital management

The Company is wholly funded from equity balances, comprising issued ordinary share capital and retained earnings as detailed in note 15. The Company's objectives, policies and processes for managing the Company's capital are set out in the Strategic Report on pages 8 to 29.

The Company may borrow up to 20% of its NAV as at such time any such borrowings are drawn down. No borrowings were made during the year and subsequently this obligation has been complied with.

### 16.2 Financial risk management objectives

The Company has an investment policy and strategy as summarised in its prospectus dated 12 February 2014 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 investment guidelines. The Company's investment activities expose it to various types of risk 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, interest rate risk, credit risk and liquidity risk.

### 16.3 Market risk

The Company's portfolio of assets is held at fair value, and their values are monitored on a monthly basis by the Valuation Agent. There is a risk that market movements may decrease the value of the Company's assets without regard to the assets underlying performance.

The Valuation Agent considers the movements in comparable credit markets and publicly available information around each project in assessing the expected future cash flows from each investment.

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the Company is calculated by applying relevant market discount rate to the contractual cash flow expected to arise from each such asset.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 16. Financial instruments continued

### 16.3 Market risk continued

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

- Sterling interest rates;
- movements of comparable credit markets; and
- observable yield 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.

The Valuation Agent utilises the key valuation inputs set out above to determine an appropriate valuation for each investment. In the year there has been a tightening of yields available on secondary PFI and operational renewables assets, and with this in mind the Valuation Agent in March 2014 decided to revalue certain assets in the portfolio upwards. This led to a £9.3 million revaluation gain on the portfolio. The weighted average discount rate at 30 September 2014 was 8.84%, a decrease of 37 basis points from 9.21% as at 30 September 2013.

The valuations are reviewed by the Investment Adviser and reviewed and approved by the Directors on a monthly basis.

The table below shows how changes in discount rate affect the changes in the valuation of financial assets at fair value:

30 September 2014					
Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	417,825	425,163	432,727	440,519	448,554
Change in value of financial assets at fair value (£'000)	(14,902)	(7,564)	—	7,792	15,827
30 September 2013					
Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Value of financial assets at fair value (£'000)	333,491	338,718	344,142	349,742	355,554
Change in value of financial assets at fair value (£'000)	(10,651)	(5,424)	—	5,600	11,412

As at 30 September 2014, the discount rates used in the valuation of financial assets ranged from 7.75% to 10.97%.

### 16.4 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing level of market interest rates on the fair value of financial assets and liabilities, future cash flows and borrowings.

Interest rate risk has the following effect:

#### Fair value of financial assets and liabilities

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 Company's 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 senior debt has been hedged where appropriate.

### Borrowings

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

### 16.5 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. Credit risk is generally higher when a non exchange traded financial instrument is involved because the counterparty is not an exchange clearing house. 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 consolidated statement of financial position, the Company's total exposure to credit risk is £473.5 million.

The Directors do not consider credit risk to be a significant input into the valuation process due to the fact that the underlying cash flows supporting the financial instrument are backed by the UK Public sector in the form of subsidy payments (FIT and ROC payments) for renewables transactions or unitary charge payments for PFI transactions. In addition the nature of the underlying projects and the extent of due diligence performed is considered to mitigate any residual credit risk to a level where sensitivity to credit risk is considered to be minimal.

As a result no separate sensitivity analysis has been provided in respect of the change in fair value of financial instruments that is attributable to a change in credit risk.

The Investment Adviser uses detailed cash flow forecasts to assess the credit worthiness of project companies and their ability to pay all costs as they fall due. After an investment is made, the forecasts are regularly updated with information provided by the project companies in order to monitor ongoing financial performance.

The project companies will receive a significant portion of revenue from Government departments and public sector or local authority clients.

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

Concentration of credit risk to any project company did not exceed 10% of the Company's portfolio as at year end.

Concentration of credit risk associated with counterparties is deemed to be low. The counterparties are typically public sector entities and in the view of the Investment Adviser and Board, the UK Government has both the ability and willingness to satisfy its obligations.

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

The Directors consider the change in fair value of financial instruments that is attributable to change in credit risk is considered to be insignificant and therefore no sensitivity analysis has been provided in this respect.

### 16.6 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 or redeem its shares earlier than expected.

The following table analyses all of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period from 30 September 2014 to the contractual maturity date. The cash flows are on an undiscounted basis. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company. Both assets and liabilities are presented on an undiscounted basis to ensure consistency of presentation.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 16. Financial instruments continued

### 16.6 Liquidity risk continued

Ordinary shares 30 September 2014	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	No stated maturity £'000	Total £'000
<b>Financial assets</b>						
Cash and cash equivalents	38,781	—	—	—	—	38,781
Other receivables and prepayments	—	—	576	—	—	576
Amount held on security account	—	—	—	1,384	—	1,384
Financial assets at fair value through profit or loss	8,567	4,133	31,857	956,733	—	1,001,291
<b>Total financial assets</b>	<b>47,348</b>	<b>4,133</b>	<b>32,433</b>	<b>958,117</b>	<b>-</b>	<b>1,042,032</b>
<b>Financial liabilities</b>						
Other payables and accrued expenses	—	1,259	—	—	—	1,259
Amounts held on security account	—	—	—	1,384	—	1,384
<b>Total financial liabilities</b>	<b>—</b>	<b>1,259</b>	<b>—</b>	<b>1,384</b>	<b>—</b>	<b>2,643</b>
Ordinary shares 30 September 2013	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	No stated maturity £'000	Total £'000
<b>Financial assets</b>						
Cash and cash equivalents	25,391	—	—	—	—	25,391
Amounts receivable on subscription of Subsidiary shares	1,151	—	—	—	—	1,151
Other receivables and prepayments	—	—	96	—	—	96
Amount held on security account	—	—	—	1,880	—	1,880
Financial assets at fair value through profit or loss	7,856	2,329	21,563	739,819	—	771,567
<b>Total financial assets</b>	<b>34,398</b>	<b>2,329</b>	<b>21,659</b>	<b>741,699</b>	<b>—</b>	<b>800,085</b>
<b>Financial liabilities</b>						
Amounts payable on redemption of Subsidiary shares	64	—	—	—	—	64
Other payables and accrued expenses	—	1,851	—	—	—	1,851
Amounts held on security account	—	—	—	1,880	—	1,880
Financial liabilities at fair value through profit or loss	—	—	—	—	75,249	75,249
<b>Total financial liabilities</b>	<b>64</b>	<b>1,851</b>	<b>—</b>	<b>1,880</b>	<b>75,249</b>	<b>79,044</b>



## 16.7 Fair values of financial assets and liabilities

The Company's existing financial assets are designated as financial assets at fair value through profit or loss. As at the 30 September 2014 the Company held no financial liabilities at fair value through profit or loss.

### Basis of determining fair value

The Valuation Agent carries out monthly fair valuations of the financial assets of the Subsidiary. These valuations are reviewed by both the Investment Adviser and the directors of the Subsidiary. The basis for the Valuation Agent's valuations is described in section 16.3.

### 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 one 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 table below summarises all securities held by the Company based on the fair valuation technique adopted.

	Fair value hierarchy	30 September 2014 £'000	30 September 2013 £'000
<b>Financial assets at fair value through profit or loss</b>			
Loan notes (historical cost 2014: 317,909k, 2013: 251,247k)	Level 2	<b>347,153</b>	260,130
Loan notes (historical cost 2014: 84,603k, 2013: 72,750k)	Level 3	<b>85,574</b>	84,012
		<b>432,727</b>	344,142
<b>Financial liabilities at fair value through profit or loss</b>			
Non-controlling interest	Level 2	—	75,249

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 transaction in the biomass sector, the Directors have classified the Company's investments in biomass projects as level 3.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 16. Financial instruments continued

### 16.7 Fair values of financial assets and liabilities continued

#### Fair value measurements continued

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:

	Loan notes £'000
<b>Opening balance</b>	<b>84,012</b>
Total gains and losses in profit or loss	5,276
Purchases	39,103
Repayments	(37,250)
Loan interest received	(5,567)
<b>Closing balance</b>	<b>85,574</b>
Total gains and losses for the year included in profit or loss for assets held at the end of the year	5,276

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

Change in discount rate	0.50%	0.25%	0.00%	(0.25%)	(0.50%)
Valuation of financial assets at fair value (£'000)	83,175	84,361	85,574	86,818	88,090
Change in valuation of financial assets at fair value (£'000)	(2,399)	(1,213)	—	1,244	2,516

As noted in note 16.3 in determining the discount rate for calculating the fair value of financial assets at fair value through profit or loss, reference is made to Sterling interest rates, movements of comparable credit markets and observable yield on comparable instruments. Hence, movements in these factors could give rise to changes in the discount rate.

The Board of 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 both the cash flow profile, as a result of the listed nature of the loan instruments held, and the significant inputs into the discount rate, other than in respect of Biomass investments as noted above, are market observable. Should the valuation approach change causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly. During the year there were no transfers of investments between levels therefore no further disclosure is considered necessary by the Board of Directors.

## 17. 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 and the Subsidiary are considered to be the key management personnel of the Company. The Subsidiary directors are responsible for the entity holding the investment portfolio and are therefore considered to be key management personnel in the context of the overall group strategy. Remuneration paid to the Directors of the Company for the year (excluding reimbursement of Company-related expenses) totalled £237k (30 September 2013: £132k). Remuneration paid to the Subsidiary directors is detailed in note 6.

### Subsidiary

GCP Infrastructure Asset Holdings Limited (previously GCP Infrastructure Fund Limited) is a wholly-owned subsidiary of the Company. The Subsidiary is used as a holding vehicle for the Company's investments. Clive Spears, Trevor Hunt and Paul de Gruchy serve as directors of the Subsidiary. At 30 September 2014, the Company had a balance receivable of £44.6 million from the Subsidiary. The balance has arisen from the transfer of funds from the Company to the Subsidiary to facilitate the investment in financial assets. There were no other balances outstanding as at 30 September 2014.

### Investment Adviser

The Company is party to an Investment Adviser Agreement with the Investment Adviser, dated 31 January 2014, pursuant to which the Company has appointed the Investment Adviser to provide advisory services relating to the assets on a day-to-day basis in accordance with its investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

For its services to the Company, the Investment Adviser receives an annual fee at the rate of 0.90% of the net asset value of the Company (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.

During the year, the Company incurred £3,544k (30 September 2013: £2,230k) in respect of investment advisory fees and expenses.

Partners of the Investment Adviser also sit on the boards of and control several intermediary investment vehicles which the Company invests in.

The partners of the Investment Adviser hold directly or indirectly, and together with their family members, 1,255,652 ordinary shares.

### Grosvenor PFI Holdings Limited

Whilst not a related party by accounting definition, the owners of Grosvenor PFI Holdings Limited have a 15% non-voting partnership interest in the Investment Adviser. The Subsidiary is a holder of listed loan notes issued by Grosvenor PFI Holdings Limited as part of the overall investment strategy of the Company.

Grosvenor PFI Holdings Limited is 100% owner of and therefore controls several intermediary investment vehicles in which the Subsidiary holds listed loan notes.

# Notes to the consolidated financial statements continued

For the year ended 30 September 2014

## 18. Reconciliation of net asset value

There is no difference between the net asset value calculated in accordance with the terms of the prospectus and the net asset value reported in the financial statements.

## 19. Company contingent liabilities

At 30 September 2014 there were no contingent liabilities (30 September 2013: nil).

## 20. Subsequent events after the report date

On 16 October 2014 the Company announced a final dividend for the year of 1.90 pence per share, which was paid on 25 November 2014.

On 17 November 2014 the Company announced its intention to raise up to £70 million of additional capital by way of a placing of new ordinary shares to allow the Company to take advantage of a number of attractive immediate investment opportunities. On 21 November 2014 the Company announced the placing had been significantly oversubscribed. The Company raised £70 million of gross proceeds through the placing of 62,639,821 new ordinary shares at a price of 111.75 pence. The new ordinary shares were admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities on 25 November 2014.

On 20 November 2014 the Company announced it had committed to subscribe for a loan note of up to £25.2 million with a yield of 10.1% per annum and a term of c. 18 years. The Company advanced £19.8 million at completion and the remainder will be advanced over the next two years. The loan note was issued by GCP Biomass 4 Limited, and the proceeds were used to provide a loan secured on a subordinated basis to part finance the construction of a 20.2MWe wood-fuelled biomass combined heat and power plant on a site in Widnes, Merseyside.

On 18 December 2014 the Company announced it had committed to subscribe for a loan note of up to £45 million with a term of c. 19 years. The Company advanced £18.8 million at completion and the remainder is expected to be advanced over the next few months subject to various conditions. The loan note was issued by GCP Green Energy 1 Limited and the proceeds were used to provide a loan secured on a senior basis against a portfolio of solar and wind assets owned by a wholly-owned subsidiary of Good Energy Group plc.

## 21. Ultimate controlling party

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

# Company information

## The Company

GCP Infrastructure Investments Limited  
12 Castle Street  
St Helier  
Jersey JE2 3RT

## Custodian and depositary

Capita Trust Company (Jersey) Limited  
12 Castle Street  
St Helier  
Jersey JE2 3RT

## Directors

Ian Reeves (Chairman)  
Clive Spears (Deputy Chairman)  
Paul de Gruchy  
Trevor Hunt  
David Pirouet

## Administrator, secretary and registered office of the Company

Capita Financial Administrators  
(Jersey) Limited  
12 Castle Street  
St Helier  
Jersey JE2 3RT

## Investment adviser and AIFM

Gravis Capital Partners LLP\*  
53/54 Grosvenor Street  
London W1K 3HU

## Registrar

Capita Registrars (Jersey) Limited  
12 Castle Street  
St Helier  
Jersey JE2 3RT

## Financial adviser and joint broker

Oriel Securities Limited\*  
150 Cheapside  
London EC2V 6ET

## Joint Broker

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6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Advisers on Jersey Law

Carey Olsen  
47 Esplanade  
St Helier  
Jersey JE1 0BD

## Independent auditors

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey JE1 1EY

## Advisers on English Law

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London EC4R 9HA

## Operational bankers

Lloyds TSB Offshore Limited  
9 Broad Street  
St Helier  
Jersey JE4 8NG

Royal Bank of Scotland  
International Limited  
71 Bath Street  
St Helier  
Jersey JE4 8PJ

## Valuation Agent

Mazars LLP  
Tower Bridge House  
St Katherine's Way  
London E1W 1DD

\* Authorised and regulated by the Financial Conduct Authority.



## Glossary of key terms

AIFMD	Alternative Investment Fund Managers Directive
Borrower	The entity which issues loan notes to GCP Infrastructure Asset Holdings Limited, usually a special purpose vehicle
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
FCA	Financial Conduct Authority
FIT	The Feed-in Tariff
The Law	The Companies (Jersey) Law 1991
LIFT	Local Improvement Finance Trust
NAV	Net asset value
O&M	Operations and maintenance
Ordinary shares	The ordinary share capital of GCP Infrastructure Investments Ltd
PFI	Private Finance Initiative
PF2	Private Finance 2
RHI	The Renewable Heat Incentive
ROCs	Renewable Obligation Certificates
Tap issue	Issue of new equity capital
The Scheme	The reorganisation of the Company such the Subsidiary was to become wholly-owned
The Subsidiary	GCP Infrastructure Asset Holdings Limited (formerly GCP Infrastructure Fund Limited)



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